

**The London School of Economics and Political Science**

*Explaining Success and Failure of Rules-Based  
Distributive Policies*

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## **Declaration**

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## List of Acronyms and Abbreviations

- BPC** ..... Benefício de Prestação Continuada (Continued Assistance Benefit)
- CCT** ..... Conditional Cash Transfer
- FNAS** ..... Fundo Nacional de Assistência Social (National Fund for Social Assistance)
- FNS** ..... Fundo Nacional de Saúde (National Health Fund)
- FP** ..... Fundação Palmares (Palmares Foundation)
- IBGE** ..... Instituto Brasileiro de Geografia e Estatística (Brazilian Institute of Geography and Statistics)
- INCRA** ..... Instituto Nacional de Colonização e Reforma Agrária (National Institute for Colonisation and Land Reform)
- IPEA** ..... Instituto de Pesquisa Econômica Aplicada (Institute for Applied Economic Research)
- MDS** ..... Ministério do Desenvolvimento Social (Ministry for Social Development)
- MPF** ..... Ministério Público Federal (Federal Prosecutor's Office)
- NGO** ..... Non-Governmental Organisation
- PFL** ..... Partido da Frente Liberal (Party of the Liberal Front)
- PNAE** ..... Programa Nacional de Alimentação Escolar (National Programme of School Lunches)

**PNRA** ..... Programa Nacional de Reforma Agrária (National Programme of Land Reform)

**PRI** ..... Partido Revolucionario Institucional (Institutional Revolutionary Party)

**PROGRESA** ... Programa de Educación, Salud y Alimentación (Programme for Education, Health, and Feeding)

**PRONAF** ..... Programa Nacional de Fortalecimento da Agricultura Familiar (National Programme to Strengthen Family Agriculture)

**PRONASOL** ... Programa Nacional de Solidaridad (National Solidarity Programme)

**PSDB** ..... Partido da Social Democracia Brasileira (Party of Brazilian Social Democracy)

**PT** ..... Partido dos Trabalhadores (Workers' Party)

**STN** ..... Secretaria do Tesouro Nacional (Secretariat of the National Treasury)

**SUS** ..... Serviço Único de Saúde (Single Healthcare System)

**TSE** ..... Tribunal Superior Eleitoral (High Electoral Court)

**UCR** ..... Unión Cívica Radical (Radical Civic Union)

The following images have been redacted.

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## **Abstract**

Some governments tackle poverty and inequality by creating well-functioning, rules-based distributive programmes. Others redistribute selectively, showering their loyal supporters with goods, services, and money while denying these things to other citizens, even when those other citizens are very poor. What explains this contrast? Why do some governments prefer politically neutral rules-based forms of redistribution while others prefer highly selective clientelistic redistributive arrangements? This dissertation answers the question by developing a new line of theory. I also test that theory against evidence from a number of Latin American countries, most notably Brazil.

Although rules-based social policies are a cornerstone of the modern welfare state, we know surprisingly little about the politics behind these policies. In this dissertation I show how, in much of Latin America, the development of rules-based programmes can be traced to the electoral incentives of politicians, and of presidents in particular. Forging clientelistic deals with favoured constituents may be a winning strategy for legislators and local officials, but presidents cannot play that game as well and so tend to prefer less particularistic forms of redistribution.

Over the past few decades, rules-based social programmes have emerged for the first time in much of Latin America. However, the reason why these countries have been embracing programmatic redistribution now is not yet clear. Some studies have stressed that the spread of electoral democracy has created incentives for politicians to shift distribution away from powerful groups and towards the poor. For these scholars the emergence of rules-based programmes is a reflection of weakening clientelistic linkages between politicians and voters. Others have argued that, as societies get wealthier, voters have the means to rebel against clientelistic schemes and vote for politicians that favour programmatic distribution. Others still make the point that the rise of left-wing parties is what is driving these transformations. Leftist parties organise and mobilise the poor, who in turn pressure for effective, rules-based distribution.

In contrast with these explanations, my analysis attributes the new emphasis on rules to the shifting balance between the powers of legislators and those of presidents in much of Latin America. My argument is that clientelism remains a useful electoral strategy mainly for legislators and in local politics, where the support of well-organised networks of clients can make a difference between winning and losing public office. Presidents, on the other hand, have much larger and more heterogeneous constituencies, which makes investing in small networks of clients prohibitively expensive for them. Furthermore, presidents strive to be seen as strong leaders that are capable of designing effective policies that will be considered fair by the majority of citizens. In the case of presidents, creating

rules-based social programmes is the most efficient way to redistribute income in a way that is compatible with their political priorities.

I test this theory using a unique dataset of social spending in each of Brazil's 5,570 municipalities. Employing different identification strategies, I find broad support for the argument that legislators and presidents prefer very different kinds of social policies. These differences are systematic and do not depend on a legislator's or on the incumbent president's party affiliation. Even legislators who hail from 'pro-poor' parties on the left of the political spectrum seem to prefer clientelistic forms of redistribution, despite the fact that clientelistic practices can be quite regressive. At the same time, presidents almost always prefer programmatic distributive policies, which are famously progressive, even when they hail from parties on right of the ideological spectrum.

These results – the product of numerous interviews and extensive fieldwork conducted in four states over the course of two electoral cycles – help explain why Brazil and other young democracies in Latin America have seen conditional cash transfer programmes and other rules-based income distribution schemes proliferate in the recent decades. As my analysis reveals, these schemes were largely driven by presidents. As presidents gained control over the design and the funding of social policies, they used these powers to create the kinds of programmes that furthered their own electoral interests.

That said, inefficient spending on clientelistic arrangements remains a problem in Brazil, as it does in much of the region. This, too, can be explained by my theory: clientelism's staying power reflects the fact that, despite recent reforms, legislators remain powerful. Exploiting that power, legislators have continued to do what they always do, rewarding clients and punishing dissenters, as illustrated by my analysis of the case of Argentina. Latin American presidents may now be gaining the upper hand, but until the power balance shifts decisively in their favour, we are unlikely to see rules-based distribution completely replacing traditional clientelistic arrangements in Latin American or, for that matter, anywhere else.

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# Chapter 1

## Introduction

In this dissertation I provide a theory of why politicians sometimes move away from clientelism and towards more programmatic distributive strategies, illustrating it with evidence from Brazil. I argue that the transformation from clientelism to rules-based income redistribution requires a shift of power from politicians concerned with particularistic goals to those with a universalistic outlook. Specifically, in presidential democracies like Brazil, presidents are the main players in the political system who have a clear incentive to abandon clientelistic practices. Not only are they more sensitive to the costs of maintaining the localistic networks of brokers on the ground necessary to make clientelism work, their position as national leaders – accountable to the majority of voters, including both welfare recipients and the taxpayers that fund the system – pushes them to design centralised policies that can be seen as effective and fair by most voters. In this dissertation, I also discuss how presidents’ ability to accomplish their universalistic goals will be affected by the institutional incentives that shape the party structure.

Clientelism is a distributive strategy that exists throughout the world, and in both developed and developing countries. It is at its core a political exchange: a patron – i.e. the politician – provides goods or access to services to a client – usually a voter – in exchange for political support. In rational models of electoral behaviour, politicians strategically plan government spending to maximise their chances of retaining office.<sup>1</sup> Models of clientelism are similar – patrons and clients are rational actors seeking a mutually beneficial arrangement. What sets clientelism apart from what most would consider the normal responsiveness of politicians to the demands of voters for income redistribution is its conditional character: in clientelistic exchanges, the access to goods or services by citizens is conditional on personal political support or votes to specific politicians. Consider some examples.

In Venezuela, the government has for decades used its enormous oil revenues to provide free housing to the poor. Under President Hugo Chávez’s *misiones* programme, hundreds of thousands of homeless people have been assigned government-built apartments at the height of the commodities super-cycle of the 2000s. As Francisco Toro explains, ‘[t]he catch is that the apartments never really become yours. All units are ‘communal property’ and the people who live in them cannot sell, rent, sublet or divide

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<sup>1</sup>Schlesinger (1966); Mayhew (1974); Meltzer and Richard (1981).

them. With no clear title and often no paperwork of any kind to prove their right to remain, residents here live at the community's pleasure.<sup>2</sup> Penfold-Becerra study of the *misiones* describes how community leaders actively monitor residents' statements and relationships in order to gauge their political allegiance and use the ambiguous legislation governing the right to social housing to punish those they might consider too close to opposition politicians.<sup>3</sup>

In the deprived London borough of Tower Hamlets, just a half-hour's walk away from the London School of Economics campus, mayor Lutfur Rahman used £3.6 million from the government's social budget to create a Mayor's Fund designed to support local charities and individuals in need.<sup>4</sup> Rahman's electoral use of the fund came under close scrutiny in 2014, when an investigation ordered by the High Court found that grants were strategically targeted at organisations and individuals that had supported Mr. Rahman's political campaign. In a decision filled with descriptions of flagrant corruption reminiscent of 19<sup>th</sup> century rotten boroughs, the court found that in Tower Hamlets 'considerable money was paid to organisations (including media organisations) operating within [Rahman's ethnic] community by way of grants, with the corrupt intention that those who belonged to or benefited from those organisations would be induced to vote for him and for [his party]'.<sup>5</sup> The Queen's Bench Division eventually impeached Rahman for illegally using public funds to reward his political supporters.

In order to combat rising poverty in Mexico during the 1980s Latin American debt crisis, President Carlos Salinas (1988-1994) established the *Programa Nacional de Solidariedad*<sup>6</sup> (or *Pronasol*). It provided funds directly to municipalities based on applications by local organisations. To run *Pronasol*, Mexico's central government asked community organisations in each municipality to submit proposals to a panel that would, in turn, choose which cities and states would receive funds. Díaz-Cayeros and his co-authors show that municipalities governed by the opposition were much less likely to receive *Pronasol* funds regardless of the levels of poverty they exhibited.<sup>7</sup>

As part of her 2008 campaign for the mayoralty of Campos dos Goytacazes, an oil-rich municipality in the southeast of Brazil, candidate Rosinha Garotinho promised voters that she would recreate the *Cheque Cidadão* (Citizen's Cheque), a conditional cash transfer

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<sup>2</sup>Francisco Toro. Free Homes, Gracias Chávez. *The New York Times*, 24 Jan 2012.

<sup>3</sup>Penfold-Becerra (2005).

<sup>4</sup>Ware (2014).

<sup>5</sup>Richard Mawrey QC. In the Matter of the Representation of the People Act 1983 and the Matter of a Mayoral Election for the London Borough of Tower Hamlets. Technical Report M/350/14, The High Court of Justice, Queen's Bench Division, 2015, p. 43.

<sup>6</sup>National Programme of Solidarity.

<sup>7</sup>Diaz-Cayeros, Estevez and Magaloni (2012).

(CCT) programme that her husband had first established as governor of the state of Rio de Janeiro in 1998, but that had later been scrapped away amid allegations of corruption. In campaign events, she and her daughter (who was running for a seat in the federal lower House) distributed ATM-style cards to voters and promised that, if they were elected, cardholders would be able to use them to make monthly withdraws of 100 reais<sup>8</sup> – *if* they were elected.<sup>9</sup> The courts later invalidated Rosinha Garotinho’s candidacy on the grounds that this and other similar initiatives implied a promise to reward political supporters and violated legal requirements of impartiality and transparency for government policy.<sup>10</sup>

Similar situations are well-documented in countries as diverse as Italy,<sup>11</sup> India,<sup>12</sup> Austria,<sup>13</sup> Mexico,<sup>14</sup> Argentina,<sup>15</sup> the Philippines,<sup>16</sup> Sierra Leone,<sup>17</sup> Tunisia,<sup>18</sup> Colombia,<sup>19</sup> the United States,<sup>20</sup> Sweden,<sup>21</sup> Paraguay,<sup>22</sup> and many others. All share a common feature: in all these cases, citizens’ ability to access public funds or benefits is primarily conditional. To gain access, a citizen (i.e., the client) is required to support a particular person or political group (the patron or patrons). Citizens can still live in these boroughs, cities, districts, states and countries without supporting the patrons who preside over them, but this is a costly proposition. For again, loyal clients – and only loyal clients – are rewarded with services and benefits. The patrons make sure of that.

In one form or another, clientelism is a defining feature of the relationship between voters and their political representatives in many countries. It has persisted for decades in some communities and even shaped citizens’ views of what authority and government look like.<sup>23</sup> Yet in some places new social policies have disrupted this logic through the creation of enforceable rules about who is entitled to which government benefits, while at the same time making sure these regulations are designed to favour the poor *irrespective*

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<sup>8</sup>Roughly £29 in 2015.

<sup>9</sup>Polícia Apura uso Eleitoreiro de Programa para Beneficiar Garotinho e sua Filha Clarissa. *O Globo*, 28 Sep 2010.

<sup>10</sup>Justiça Eleitoral cassa mandato de Rosinha Garotinho, prefeita de Campos (RJ). *UOL Noticias*, 16 Jul 2015.

<sup>11</sup>Tarrow (1967); Chubb (1982).

<sup>12</sup>Weiner (1967).

<sup>13</sup>Treib (2012).

<sup>14</sup>Cornelius, Craig and Fox (1994); Diaz-Cayeros, Estevez and Magaloni (2012).

<sup>15</sup>Auyero (2001); Weitz-Shapiro (2014).

<sup>16</sup>Landé (1965).

<sup>17</sup>Clapham (1982).

<sup>18</sup>King (2003).

<sup>19</sup>Schmidt (1980).

<sup>20</sup>Camp, Dixit and Stokes (2014).

<sup>21</sup>Dahlberg and Johansson (2002).

<sup>22</sup>Finan and Schechter (2012).

<sup>23</sup>For clientelism as a macro-sociological phenomenon, see Banfield (1967); Bendix (1976) and De Swaan (1988).

of their political affiliation. This is an important change that de-personalises income distribution and improves systems of democratic accountability.

Take the Mexican programme known today as *Prospera*. Previously named *Progresa* (from 1997 to 2002) and *Oportunidades* (from 2002 to 2014), *Prospera* provides monthly cash payments to Mexican citizens whose earnings fall below a certain pre-determined level. To make this system work, designers did not just transfer money to local governments and then let them hand-pick beneficiaries according to their definitions of who needs government support. Instead, they created a lengthy and complex set of rules. These rules define what counts as income. They set forth income thresholds. They address the kinds of measurement problems that can arise in economies where most workers are employed informally and thus do not receive regular payslips. The rules also established and empowered a new federal bureaucracy staffed with agents whose job is to objectively assess each Mexican applicant's economic conditions and to process his or her application accordingly. The Mexican programme that set forth all of these rules was both an economic and a political success. No wonder other countries have tried to copy it.<sup>24</sup> *Prospera* has been credited with helping lift millions out of extreme poverty, increasing health standards and improving school enrolment<sup>25</sup>. It also reconfigured Mexican politics, empowering the presidents and the technocrats who brought the programme into existence.<sup>26</sup>

Rules-based social programmes like *Prospera* are not an entirely new phenomenon. Britain and the United States – two societies that pioneered the extension of voting rights to the majority of their adult male populations in the 19<sup>th</sup> century – are also well-known to historians as early examples of the distribution of public resources through clientelistic networks. Indeed, clientelism in these societies existed decades before the emergence of the modern welfare state. In New York in the 1930s, for instance, party officials routinely screened applicants for the New Deal's Civil Works Administration jobs programme for their party affiliations.<sup>27</sup> Similarly, in Victorian Britain it was common for business owners to hire and fire selected workers in concert with local party officials in order to boost their preferred candidates' chances to gain a seat in Parliament.<sup>28</sup> In most countries of continental Western Europe, early public bureaucracies were dominated by powerful party machines that allocated jobs in exchange for political

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<sup>24</sup>Diaz-Cayeros, Estevez and Magaloni (2012).

<sup>25</sup>Fernald, Gertler and Neufeld (2009).

<sup>26</sup>See Chapter Five and De La O (2001). Cf. Imai, King and Rivera (2016), who analyse Mexican data using different model specifications and find no significant relationship between CCT spending and voting behaviour.

<sup>27</sup>Erie (1988).

<sup>28</sup>Stokes (2011).

support.<sup>29</sup> Despite all the contemporary gloom and doom about falling social spending and rising inequality in the developed world, no party brokers could dream of intermediating access to food stamps in America, council housing in Britain, or public sector jobs in Western Europe today in the way they did with the incipient anti-poverty programmes that those countries had in the late 19th and early 20<sup>th</sup> century.<sup>30</sup>

Understanding why transitions from clientelism to programmatic policies take place is important. Rules-based social programmes help countries target scarce resources efficiently. They also enhance democratic accountability by eliminating personalism and replacing it with objective regulations. Precisely because these policies' results are so encouraging, it is important to understand why politicians enact them – but also why, even in success stories like Mexico, these policies have not driven clientelism completely out of existence.

Yet we lack a systematic theory addressing how societies overcome clientelism: Why do politicians relinquish the use of discretionary powers to coerce voters into supporting them? Why is it that – even in societies that enact successful rules-based social policies that make political favouritism harder – so much of the government's budget often still goes towards highly discretionary social spending? Why is it that despite the apparent electoral success of politicians who championed successful programmatic distributive programmes in countries otherwise plagued by clientelism, a significant number of elected representatives still cling to the old ways and attempt to shift funding towards clientelistic policies, instead of emulating the apparently proven electoral strategy of supporting rules-based income distribution? These are some of the central questions I address in this dissertation.

My theory calls attention to the divergent incentives that lead some politicians to invest in traditional clientelistic networks and others to favour their dismantlement. Specifically, I identify two major and interrelated differences between the incentives faced by presidents on the one side and legislators and local officials on the other. I propose that these divergent incentives are present in most if not all presidential democracies, albeit in some cases they can be mitigated by other factors relating to party structure and electoral rules. When taken in combination, they push presidents away from clientelism while still giving ample reason for legislators and local officials to invest in those arrangements.

The first reason has to do with presidents' usual role in the political system. Like in the US, Latin American presidents are placed in a position in which they are held

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<sup>29</sup>On patronage Western Europe, see Gottschall et al. (2015).

<sup>30</sup>The parallel between the machine politics of America in the 19<sup>th</sup> century and what contemporary social scientists call 'clientelism' was originally proposed by Scott (1969).



responsible by voters for the general effectiveness of public policies. When the economy does not perform well, voters blame the chief executive. When poverty and inequality go up, presidents are first and foremost held responsible.<sup>31</sup> As a result, presidents have little incentive to invest scarce public resources into inefficient clientelistic networks that are managed mostly to the benefit of legislators and local officials. Instead, they will choose more efficient forms of redistribution.

The second reason has to do with the costs for politicians of maintaining clientelistic networks. To build a reliable network of clients, politicians need access to public funds that they can dispense at their discretion, rewarding loyal clients and punishing detractors as they see fit. To that end, incumbents who plan on using clientelistic strategies invest considerable political capital in writing loose regulations that give them the power to choose who benefits from government programmes and when benefits can be withdrawn.

Because there are costs in securing the resources necessary for clientelistic networks to operate, their members must find ways to solve two commitment problems. They must ensure that voters keep their end of the bargain and do not simply take clientelistic benefits and use the secrecy of the ballot box to ignore their promise to support a patron and vote for someone else.<sup>32</sup> Additionally, they must signal to their clients that they will not use the discretionary powers that enable clientelism to exist to stop clients' privileged access to public resources once the election is over.

The answer to both types of commitment problem is that patrons and clients rely on long-term interactions mediated by so-called brokers. Brokers are individuals who work in communities (in which they often live) to create personal relationships with voters and maintain a clientelistic network alive. The repeated interactions that brokers have with each individual voter create the conditions for credible commitments to emerge. Clientelism is thus a personalistic relationship.<sup>33</sup>

The problem is that the broker-based system creates two inefficiencies that make it more attractive to politicians with careers linked to the parochial needs of small, local groups than to more universalistic politicians such as presidents. First, each new broker added to the network will increase the number of voters the machine can reach by a constant amount because brokers must establish a personal connection with each voter. By contrast, programmatic distributive strategies that are not mediated by brokers – such

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<sup>31</sup>Greenstein (1978); Lowi (1986); Moe (1985). For a discussion of how this argument applies to policymaking in Latin American multiparty presidential systems, see Mello and Spektor (Forthcoming).

<sup>32</sup>This assumes that secret voting laws exist and are enforced.

<sup>33</sup>As I discuss in Chapter 2, the commitment problem created by the secret ballot has been exhaustively discussed in the literature, especially since the publication of a seminal article on the topic by Stokes (2005). In that piece, Stokes acknowledges both commitment problems, but chooses to focus only on the possibility of clients cheating politicians.

as building a reputation or a ‘brand’ – may involve increasing returns to scale, with high upfront investments but constant or even declining fixed costs. Second, as Stokes and coauthors demonstrate, brokers’ dependency on local communities often leads them to spend more on benefits to loyal supporters than what would be necessary to secure a win for the patron.<sup>34</sup> This principal-agent problem means that the brokers’ system is inherently inefficient (from the point of view of patrons) and that the cost of this ‘leakage’ increases as the number of clients goes up.

The inevitable conclusion is that clientelistic networks do not scale well. They are more effective when run at the local level.<sup>35</sup> As such, they are a logical choice for politicians who need a limited number of supporters to win an election, but using them for presidential contests would require a costly coordination effort. As I demonstrate in the following chapters, Brazil’s large and diverse electorate, combined with its weak party system, would simply make it too expensive for presidents to run such a nation-wide clientelistic effort.

These two differences between presidents on one side and legislators and local officials on the other will reinforce each other and the inevitable conclusion is that relinquishing clientelism makes a lot of sense for the former, while the latter group will continue to profit from personalistic distribution. As I discuss in latter chapters, presidents care both about electoral goals and about their legacies. When it comes to designing social policies, creating rules-based programmes will help them in both arenas. It will be a major part of how they achieve success in office and leave a legacy in poor and unequal societies, but also of how they secure reelection and the election of their successors.<sup>36</sup>

President’s incentive to abandon clientelism is influenced still by two other variables: the structure of the party system and the rules of the electoral system. As I discuss in the following chapters, Brazil’s open-list proportional voting rules, combined with a number of laws that further undermines party structures and creates incentives for politicians to cultivate a personal vote (rather than cooperating with party colleagues) weaken the bonds between presidents and party officials on the ground. It is, thus, not uncommon in Brazil for legislators to support a presidential candidate of a rival party for reasons that only have to do with local politics. By weakening presidents’ connections to parties, Brazil’s political system also drives presidents towards a universalistic path. Without strong links to local politics, presidents will focus on designing social policies that can

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<sup>34</sup>Stokes et al. (2013), Chapter 3.

<sup>35</sup>In Chapter Four I discuss in detail how broker-based clientelistic networks function in Brazil and how they are intimately connected with local politics.

<sup>36</sup>I discuss why reelection and the election of their successors is an important concern for Latin American presidents in Chapter Two.

be seen as effective and fair by a diverse, national electorate that includes both beneficiaries of government programmes and those that pay the taxes that fund them.

In countries where political institutions link presidents much more closely to a strong party system, presidents will face a dilemma. Their incentives to establish programmatic and universalistic social policies that cater to a national electorate will conflict with their loyalty to a party oligarchy heavily dependent on the use of clientelistic practices to maintain their standing through a domination of local politics. I explore one such case in my discussion of Argentina, in Chapter Five.

## **The dependent variable of the dissertation**

Understanding the rise and fall of clientelism is an ambitious project and this thesis discusses many of the fundamental questions that arise in the existing literature. However, it is important to be clear about the issues related to clientelism and distributive policies that I do not discuss. I am more interested in the rise of rules-based alternatives to clientelism, for example, than in understanding how clientelistic arrangements get started in the first place.

The political origins of clientelism have already been well-explored by other authors. James Scott, for instance, famously argued that clientelistic practices are institutional leftovers of pre-modern politics and thrive in places where poverty and inequality in access to public services are widespread.<sup>37</sup> A second influential argument associates the rise of clientelism with the institutional and cultural legacies of authoritarianism and with dictatorial regimes' need to establish networks that can distribute patronage in exchange for continued loyalty.<sup>38</sup>

In Brazil, the historical origins of clientelism are the subject of a particularly well-developed literature. An influential account by Raymundo Faoro highlights the role of the country's colonial history in shaping the formation of clientelistic networks. His analysis goes all the way back to the formation of the Portuguese state in the 12<sup>th</sup> century. Faced with constant conflicts with powerful Moorish enemies to the south and having to occasionally fend off their more powerful Castilian neighbours to the east, the Medieval Portuguese nobility rapidly built a centralised state around the figure of the king in Lisbon. Vestiges of feudalism were swiped away in the name of the survival of the state and the continuation of the *Reconquista* much more quickly and decisively than in other medieval European states. To make the system work, the kings in Lisbon were highly dependent on networks of patronage headed by powerful nobles to create, gather,

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<sup>37</sup>Scott (1972); Scott (1977).

<sup>38</sup>Fox (1994); van de Walle (2003); Blaydes (2011).

and distribute rents. The power of nobles in turn did not derive from land ownership as much as it did for their counterparts in places like France or Britain. Instead, they relied on privileged access to the centralised state and the privileges that their connections afforded, such as trade monopolies and positions in the civil service for relatives and clients. Such a system was consolidated and thrived during the economic boom that Portugal experienced in the 15<sup>th</sup> and 16<sup>th</sup> centuries, when many new sources of revenues and trade opportunities presented themselves, thus enabling monarchs to build vast networks of patronage and consolidate a stable polity.<sup>39</sup>

Faoro argues that such a system inevitably shaped the institutions of colonial Brazil, and later of the independent country. It enabled the rise of an elite that saw the state as an institution for dispensing favours and resources. Access to the state was thus most important way politicians had to assure loyalty and govern.<sup>40</sup> According to this interpretation, success in politics does not result from engaging in debates over ideas or world views in the name of the voters, but rather from successfully capturing a share of the government's budget for oneself and one's clients is widespread in much of Latin America, albeit poorly theorised.

Other interpretations have highlighted the importance of a legacy of economic inequality as the main factor that has enabled a privileged elite to capture the state. Authors such as Victor Nunes Leal and Richard Graham have stressed how important the co-optation of local elites has been for the Brazilian central government to maintain stability and avoid the fragmentation and infighting that characterised most of the former Spanish colonies. In this interpretation, local power-brokers benefit from keeping the central state weak and alienated from the social policy arena. By doing so they can keep the monopoly over loyalties and remain the only channel between the poor and any public resources.<sup>41</sup>

For the purposes of this work it suffices to say that, wherever it exists, clientelism is deeply ingrained in the political culture. Further research might be able to better explain the historical conditions that led to the rise of some particular forms of clientelistic relationships or indeed how they affected the formation of political culture in Brazil and how comparable this process is to other countries' experiences. My work here deals explicitly with why some politicians continue to use this strategy and why others choose to abandon it.

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<sup>39</sup>Faoro (1958). Cf. Fragoso (2010), who offers a critique of Faoro's. Fragoso's argument is that Faoro lacks proper archival investigation about Portugal's (and Brazil's) state formation.

<sup>40</sup>*Idem*. See also Schwartzman (1970), Carvalho (1980), and Pang (1989).

<sup>41</sup>Leal (1948); Graham (1990). See also Abrucio (1998).

## Separating clientelism from other social phenomena

In the beginning of this chapter I defined clientelism as a conditional exchange of goods or services for political support between a voter and a politician. At first sight this does not appear to be a complicated or controversial definition, and indeed much of the recent literature on the topic uses it.<sup>42</sup> Yet, before I move forward, I must explore the relationship between this definition of clientelism and some related phenomena that are also discussed in the clientelism literature.

One idea that often is associated with clientelism is that of patronage. It is hard to disentangle these two concepts, partly because many authors have used them interchangeably, but also because we can identify both clients and patrons in clientelistic relationships. Here I shall also follow what appears to be an emerging convention in the literature and define patronage as the exchange of public sector jobs for political support.<sup>43</sup>

A second important concept related to clientelism is vote buying. I reserve this term to talk about the short-term exchange of small sums of money or goods for a vote immediately before an election. This way we can think of vote buying and patronage as particular forms of clientelism. Nevertheless, it is occasionally useful to theorise about them separately. Vote buying, for instance, is now illegal in most democracies, and it is therefore usually conducted covertly and not (directly) with the use of public funds.<sup>44</sup> It also does not imply a long-term relationship between the parties involved. For example, in Brazil right before the 2014 general election, investigative journalists were able to identify meeting points in small towns where locals knew they could go to in order to meet brokers and sell their votes on the day before the election. Those interviewed by reporters stated they had no previous relationship with the brokers or with the politicians they represented. Instead, these voters would just go to a predetermined part of town and there they would bargain with whichever party broker that would show up.<sup>45</sup>

In the American politics literature it is also common to see references to pork-barrel distribution. This refers to geographically concentrated allocation of resources or benefits as a tool for politicians to reward loyal constituencies at the expense of the rest of the country.<sup>46</sup> Pork-barrel does not necessarily entail clientelism in the sense that I use here

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<sup>42</sup>Stokes et al. (2013); Weitz-Shapiro (2014). Weitz-Shapiro correctly points out that this is not a definition of clientelism *per se*, but of the *practice* of clientelism. Yet, it remains useful for my purposes here as the object of this study is in essence the institutionalisation of this practice.

<sup>43</sup>Chubb (1982); Geddes (1996); Gordin (2003); Folke, Hirano and Snyder (2011).

<sup>44</sup>I shall elaborate on how clientelistic networks in Brazil gain access to public funds that are later employed in vote buying schemes in Chapter Four.

<sup>45</sup>Eleitores de Roraima Esperam Compra de Votos na Madrugada. *O Estado de São Paulo*, 04 Oct 2014.

<sup>46</sup>Bickers and Stein (1996).

because it is not necessarily conditional on political support by the voters that directly or indirectly benefit from it. Indeed, some electoral systems encourage accountability to small geographic constituencies and politicians will see themselves as representatives of that region that are supposed to fight for resources for those who live there. This happens regardless of how inefficient this may be when one considers the country as a whole.<sup>47</sup> It might be the case, however, that regional funds are cleverly managed in a way that excludes non-supporters in that region. The literature on *Pronasol* in Mexico usually makes this case and if we accept this interpretation the programme is both an example of pork-barrelling and clientelism.<sup>48</sup>

Brazil's open-list proportional representation system is highly conducive to pork barrelling. Several candidates of the same party compete in large state-wide districts and the amount of votes that each individual receives defines his or her position on the party list. Because candidates are themselves responsible for their position on the list, they end up campaigning in isolation from their party colleagues. Barry Ames has argued that the most important determinant of re-election for Brazilian legislators is the number of budgetary amendments for specific localities. He argues that it makes sense for legislators in the Brazilian electoral system to build a geographically concentrated following of loyal voters that is in order to more efficiently target rewards and punishment.<sup>49</sup> I will return to the issue of in chapters Two and Three.

Another practice often associated with clientelism is constituency service. Here I use the term to refer to the individualised provision of guidance by politicians to their constituents on the workings of government bureaucracies and on how to access to government services. In theory, constituency service could be open to anyone in need of advice and does not necessarily imply conditionality. Politicians can engage in such activities in order to get name recognition and gratitude from voters, especially in electoral systems that encourage politicians to cultivate a personal vote.<sup>50</sup> This kind of behaviour is not necessarily optimal. The logic is evident in a popular saying in Brazil that politicians 'create problems in order to sell the solutions', meaning that bureaucratic inefficiencies can be a deliberate result of politicians' constituency service strategies.

Indeed, in many contexts constituency service is closely associated with clientelism. In his ethnography of Argentine clientelistic networks, Javier Auyero shows how party brokers that work doing constituency service also collect vital information on voters' needs and how this information later becomes important for the distribution of clientelistic

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<sup>47</sup>Shugart (1999).

<sup>48</sup>Molinar and Weldon (1994).

<sup>49</sup>Ames (1995*a*). See also Pereira and Rennó (2003) for a similar position. Cf. Samuels (1999).

<sup>50</sup>Mayhew (1974); Cain, Ferejohn and Fiorina (1987).

benefits. By keeping tight control of access to public services like schools and hospitals, party brokers learn in which households there are people with chronic diseases or which children dropped out of school and might need an apprenticeship. Such information is valuable for politicians' strategies of targeting access to public services and benefits to reward supporters and punish detractors.<sup>51</sup> Some of the qualitative evidence I rely on in subsequent chapters also comes from interviews conducted in political organisations that offer a mix of constituency service and clientelism in Brazil.

What all these practices have in common is that they are all forms of income redistribution in which resources are distributed in ways that serve a political imperative rather than to enhance a community's economic or social welfare. James Robinson and Thierry Verdier argue that these phenomena are forms of 'inefficient redistribution' because they are not designed to improve welfare – and may actually decrease it.<sup>52</sup> In some contexts, these practices might be completely distinct from each other. There might also be different legislative frameworks in each jurisdiction concerning the extent to which they are illegal and thus how they relate to other social phenomena such as organised crime, coercion, and violence. Overall, it is important to distinguish clientelism from other forms of distributive inefficiencies because of its combination of targeting and conditionality. When it is possible for decision makers to target specific voters and condition their access to state resources to political loyalty we will have distinct implications for accountability and the quality of governance.

### **Three theories about the demise of clientelism**

My research departs from much of the current thinking about why clientelism has dwindled in some places while in others it is still a prevalent form of connection between voters and politicians. This section presents three of the most compelling existing theories and shows how, in all three cases, they provide an incomplete or potentially misleading picture.

#### **Clientelism as a legacy of authoritarianism**

One argument that frequently arises in the study of clientelism is that this phenomenon is directly connected to authoritarianism. Indeed, it is worth mentioning that the overwhelming majority of the countries where clientelism is widespread today have had non-democratic forms of government for long periods of their postwar history.<sup>53</sup> Perhaps

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<sup>51</sup>Auyero (2001).

<sup>52</sup>Robinson and Verdier (2013).

<sup>53</sup>Italy is perhaps the most notable exception.

the best way to understand why democracy is such a powerful explanatory variable is to briefly examine what we know about the drivers of distributive policies in non-democracies. Most theories of distribution in dictatorships start from the idea that groups in power design social policies in order to maximise their own welfare, while at the same time trying to avoid being ousted by other groups. To stay in power, they need to gain the support of a sufficiently powerful coalition of groups – a ‘selectorate’. Such an alliance is likely to be very small compared to the one put together by a leader subject to democratic procedures.<sup>54</sup> Nonetheless, sometimes the determinants of distribution in dictatorships and democracies might be similar. For instance, Robert Bates proposed in his study of agricultural policies in Africa that groups that could more easily solve collective action problems would be favoured by distributive policies. This might be so because they could represent a credible threat to the dictator or because they could be more easily mobilised in competitive elections.<sup>55</sup>

Nevertheless, other channels of distribution might be significantly different depending on regime type, and some of these forces might even push for more egalitarian distribution. Ricardo Barros and his co-authors have hypothesised that a big factor contributing to the decline in inequality in Brazil since the consolidation of democracy has been increased investment in public education.<sup>56</sup> Similarly, James Scott has argued that the creation of a large scale conditional cash transfer programme in Mexico is explained by the demise of the rural-based PRI and the rise in influence of urban unions in an open democratic system.<sup>57</sup> Candelaria Garay indicated that the rise in rules-based social spending in Brazil and in other parts of Latin America has been a consequence of the turn towards democracy and political competition in much of the region.<sup>58</sup>

The implication here is that clientelistic forms of association are reminiscent of authoritarian periods when distribution favoured groups with privileged access to the state. Even when the regime collapses, politicians might find it hard to rapidly shift spending from these networks and towards policies that either favour the poorest – such as cash transfer programmes – or that are universal, such as national education or healthcare systems. Indeed, Barros and his coauthors concede that, despite the recent focus on either universalistic or targeted social policies, most of Brazil’s social spending is still directed towards policies that tend to favour historically powerful groups such as

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<sup>54</sup>Bueno de Mesquita et al. (2005). See also Acemoglu and Robinson (2006) and Blaydes (2011).

<sup>55</sup>Bates (1981).

<sup>56</sup>Barros et al. (2010).

<sup>57</sup>Scott (2008).

<sup>58</sup>Garay (2010).



urban formal sector workers. They add that increased spending in pro-poor or universal social policies over the last decades has been mostly paid for by new taxation rather than by reductions on less efficient spending (such as clientelistic programmes). Over time, however, their analysis implies that these authoritarian legacies would become less and less important in the face of the competitive electoral pressures of democracy.

It is probably unwise in the face of current evidence to argue that there is no connection at all between regime type and the nature of distributive policies,<sup>59</sup> but even if we acknowledge that this is part of the story, there are a number of empirical puzzles surrounding the political economy of distribution that are still left unanswered by those theories. First, even if one grants that clientelism might be a legacy of authoritarian institutions of the past, there has been significant variation in the degree to which new democratically elected governments have succeeded in, or even attempted to dismantle the clientelistic policies they inherited. For example, the literature on clientelism in Eastern Europe suggests that some post-Communist countries such as the Baltic states have made much more rapid progress towards programmatic distribution than others that became democracies roughly at the same time.<sup>60</sup> Similarly, in Latin America one could consider how countries that have ditched military dictatorships in the mid 1980s, such as Chile and Argentina, have had such divergent paths when it comes to addressing clientelism.<sup>61</sup>

Second, when we turn to large-n studies there is a significant problem of identification in this literature. Democracy itself is highly correlated with other variables that appear to affect levels of clientelism as well. For example, Acemoglu, Johnson, and Robinson famously claimed that the open institutions of democracy have a positive causal effect on long-term economic growth.<sup>62</sup> Their findings put in perspective any claim of causality between democracy and policy outcomes in such cross-country studies since we are left wondering whether what the models are identifying is the effect of democracy itself or of one of the many things with which it is correlated, such as economic growth.

Like most of the literature, I too accept that it is likely that democracy has an effect on the quality of social policy, however, I remain interested in understanding the variation that exists between democracies and why some politicians appear to be eager to reform social policies while others remain attached to the ‘old ways’ long after democratic regimes have been established. I will return to this. For now, the important

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<sup>59</sup>Cf. Mulligan, Gil and Sala i Martin (2004) and Ross (2006). These authors find no connection between regime type and the volume of income distribution in a country. However, they do not look at clientelism specifically.

<sup>60</sup>Cook (2014).

<sup>61</sup>Lopez-Calva and Lustig (2010).

<sup>62</sup>Acemoglu, Johnson and Robinson (2001).

point is that democracies vary, as do non-democracies.

### **Economic growth as a solution to clientelism**

A second theory on the reasons for the demise of clientelism is that this phenomenon exists in societies where voters are poor. Because clientelism is a by-product of poverty, proponents of this theory argue that it tends to disappear as citizens become wealthier and can afford to rebel against politicians that condition public benefits on electoral support. This argument was first proposed by modernisation theorists, such as Seymour Martin Lipset, who first argued that economic growth would bring about the end of these practices.<sup>63</sup>

There is no doubt that it is costlier for poorer voters to rebel against politicians with discretionary power to allocate government spending as they please. The importance of poverty as an explanatory factor was clear in many of the interviews I conducted for this dissertation. A woman I approached leaving a campaign office in Rio de Janeiro during the 2014 general elections lashed out at me when I asked why she went there to get an inhaler for her son: ‘Do you think I like coming here to ask for favours from these crooks? I could wait in line for four hours at the community health centre (*posto de saúde*) up in *Cocotá* and they might not even have it. I could pay 42 *reais* [for the inhaler] at the drugstore. Or I can come here. Why do you think I come here, sir?’

As compelling as it might seem there are at least two problems with the view that poverty alone can account for the survival of clientelism. Just like in the case of the relationship between clientelism and authoritarianism, the objections I raise here have to do with explaining variation. The first problem is that significant economic growth over the past century has happened in democracies where clientelism has remained a powerful force in national politics. Take the Mediterranean European states that have been traditional examples of clientelistic political systems. Italy’s GDP has multiplied thirteen-fold since 1945, with much of the growth happening in the poor south. Yet clientelism has remained an important feature of politics. The same is true of other southern European states. Portugal’s GDP has increased 10 times since the end of World War II and Greece’s has been multiplied by twenty-five in the same period. Indeed, in case of Greece the continued relevance of clientelism in political life despite significant growth is so striking that analysts have proposed that the opposite connection might be more plausible: a richer state has meant that personalistic practices have thrived because more resources were available for politicians to distribute through clientelistic networks.<sup>64</sup> Economic growth,

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<sup>63</sup>Lipset (1959). See also Moore (1966).

<sup>64</sup>Papacostas (2001).

by itself, does not appear to have provided a way out of clientelism in these countries.

At the same time, some very poor countries have had some success in creating more programmatic forms of social policy. In this dissertation, I will endeavour to show readers that social policy has become significantly less personalistic in Brazil – a country which in 2014 had a *per capita* income that was a little over half that of Greece's. But such innovations have not by any means been confined to fast growing, 'emerging' economies. In some of the poorest countries of the world like Namibia and Kenya, where social protection has often only covered small minorities of the population or been delivered through ethnicity-based networks, governments have made significant progress in the implementation of country-wide, rules-based programmes based on the conditional cash transfer model.<sup>65</sup>

### **The rise of leftist parties breaks clientelistic links**

A third important class of explanations for the demise of clientelistic distributive policies attributes the creation of rules-based social programmes to the rise of leftist parties.<sup>66</sup> The insight here is a compelling one: in a country where poverty and inequality are high, politicians proposing distributive mechanisms that are more efficient at reaching the poor – a platform historically associated with leftist parties – will thrive. However, if for historical or political reasons there are no parties that can credibly commit to a traditional left-wing programme of pro-poor income redistribution, programmatic social policies will not emerge. Once this barrier is crossed, though, rules-based social assistance will be the natural result of democratic competition for the votes of the poor and the lower middle classes.

This theory draws much of its explanatory power from a literature about the rise of the welfare state in advanced economies that links variation in types of social assistance to the historical balance of power among the different income groups.<sup>67</sup> Huber and Stephens, for example, argue that different ideologies give rise to diverse views on the role of labour and, consequently, of the services governments should provide.<sup>68</sup>

The authors have later extend the theory to explain the peculiarities of the evolution of welfare policies in Latin America. They point out that Latin American late capitalism

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<sup>65</sup>Ferguson (2015). For a discussion of traditional distribution networks in Africa, see Baldwin (2015).

<sup>66</sup>It could be argued that this explanation incorporates the one above that says that the rise of programmatic social policies is the result of democratisation. The works I look at in this subsection argue that it is not only the democratic process that creates the conditions for the rise of rules-based programmes. Instead, it is when democracies have genuine left-wing movements that organise and mobilise the poor and that have a real chance winning power that politicians abandon clientelism.

<sup>67</sup>Korpi (1978); Stephens (1979); Esping-Andersen (1990); Huber and Stephens (2001).

<sup>68</sup>Huber and Stephens (2001).

was qualitatively different from what existed in Europe in the 19th and 20th centuries when labour movements flourished and successfully pushed for a big role for the state in income distribution. When Latin American societies joined the capitalist system, their overwhelmingly rural societies had much higher levels of inequality than the ones in the North. Add to that a much unequal distribution of land, politically powerful landowners, and a largely informal urban economy. The result, according to the authors, was that Latin American democracies were markedly unstable and the regions' political parties did not develop the mobilisation capabilities that their European and US counterparts had, nor did they manage to develop constituencies around specific programmatic platforms, such as the reduction of inequality or the provision of universal public services.<sup>69</sup>

More recently, Jennifer Pribble took the analysis further by examining the different ways in which the region's leftist parties have developed strategies to connect with their bases after the wave of democratisation that Latin America experienced in the 1980s. She finds that the different characters of political parties help us explain why some countries in the region, like Chile and Uruguay, moved more successfully towards universalist mechanisms for distribution. She argues that because Chile and Uruguay managed to establish more competitive and stable electoral systems, more representative left-wing parties emerged as powerful political forces favouring universalist social policies. On the other hand, in Argentina and Venezuela, the political conditions for the rise of programmatic leftist parties were less favourable and so programmatic policies are less likely to develop.<sup>70</sup>

The idea that the left would represent a programmatic counterweight to more clientelistic forces provides a useful refinement of the argument that voter demand is a sufficient condition for redistribution to occur by emphasising the need for institutions that allow the poor to organise and push for comprehensive reform. But is the rise of the left really the main factor explaining the nature of distributive policy reforms in Brazil and in other developing countries?

Here is why I am sceptical. First of all, there is no reason why parties that provide an opportunity for the mobilisation of the poor will not themselves resort to clientelism once in power. Historical experience has supported such skepticism. In early 20<sup>th</sup>-century Spain the populist Radical Republican Party built a strong support base around the neglected urban poor and managed to control the government of Barcelona for many years by relying on a mixture of vote buying, 'constituency service', Catalan nationalism, and intimidation.<sup>71</sup>

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<sup>69</sup>Huber and Stephens (2012).

<sup>70</sup>Pribble (2013).

<sup>71</sup>Blakeley (2001).

Secondly, while the emergence of programmatic leftist parties that have a chance of winning elections in some developing countries is certainly a sign of democratic consolidation, these parties will not necessarily win with the votes of the poorest of society. In Brazil, the centre-left Workers' Party (PT) won its first presidential election in 2002, but not in a contest of the rich versus the poor. Rather, it was crucial for its victory that a dissatisfied middle class – traditional beneficiaries of the existing welfare institutions in the country – came to accept presidential candidate Luiz Inácio Lula da Silva as a moderate politician who would not put economic stability at risk once in office.<sup>72</sup> Luiz Dulci, a senior strategist in the PT's presidential campaign of 2001, recognised this from the beginning. In my interview with him, Dulci admitted that his party had then faced a dilemma: it had a decisively middle class support base while it was proposing a left of centre agenda that would benefit a completely different social group. He argued that this tension was important for the decision to move forward with a radical expansion of *Bolsa Família*: 'You have to understand that [before the 2001 victory] we were increasing our vote share in the southeast [of the country] in every election. But we knew that one of our weak spots was in the [poor states of the] north and northeast. There you have the poorest people in the country. And who were they voting for? The PFL.<sup>73</sup> And it had been like that for 500 years! And it still is when you look at those who are the governors and the mayors there – except for Bahia where we made a lot of progress. When we finally went into government and could implement our policies, we did better at the national level. These guys [i.e. the voters in the poorest areas of Brazil] need to see who is bringing them results, they do not care about right or left. They could not care less about that. It is people like you and me who are into those things.'<sup>74</sup> The point here is that left-wing parties in the developing world at first appeal to the urban middle classes, not necessarily to the rural poor, who are often the target of

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<sup>72</sup>Almeida (2006).

<sup>73</sup>PFL stands for *Partido da Frente Liberal*, or the Liberal Front Party, a now defunct centre-right outfit that was a junior party during Fernando Henrique Cardoso's presidency and that later supported José Serra, Cardoso's chosen candidate and Lula's main opponent in the 2001 Presidential Election. PFL was formed mainly by former supporters of the military dictatorship (1964-1985) that had later accepted the transition towards civilian rule. It was a strong political force in the poor regions in the northeast of Brazil, where critics have often pointed out its association with the traditional landed elite and with clientelistic practices and vote buying.

<sup>74</sup>Interview with Luiz Dulci, São Paulo, 28 Nov 2014. Original in Portuguese: 'Você tem que entender que antes a gente estava ganhando apoio no Sudeste a cada eleição. Mas a gente sabia que era fraco no Norte e Nordeste. Esses lugares são os mais pobres e em quem eles votam? Votaram no PFL. E foi assim por 500 anos! E ainda é um pouco assim quando você olha para os governadores e prefeitos nesses lugares – exceto talvez pela Bahia onde a gente fez muito progresso. Quando a gente finalmente chegou no governo e pôde implementar as nossas políticas, a gente começou a ganhar mais apoio no país todo. Esses caras precisam ver quem está entregando resultado, eles estão se lixando para direita ou esquerda. Não estão nem ai para essas coisas. Só a gente está ligado nisso.'

more clientelistic politicians. Their platforms are more likely to be about protecting national industries and the privileges of formal workers than about the rural poor in the informal economy. Transformative social policy reforms are not necessarily popular with left-wing parties' original base, as the Brazilian Workers' Party found out when it came to power.

Thirdly, this account sometimes overstates the relative power of left and centre-left parties in the multiparty presidential systems of Latin America. Even when they appear strong by, for example, gaining enough votes to claim the presidency, and even if they decide to push for social policy reform, leftist parties cannot do everything they want. Their power is limited by the rules of the pre-existing system and the need to compromise with other large political forces represented in local offices and in parliaments. Yet much of this literature takes it as a non-question whether left-wing presidential candidates, if electorally successful, will be able to implement their favoured 'pro-poor' policies regardless of the fact that the rest of the political system does not change overnight. Indeed, most of the analyses focusing on the role of the left highlight the importance of the election of progressive presidents to the detriment of the role of legislatures and local governments.<sup>75</sup> But even if we grant a good level of party discipline that allows presidents to exert substantial control over their supporters in parliament – a highly unlikely proposition even in strong presidential systems – heads of state are seldom lucky enough to be able to command a large majority of legislators from their own parties in the proportional systems of Latin America. In Peru the Socialist Party elected Ollanta Humala in 2011 with 51% of the popular vote, but the loose coalition that supported his bid for national office won only 25% of seats in Parliament. Brazil's Workers' Party managed to elect Dilma Rousseff in 2010 with 56% of the votes, but elected only 16% of the members of the lower house of Congress.

Part of the problem as far as Latin American presidential systems are concerned, is that the separation of powers matters more than most studies of left-wing parties in Latin America admit. This in turn makes it harder to transplant explanations based on the history of the European welfare state to that context. Presidential power is not absolute and it is actively contested by legislators that do not have a direct stake in the success of the government. Electing a president might just be the first round in the struggle of a popular government to control policy outcomes. In fact, such governments face dilemmas that become more important as legislative bodies grow stronger and political competition becomes fiercer.

Theories that link party organisation and distributive patterns in Latin America miss

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<sup>75</sup>Campello (2011); Pribble, *op. cit.*

crucial aspects of legislators' incentives even when analysing countries in which left parties managed to muster sizeable majorities in parliament, as in Chile or Uruguay for much of the 2000s. Party affiliation is surely an important variable affecting their behaviour, but there is also much evidence of more specific interests of legislators when crafting distributive policies. Some have proposed that – just as in the US and Britain – there are strong incentives for 'constituency service' in the developing world, both on the left and on the right.<sup>76</sup> Other authors underline the broad incentives for the provision of pork-barrel rewards or clientelistic goods to which legislators can individually take credit and differentiate themselves from others, including party colleagues that compete in the same districts. For example, Carey and Shugart develop a model that shows why some political systems are able to create mechanisms that lower the importance of personal reputation, thus reducing at the same time the share of budgets allocated to pork and private distribution.<sup>77</sup> Crisp and his coauthors provide the most comprehensive examination of the issue for Latin American presidential systems. Their analysis includes data from Argentina, Chile, Colombia, Costa Rica, Honduras, and Venezuela and suggests that locally oriented behaviour and a preference for particularistic benefits are legislators' usual response to increased political competition, even from members of their own parties. The broad conclusion of their findings is that in most presidential systems, legislators have strong incentives to think locally and support initiatives that make them 'stand out' from the rest of the crowd. As the authors note, 'the time deputies spend on local, pork-oriented, legislation is time they cannot spend on national issues.'<sup>78</sup>

These analyses underline the broad incentives for the provision of pork-barrel rewards or clientelistic goods to which legislators can individually take credit and differentiate themselves from others, including party colleagues. Nothing suggests politicians in left-wing parties will be less susceptible to these incentives than their colleagues in centrist or right-wing outfits. As my analysis in the following chapters demonstrates, left-wing legislators are rewarded by voters for engaging in exactly the same type of clientelistic behaviour as their right-wing counterparts.

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<sup>76</sup>For the general argument, see Parker (1986); Cain, Ferejohn and Fiorina (1984) and Cain, Ferejohn and Fiorina (1987). For a discussion of how it applies to the Brazilian political system see Mainwaring (1991) and Ames (1995*a*). Cf. Figueiredo and Limongi (2002).

<sup>77</sup>Carey and Shugart (1995). Cf. Myerson (1993) who also explores the conditions under which individual office seekers will favour narrow distribution of resources as opposed to universal distribution.

<sup>78</sup>Crisp et al. (2004). The citation is from p. 843.

## **My theory of clientelism survival and demise**

Why is clientelism a more attractive political strategy to groups of politicians in some political contexts than in others? Why do politicians abandon it altogether in some communities in favour of programmatic policies and in others it remains a stable characteristic of social policies? The main argument I make is quite straightforward. I propose that not all political actors benefit equally from a shift away from clientelism. For politicians who essentially depend on the dynamics of local politics in order to be elected – most notably legislators and local officials – clientelism will remain the optimal strategy for the design of social spending. As a result, this appeal to clientelism will survive even as societies get richer and the relatively poor becomes politically powerful. Consequently, such politicians will only abandon these practices when facing enormous pressure from more powerful actors with an interest in creating programmatic distributive policies.

Indeed, I propose that – at least in presidential democracies – presidents will face strong institutional incentives to fight for more rules-based forms of distribution and that presidential power plays a key role in explaining this transformation. Progress towards a more programmatic welfare state will happen when presidents gain the upper hand in the design and implementation of social policy as well as on the budgetary process that ensures that these new policies are well-funded. The emergence of large scale programmatic anti-poverty policies requires, therefore, a change in the balance of power, one that gives presidents political advantages and access to resources. When that happens, rules-based policies will inevitably arise.

But why are the incentives for legislators and local officials so different from those of presidents, even though both groups of actors remain concerned with electoral outcomes? I propose two interrelated reasons for that. The first has to do with the nature of presidents' position in the political systems in Brazil and much of Latin America as the sole elected officials bound to a national constituency. I argue that this push towards national outreach sends presidents in the path of developing a coherent and centralised response to social problems, while resisting the appeals of localised clientelistic networks. The second incentive has to do with the costs imposed by the personalistic nature of modern, broker-based clientelistic networks. I show why these costs are higher for presidents than they are to legislators and local officials.

Presidents' ability to act on these incentives will be, though, shaped by the very nature of the political system. In societies where presidents' connections to parties is weaker, presidents will move more easily towards developing their universalistic-driven legacies. When the connection is strong, however, presidents will have to balance these incentives



with their parties' desires to push for more clientelistic spending in order to maintain their networks on the ground. However, as I elaborate in the next chapter, presidential systems' fundamental rule of separating the political survival of chief executives' from that of legislators in their own parties makes so that all presidents will push against attempts to tie their own political futures to the provincial logic of clientelistic networks. We will examine these points in more detail below.

### **Legislators, local officials, and clientelism**

Let us first look at the role played by legislators and local officials in designing and implementing distributive policies in Brazil.<sup>79</sup> Like their counterparts in the US and in most Latin American countries, but unlike many of their Western European colleagues, Brazilian legislators work under the shadow of a separately elected head of government. Unlike in the United States, however, Brazilian legislators are elected in large multi-member electoral districts and, in the case of the lower House, they compete fiercely with their colleagues – *including* their party colleagues – in an open-list proportional representation system.<sup>80</sup> To succeed in their quest to retain political office, candidates to Congress will have (a) to differentiate themselves from their *colleagues-turned-competitors* and (b) to be able to claim credit for improving the lives of a large enough subset of their constituents to place them in a good position on the party list.

In the following chapters I will show that one of the many tools that incumbent legislators have at their disposal to accomplish those goals is to maintain networks of clients. Through these networks, legislators channel government social spending to specific voters. In this sense, Brazil's political system is a textbook case on the cultivation of the personal vote given historical and institutional reasons which I will explore more fully in Chapter Four.

Local officials are important here too because in this system they are the main allies that legislators will have in order to effectively manage clientelistic networks. In Brazil, mayors, aldermen – and to a lesser extent even some state governors – are heavily dependent on the central government for financial resources. In return for the support they get from members of Congress, they can offer the local knowledge and

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<sup>79</sup>As noted above, I first develop this theory looking at the case of Brazil. Chapter Two will highlight the theory's comparative analytical potential. In Chapter Five I will provide empirical evidence from Argentina and Mexico to corroborate this claim.

<sup>80</sup>On the dynamics of intra-party competition, see Figueiredo and Limongi (1999), especially Chapter Two. On the consequences of Brazil's open-list proportional representation for patronage and clientelism, see Ames (1995b).

infrastructure of brokers necessary to make successful clientelistic arrangements work in the long term. I propose that local officials and legislators form the perfect partnership, as they face strong incentives to work together in order to channel resources towards non-programmatic spending.

In some political systems, the tendency for legislators to look after narrow interests of their clients at the expense of national-level politics can be mitigated by a strong party system that forces politicians to work in concert around a national agenda. This is most obvious in parliamentary systems, where majorities supporting the government are co-responsible for crucial bills presented to parliament and have to face the risk of anticipated elections if they go against their own government. Presidentialism offers more opportunities for defection, but it is still possible in those systems for parties to provide a way of coordinating behaviour and preventing individualistic action.<sup>81</sup> Indeed, Figueiredo and Limongi argue that legislative procedures in Brazil empower party whips by creating numerous opportunities for block party voting, which makes individualistic behaviour less likely than in the US legislature. For them, this is one of the most important factors enabling presidents to govern despite the fragmented party system. In this interpretation, legislators follow individualistic motives during elections, but are forced to follow party leaders when in office.<sup>82</sup>

When it comes to clientelism, however, the role that Brazilian parties can play in curbing personalistic behaviour is at best limited. In Chapter Four I show that Congressional procedures giving party leaders powers to enforce discipline are useful tools to make them vote together in projects that have only limited impact on their electoral prospects. And indeed – as explained by Figueiredo and Limongi – these rules empower presidents to push through significant national legislation. Conversely, providing particularistic benefits stands at the top of legislators' agendas because it is one of the most important tools they have to get reelected and to retain their political status in their home states. I show that in these matters, their incentives to cooperate with a national party agenda will be limited.

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<sup>81</sup>In Chapter Five I briefly discuss why the Argentine closed-list proportional representation system does not eliminate the incentives for clientelistic behaviour in that country's legislature. To negotiate a comfortable position in their home province's party list, Argentine legislators must prove that they will be useful to local officials who draft the party lists. One of the most relevant ways for doing so is to secure resources for clientelistic arrangements at the local level. This view is consistent with what was proposed by Moreno and coauthors in an influential analysis of Latin American party systems. In a 2003 essay they have argued that electoral systems in the region undermined accountability by creating parties that were either too strong and oligarchical to be held to account by voters or too weak to force legislators to think beyond the concerns of small interest groups. See Moreno, Crisp and Shugart (2003).

<sup>82</sup>Figueiredo and Limongi (1999).

## Presidents and clientelism

The final players in the politics of distributive policy design are presidents, who I show to be the main political beneficiaries of programmatic social policies *regardless of their party membership*. Like all other elected officials, presidents play the game of policy design keeping in mind their incentives to be responsive to voters. Yet there are two reasons why presidents have incentives to abandon clientelism in favour programmatic social policies.

First, the broker-based system of networks does not scale up effectively. For clientelistic deals between politicians and voters to work in modern democracies, the former must recruit local leaders, or brokers, to establish personal relationships and make promises to provide privileged access to state resources credible. But because the system is so personalistic, each broker can only establish relationships with a limited number of clients. Presidents will find that maintaining local alliances to recruit enough brokers to make a difference in a national election will be prohibitively expensive.

A broker-based network solves clientelism's commitment problems but also brings with it monitoring costs for patrons. As Stokes and colleagues demonstrate, brokers tend to 'overspend' on benefits for loyal supporters because of their need to maintain good relations with the local communities in which they operate.<sup>83</sup> Monitoring a vast network of national brokers is costly; thus, clientelism tends to be decentralised. The cost of 'leakage' and of developing monitoring systems for broker-based operations rises as the number of voters one caters to goes up. In the case of Brazil, where there are no strong and centralised parties that provide monitoring capacity, presidents will rarely choose to pay such costs, preferring instead to rely on programmatic distribution.

The second reason pushing presidents away from clientelism is closely related to the first one. Presidents' large and heterogeneous constituency not only makes them less willing to pay the costs of a broker-based system, but also makes them to derive more benefits from rules-based distribution than do legislators and local officials. The logic behind this is that presidents cannot win elections based on the provision of privileged access to small groups of voters. Instead, they must gain the support of a majority which, by definition, will include both clients and those who cannot or will not have access to the protection afforded by a clientelistic network. Having to design social policies that are acceptable throughout the nation – both to those that are potential beneficiaries and to more wealthy voters who will pay the costs of income redistribution – presidents have an incentive to focus on issues of fairness and effectiveness. As a result, I propose that presidents will be uniquely averse to particularistic designs and will instead tend to favour

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<sup>83</sup>Stokes et al. (2013).

building a centralised capacity for effective governance that can be directed by them at the national level.

The idea that the incentives presidents and legislators face are different because of the former's national constituencies is not new and was captured decades ago by scholars who sought to explain why presidents and legislators in the United States had such different approaches when designing public bureaucracies. Terry Moe and Michael Caldwell have provided what is probably one of the clearest statements of the argument:

(Presidents') broad national constituency leads them to think in grander terms about social problems and to resist the specialized appeals of groups. Unlike legislators, moreover, they are held responsible by the public for virtually every aspect of national performance. When the economy declines, an agency falters, or a social problem goes unaddressed, presidents get the blame. To be judged successful in the eyes of history, they must be seen as leading and governing effectively. This is the driving force behind presidential behavior.<sup>84</sup>

In this dissertation I rely on this argument that presidents have a tendency to prefer universalistic positions, while legislators are driven by particularistic goals. Authors such as Moe and Caldwell and others that adopted similar positions have argued that US presidents' unique constitutional position as national leaders pushes them into thinking more about their success in office, and in particular about their own legacy.<sup>85</sup>

Yet recent critics of that literature have shown that presidents are not that immune to electoral pressures. They care about reelection and about the future of their political allies.<sup>86</sup> Taking this criticism of the original 'universalistic president' thesis into consideration, I adopt a moderate version of the argument that does not ignore presidents' electoral concerns. In Chapter Two I show that Latin American presidents do care about reelection and about who will become president after they leave office. This happens because they never fully abandon frontline politics and often consider the prospect of running for a third (non-consecutive) term. I also show that this does not necessarily change their preferences for programmatic social policies.

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<sup>84</sup>Moe and Caldwell (1994), p. 175. Note that the groups to which Moe and Caldwell are referring here – the groups to which presidents can often afford to be indifferent – are interest groups. My analysis of clientelism extends the same logic to the 'special interests' that are clientelistic networks. The particularistic benefits demanded by clientelistic networks are remarkably similar to the kinds of demands issued by special interest groups in the United States and elsewhere. Both interest groups and clientelistic networks are interested in carving out a privileged niche within the state, a niche they exploit for their own gain regardless of the consequences for the larger community or nation.

<sup>85</sup>See, for example, Linz (1994); Moe and Wilson (1994); Lewis (2004); and Huber and Shipan (2010); Kagan (2010); Howell, Jackman and Rogowski (2013).

<sup>86</sup>Kriner and Reeves (2015); Lowande, Jenkins and Clarke (2015).

There are many characteristics of the Brazilian political system that make the ‘universalist president’ argument compelling despite the fact that it was originally developed as an explanation of structural dynamics of US politics. First, the responsibility that presidents have towards the majority of voters is magnified in cases like Brazil’s, where voting is mandatory. This ensures that even citizens who have little interest in participating in the political process must turn out to vote and that tactics designed to lower the turnout of certain groups have little or no effect. Other scholars have investigated this question in detail and pointed out the significant effect that compulsory voting can have on the reduction of inequality. The logic was originally captured by Arend Lijphart in 1996 and has more recently been put to the test by John Carey and Yusaku Horiuchi in the case of Venezuela and by Anthony Fowler for the case of Australia. In both cases researchers have found a positive association between compulsory voting and social spending.<sup>87</sup>

Paradoxically, compulsory voting can also be harnessed as a force for non-programmatic politics. There is some evidence that in certain regions of Brazil, poor voters sometimes struggle to cover the cost of going to the polling station and are eager to make a small profit or just break even. During the 2014 election, a team of investigative journalists tracked down a group of young man in the northern state of Roraima. They lived in a slum in the outskirts of the capital city of Boa Vista, but had to go to the city to vote. When asked by a reporter about their goal they were clear: they wanted to sell their votes to ‘some politician’ in order to cover the costs of fuel for their bikes and for some food while in the capital. A pregnant woman expected to make a small profit: ‘I need money for the baby’s clothes,’ she said.<sup>88</sup> It is easy to see how in a small state like Roraima – with less than 470 thousand people – a few hundred votes bought on election day can change the outcome for local politicians.

Another key factor pushing Brazilian presidents towards universalism is the country’s weak party system, combined with a host of rules that incentivise politicians to seek the personal vote. The open-list political system means that legislators compete with each other for the loyalty of voters, so their allegiance to a unified party platform or to the centralised party leadership is weak at best. This, combined with lax campaign finance rules that enable individual candidates to raise and spend money without coordinating with party leadership and large electoral districts that favour smaller parties ensure that presidents’ ties to local party leaders is weak at best, limiting any chance of a strategy of winning a national election by aggregating across parties’ or legislators’

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<sup>87</sup>Lijphart (1997); Carey and Horiuchi (2013); Fowler (2013).

<sup>88</sup>Eleitores de Roraima Esperam Compra de Votos na Madrugada. *O Estado de S. Paulo*, 04 Oct. 2014.

clientelistic networks. In Chapter Two I explain why party structure and electoral rules matter for my general argument about the role that presidential power plays in the development of rules-based social programmes. I show that very centralised party structures can create a dilemma for presidents: notwithstanding their incentives to cater to national constituencies, presidents must still work together with a unified party structure that requires particularism to survive. In Chapter Five I explore how a different party structure in place has weakened presidential universalism in Argentina.

I find strong empirical evidence in support of my theory in the later chapters. Such findings hold both in descriptive statistics and in a host of econometric models under different identification strategies. They are also supported by qualitative evidence collected from speeches, parliamentary records, as well as dozens of interviews conducted specifically for this project between 2013 and 2015. Overall, the picture that emerges is one in which distribution serves distinct electoral functions depending on how the relevant actors are placed in the political system. Presidents – regardless of party affiliation – tend to win more votes for their own reelection campaigns (or for their chosen successors) in municipalities with high levels of spending on programmatic, rules-based social programmes. Conversely, incumbent legislators tend to win votes in places where the spending of more discretionary, clientelistic programmes is higher. What's more, presidents do not appear to gain any significant electoral advantage by increasing discretionary social policy spending, and legislators supporting the government in the Congress are not systematically favoured by programmatic anti-poverty spending like conditional cash transfers.

It is no surprise, therefore, that presidents throughout Latin America have been championing rules-based income redistribution. In Brazil, the right of centre Cardoso administration designed a centralised conditional cash transfer programme to replace more traditional clientelistic practices controlled by local governments. Since then, every person to occupy the presidency invested considerable political capital in the creation of rules-based social programmes. Other similar initiatives have happened throughout the region, always with presidents being at the forefront of institutional innovation. For example, Colombian president Andres Pastrana (1998-2002) took advantage of administrative reforms enacted during a financial crisis to replace older handout policies with a conditional cash transfer controlled directly from his office. As the evidence in Chapter Five demonstrates, social policy reforms in Mexico since the fall of the PRI regime were designed within the executive's cabinet and implemented by a new generation of technocrats working under the political protection of presidents despite

fierce resistant from legislators.<sup>89</sup>

### **Clientelism and credible commitments**

A crucial part of my argument relies on the idea that clientelism creates very specific commitment problems between politicians and their supporters. This is not an original claim and there is a growing literature examining the mechanisms that politicians use to make credible commitments to voters about income redistribution and how this phenomenon relates to clientelism. As numerous real life examples in this thesis show, voters are constantly concerned about being cheated by politicians who claim to be willing to provide favours to their supporters once in office. At the same time, politicians have reason to consider whether voters will defect on their promises to support them in exchange for clientelistic benefits, taking advantage of the secrecy of the ballot box. The existence of these commitment problems does not mean that clientelism will be impossible without commitment devices, but only that we can expect that commitment devices – such as brokers – will enable politicians to use scarce resources more effectively.

Previous studies on commitment problems have shown that repeated interactions, sufficiently low discount rates and observable actions can lead to credible commitments. However, as I will explore in more detail in Chapter Two, repeated interactions in politics require that voters and politicians communicate directly with each other, and creating such channels comes at a cost to politicians. A number of authors addressed the question of what mechanisms politicians can develop to make their promises to voters credible in the first place. Robinson and Verdier and Robinson and Torvik propose a formal model in which politicians' promises to voters are not credible, but they can cheaply make them credible only to a subset of voters whose actions they can better observe through brokers. Bueno de Mesquita et al. make a similar point, theorising that it is more efficient for politicians to make credible commitments to voters with whom they share some personal connection.<sup>90</sup>

The idea that it is less costly for politicians to build credibility with specific subsets of voters also appears in theories of machine politics in the context of the United States. Dixit and Londregan argue that machine politics emerges when parties are better able to redistribute resources to voters with whom they share some kind of ideological affinity. Their model assumes that only promises to these voters can be made credible. As a result,

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<sup>89</sup>For an outline of social innovations going beyond cash transfers, see Santiago Levy, Is social policy in Latin America heading in the right direction? Beyond conditional cash transfer programs, *Brookings Institution*, 2015.

<sup>90</sup>Robinson and Torvik (2005); Bueno de Mesquita et al. (2005); Robinson and Verdier (2013).

so-called ‘core supporters’ will have an advantage in receiving distributive payments.<sup>91</sup>

Some authors have claimed that clientelism emerges when making credible commitments to redistribute to the broad citizenry is too costly. Keefer argues that the widespread use of clientelism in Africa has to do with the high costs that politicians face when making credible commitments to the broad citizenry.<sup>92</sup> In a related paper, Keefer and Vlaicu use a formal model to show that, in countries where this cost is high, politicians will instead promise to redistribute to small groups through clientelism.<sup>93</sup>

A second group of scholars have looked at how clientelism creates its own commitment problems. Stokes was the first to discuss the role played by brokers in creating credible commitments between voters and clientelistic leaders. Her work called attention to brokers’ role in gathering information and stopping voters from using the secrecy of the ballot box to take benefits from patrons and voting for someone else.<sup>94</sup> Latter works built on that insight and emphasised the costs for politicians of maintaining a broker-based system to solve the challenges posed identified by Stokes. In that spirit, Edwin Camp shows that brokers in Argentina extract significant rents from their parties and over-invest in in neighbourhoods where they already have strong support.<sup>95</sup>

Stokes, Dunning, Nazareno, and Brusco take this argument one step further by claiming that politicians relinquish clientelism in favour of programmatic policies when the costs associated with making credible commitments through brokers become higher than the benefits they obtain through clientelism. They point to four factors that determine how costly the broker-system will be: the size of the electorate that a politician has to cater to, the resources that patrons have to monitor brokers’ activities, how poor the voters being targeted by clientelistic promises are, and the cost of communicating programmatic promises to voters.<sup>96</sup> Likewise, Larreguy, Marshall, and Querubin offer evidence that clientelistic spending in Mexico is more efficient when politicians have more resources to monitor brokers’ activities. They interpret these results by pointing to brokers’ tendency to overspend to further their own local careers.<sup>97</sup>

In one way or another, all these works point to the commitment problems inherent in clientelistic relationships. While none of these authors categorically affirms that clientelism is impossible without a commitment device, they do show evidence that

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<sup>91</sup>Dixit and Londregan (1996).

<sup>92</sup>Keefer (2010).

<sup>93</sup>Keefer and Vlaicu (2007).

<sup>94</sup>Stokes (2005).

<sup>95</sup>Camp (2017).

<sup>96</sup>Stokes et al. (2013), Chapter Seven. See also Camp, Dixit and Stokes (2014) for an in-depth study of the British case.

<sup>97</sup>Larreguy, Marshall and Querubin (2016).



politicians engaged in modern clientelistic relationships all over the world tend to employ brokers to establish personal relationships with voters and thus facilitate these transactions. Stokes and colleagues' *Brokers, Voters, and Clientelism* was the first work to focus specifically on the inefficiencies that the broker-based system has and to develop a model to explain the demise of clientelism based on the cost of using brokers as commitment devices.

My work here builds on this literature. It acknowledges that commitment problems shape the nature of modern patron-client relationships and that the devices that they use to facilitate the exchange of votes for privileged access to state resources will create a number of inefficiencies. I also take the debate one step further by pointing out that the inefficiencies inherent in the broker-based system do not affect all politicians equally. Specifically, presidents' large electorates and tendency to look towards the needs of the majority of voters – rather than those of groups of well-connected clients – makes them less willing to tolerate the costs of patron-client relationships and pushes them towards rules-based redistribution.

### **Policy design**

Comparative evidence suggests that the instruments that allow politicians to choose who benefits from a particular policy and when benefits are withdrawn tend to be included in the process of policy design. Filipino president Gloria Arroyo sought in 2001 to establish a national distributive programme to address rising poverty and unemployment caused by the Asian financial crisis. Arroyo proposed to emulate the cash transfer programmes beginning to take root in some Latin American countries. Her proposal to Congress was to create a central bureaucracy and a complex set of rules to provide cash to those whose income was below the national poverty line. Many legislators from across the political spectrum were resistant to such design, claiming it would encourage the poor to spend money on alcohol or drugs while at the same time discouraging them to look for jobs. It is not that legislators were reluctant to commit public funds to social policy, but the design they favoured was one based on food handouts and subsidies to the poor operated by each province under a vaguely-worded piece of legislation that gave provincial officers significant discretion over the implementation of the programme.

The process of policy design provides those that favour clientelism with the opportunity to empower or disempower actors that are more likely to run social programmes as they prefer. Actors backing particularistic interests will tend to favour policies that can easily be run through networks of brokers. For example, in Brazil one of the most common ways to spend anti-poverty resources is through the National Social

Assistance Fund. Legislators will fight for budget amendments to support particular initiatives that are run within the Fund's framework. They can include building a social assistance centre, funding a jobs programme, repairing roofs, building a water well, providing food handouts or many other such initiatives. In a system like this, legislators will be able to specify when and where money will be spent. The involvement of public bureaucracy is at best minimum, leaving much room for clientelistic brokers to operate the programmes on the ground in a way that best suits their masters' electoral interests. The perfect setup for personalistic credit claiming and not at all what one would do if their goal is to provide effective poverty relief.<sup>98</sup>

Chapter Two of this dissertation provides a theory that not only accounts for why Brazilian legislators will not support programmatic policies but also describes what kinds of mechanisms they will favour when it comes to distributive policy design. First, they will push hard for minimum involvement of civil servant specialists and favour instead a policy implemented by local brokers that they owe loyalty to their political group. Second, they will try to make legislation as simple and vague as possible in order to give the maximum discretionary power to those implementing policy to reward and punish voters as it suits them. Third, they will avoid commitments that tie resources to one particular activity or programme in order to effectively claim credit for supporting communities and groups as well as to keep them dependent on the goodwill of policy-makers as much as possible.

This is the very opposite of what an actor who needed to claim credit for the reduction of poverty and inequality would do. In the process of policy design someone who wants to be seen as a champion of the poor would actually be best served by a well-equipped and impartial bureaucracy that is able identify where and how scarce resources would be better spent. I argue that it is in the interest of presidents to fight for something that resembles this design because the problems of commitment involved in managing a large network needed to reward and punish individuals or small groups on the ground rises with the size of the politicians' constituency and will quickly prove prohibitively expensive for a president of a large democracy. In order to gain votes, they would prefer to see resources allocated through rules-based programmes – not out of altruism, but because they will be rewarded in the ballot box. Presidents will also be in favour of clear eligibility rules that can be objectively examined and of complex regulation that takes power away from a myriad of local officials.

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<sup>98</sup>I discuss this fund's role in clientelism at length in subsequent chapters.

## Budget process

After the disputes about policy design are over, there is no guarantee that public resources will flow towards the most efficient policies. Indeed, as we will see in the chapters below, politicians will have a myriad of options of policies in place, some more clientelistic and others more programmatic.

The powers of budget allocation in Brazil have changed significantly since the 1990s when the first large-scale programmatic anti-poverty initiatives emerged. Presidents gained powers to control budget execution with the 1988 Constitution, but it was with fiscal reforms in the second half of the 1990s that they gained the ability to reduce the flow of money to mayors and governors, allowing the central government to have significant say over local initiatives.<sup>99</sup> By doing so, presidents have concentrated enormous fiscal power in the federal government and have made the relationship between Congress and the Presidency the defining feature of the budget allocation process.

Weaker presidents will have a harder time keeping programmatic policies fully funded. During the 2016 budget negotiations, there was much dispute over what government initiatives would be cut in the midst of a profound fiscal crisis in Brazil. With President Rousseff's popularity in the single digits, legislators pushed to enforce their preferred cuts on the very same policies that had contributed to her victory in 2014, but that – as I will show in Chapter Three – had no significant impact on legislators' electoral fortunes. The rapporteur of the budget bill – in spite of his position as a government ally – argued for a cut of 10 billion reais from the *Bolsa Família* conditional cash transfer programme as a way to balance the budget. This would prevent the government from admitting new beneficiaries during that fiscal year.<sup>100</sup> When I interviewed former president Fernando Henrique Cardoso (1995-2003) and asked for his opinion on the then ongoing crisis between Rousseff and the legislature – one that would eventually lead to her impeachment in 2016 – he pointed out that the biggest threat to government effectiveness in Brazil's system came from a weak president: 'When they smell weakness they come at the president with this kind of legislative agenda. They do not really care about *Bolsa Família*. They are using this as a bargaining chip. They are saying: do not mess with what our base cares about or else we will come after you.'<sup>101</sup>

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<sup>99</sup>Abrucio (1998); Arretche (2000).

<sup>100</sup>Relator vai propor corte de R\$ 10 bi do Bolsa Família no Orçamento de 2016. *GI*. 21 Oct. 2015.

<sup>101</sup>Interview to the author, November 2015. Original in Portuguese: 'Quando eles sentem cheiro de derrota eles vêm para cima do presidente com essas pautas-bomba. Eles não estão nem aí para *Bolsa Família*. Eles estão usando como moeda de troca. Estão dizendo: não mexe com a nossa base ou nós vamos atrás de você'.

This type of behaviour goes against the logic that all politicians supporting the government will benefit from government spending in the same ways, but is an example of how conflicting interests will shape budget allocations in social policies. Reconciling these interests is easier in moments of economic growth, when new revenues will allow for increased spending in both programmatic and clientelistic initiatives, but in times of economic hardship all actors will have to fight tooth and nail to keep their favourite programmes well-funded. A speech given by a Brazilian legislator during the legislative budget debates of 2014 exemplifies how the budgetary process had divided even legislators were nominally supporting the government:

This is a joke! They are toying with us. They make us introduce the budget bill, make us introduce the amendments, and then we deceive the aldermen, the mayors, because we do introduce the amendments. And now you do this? Now, I am sorry, but I cannot understand. My party supports the government of President Dilma Rousseff, but this is difficult. How am I going to justify myself to the population of Curitiba, of Campos Novos, of Lages? (...) How am I going to justify this, Deputy Marcos Rogério? What am I going to say to the farmer? To that alderman that is sacrificing himself? Our mayors cannot sleep because of the difficulties in their municipalities. But they blocked our amendments. Unfortunately, they blocked our amendments. We had the right to 15 million [reais] in amendments. Each deputy could give 15 million in amendments to the municipalities he wanted to. The 15 million [reais] is now going to be just 5 million.<sup>102</sup>

The process Deputy Onofre Agostini describes above illustrates the other side of the budget battle: when presidents are strong (as President Rousseff was in February 2014) they are able to impose significant cuts to the preferred spending priorities of local politicians, while at the same time preserving programmes that benefit them politically.

## **Why Brazil?**

This dissertation develops a theory about the dynamics of the emergence of rules-based distributive policies in societies where clientelistic practices have previously been the norm. My theory is broadly comparative, although the empirical evidence I use comes

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<sup>102</sup>Onofre Santo Agostini (PSD-SC), Speech before the Chamber of Deputies. 21 Feb. 2014. My translation from the original Portuguese.

from national, municipal, and individual-level data from Brazil. I choose to work on Brazil for several reasons.

First, clientelism has thrived as an electoral strategy in Brazil under a variety of political conditions since the 19<sup>th</sup> century. Historians have highlighted the importance of the practices of distributing government jobs and buying vote through small favours and handouts by local bosses under Brazil's 19<sup>th</sup> century constitutional monarchy – one which had parliamentary overtones.<sup>103</sup> Such arrangements continued to work well with the introduction of a presidential republic and the elimination of restrictions on the right to vote based on income in 1889,<sup>104</sup> as well as to the introduction of the secret ballot in 1932. Clientelism thrived after the creation of the first large-scale government initiatives explicitly designed to fight poverty, including highly politicised public works and land reform programmes that were the cornerstone of the country's incipient anti-poverty strategy through the 1950s and 1960s. Indeed, there is no evidence that this arrangement was affected in any meaningful way when the presidential republic was replaced in a second experiment with a semi-presidential system from 1961 to 1964. Clientelism was also an important element in the strategy of cooptation of local elites developed by the military dictatorship that lasted from 1964 to 1985. As the state increased its role in the economy under the military regime, it also began to play a more significant role in poverty reduction. Legislators got more power to direct resources to their favoured social projects in their constituencies, and the central government created the first large scale land reform initiatives at the federal level.

In tandem with the political changes, the country's economy and society have also undergone dramatic transformations. Until the late 1960s, Brazil remained a predominantly rural society, with an economy based primarily on agricultural exports. Inequality was a much less significant issue, but poverty was widespread. The 1970 census shows that women at the time had an average of 6 children and that more than three quarters of the population was illiterate (and thus not allowed to vote). Only 20% of citizens between the ages of 12 and 15 had completed at least 4 years of formal education – almost all of those were white. Fast forward to 2010 and what you see is a country where 85% of the population lives in urban areas less than 20% of adults are illiterate (and now even they could vote, thanks to a reform introduced in 1988). Almost all of the young had completed primary education and a little over 70% had the 8 years of study required to complete secondary school. Inequality – which had increased dramatically from the 1960s to the 1980s – has been shrinking since the second half of

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<sup>103</sup>Graham (1990).

<sup>104</sup>Viotti (2010).

the 1990s.<sup>105</sup> Another reason to look closely at the Brazilian case is that here we find not only a new generation of rules-based anti-poverty programmes gaining ground, but also a significant share of the government budget still directed towards traditional discretionary policies.

Over the years, I have successfully collected micro- and macro-level data that allow me to examine in detail several implications of by theory for voting behaviour and the behaviour of elected officials, including why they prefer to allocate resources to some types of social programmes over others. Such information is often difficult to come by, especially for non-OECD countries and collecting it has been possible in part thanks to a Freedom of Information Law enacted in 2012 that forced government agencies to make micro-level spending data accessible to researchers.

I am by no means the first person to look at issues related to inequality and social policy in Brazil. Indeed, an excellent literature has emerged over the past years focusing on the political economy of conditional cash transfer programmes, and it usually pays special attention to the *Bolsa Família* programme and its electoral consequences.<sup>106</sup> However, my dissertation offers several new insights that had been ignored or under-theorised by previous works. It also relies on a with data on numerous other social programmes, not just *Bolsa Família*.

Finally, I put Brazil's experience in comparative perspective, challenging narratives about the country's exceptional path towards inequality reduction or about the unique role played by the centre-left governments of the Workers' Party that have ruled the country since 2003.<sup>107</sup> I also confront the argument that the reforms enacted over the past decades do not amount to more than a continuation of Brazil's clientelistic political system.<sup>108</sup>

## Plan of the Thesis

The next chapter presents my theoretical framework for understanding politicians' incentives when creating and implementing distributive programmes in presidential democracies and provides an explanation for the rise of programmatic distributive policies in settings where clientelism was previously the norm. I also present a series of

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<sup>105</sup>Arretche (2015).

<sup>106</sup>Hunter and Power (2007); Nicolau and Peixoto (2008); Zucco (2008); Soares and Terron (2008); de Janvry, Finan and Sadoulet (2008); Licio, Castro and Rennó (2009); Fenwick (2009); Fried (2012); Sugiyama and Hunter (2013); Zucco (2013)

<sup>107</sup>Cf. Singer (2012), who makes the case that the combination of economic growth and poverty reduction in recent Brazilian history was made possible by the Workers' Party – and particularly by President Lula's leadership.

<sup>108</sup>Cf. Hall (2012), who argues that *Bolsa Família* and other similar distributive policies adopted in Brazil during the late 1990s and early 2000s were also designed to enable clientelism.

hypotheses about politicians' strategies and behaviour to be assessed using empirical evidence in the subsequent chapters. My theory of the factors that have led to the rise in programmatic anti-poverty policies in Chapter Two stresses the connection between the likelihood that politicians will support programmatic policies and their dependency on local-level political dynamics for reelection. Chapter Two also provides some stylised facts about the dynamics of decline of clientelistic politics in Brazil over the last three decades.

Chapter Three provides empirical evidence based on municipality-level social spending data for several of my theoretical claims. Some of these relationships, in particular the connection between *Bolsa Família* spending and presidential support, have been explored by other scholars. Other relationships are much harder to account for with existing theories about the demise of clientelism, but are consistent with the hypotheses raised in this dissertation.

Chapter Four looks more closely at the decision making in parliament and the executive in Brazil to examine if these actors actually behave strategically in the way predicted by the theory, namely that presidents actively push for more spending towards rules-based social programmes and legislators fight for more discretion when designing and funding policies. It relies mostly on qualitative evidence, including fieldwork and numerous interviews with politicians and civil servants

Chapter Five concludes by summarising the main findings and discussing alternative explanations that could account for the expansion of rules-based social policies in developing countries. That chapter further extends the analysis to Argentina and Mexico with two brief case studies and analyses the implications of this work for the broader literature on the political economy of distributive policies.

## Chapter 2

### A Theory of Programmatic Distribution

Clientelism has provided, in many democracies, an efficient and well-established way for politicians to build a loyal following – especially among the poorest voters – one that they can use to retain political office and gain leverage in political bargains. This happens because, in clientelistic programmes, politicians maintain a high level of control over how public funds are distributed, who gets them, and when benefits are withdrawn. Thus, with discretionary powers to allocate resources strategically, politicians can reward their supporters and punish opponents.

If clientelistic strategies are so efficient, why would politicians relinquish such powers in favour of policies based on objective rules and, in the process, voluntarily diminish their own political influence? In this chapter I propose a theory that accounts for why some politicians choose to push for more programmatic distributive policies that are not based on personal connections to a clientelistic network, while others remain committed to high levels of discretionary social spending. My theory draws on evidence from Brazil's political system, but the insights it produces illuminate dynamics common in many other presidential democracies.

My explanation has two parts and both have to do with how legislators and local officials' approach to social policy is different from presidents'. The first part looks at the costs of creating credible commitments to redistribute income using broker-based clientelistic networks. As I briefly discussed in Chapter One, politicians and voters that want to engage in clientelistic arrangements face two commitment problems. The first is that, if politicians can withdraw resources from voters whenever they want, how can the latter trust them enough to enter into long-term patron-client relationships? Furthermore, if voters can rely on the secret ballot to vote for whoever they want, how can patrons ensure that they will not take clientelistic benefits and vote for someone else?

To solve these commitment problems, patrons and clients will rely on brokers – political operators that maintain personal connections with clients and who can put their credibility on the line for politicians. The personalistic arrangements that sustain the relationships between brokers, voters, and patrons are akin to iterated games, where cooperation becomes more likely and defection costlier because actors anticipate the fact that they are going to play this game over and over again with no end in sight.

Even though such broker-based networks can work well for mayors of small and medium towns, aldermen or congresspeople – for whom a few thousand votes can make



the difference between winning and losing – their utility will tend to diminish as the relative size of the electorate one is accountable to increases and, as a result, the cost for politicians of maintaining arrangements that rely on personal connections goes up.

Fortunately, not all politicians can afford such costs. Presidents in Brazil and in most other presidential democracies deal in millions of votes and need to appeal to broad sections of the electorate – even when elections are tight. For them, employing an army of brokers to establish personal connections and deliver personal favours, even to a small percentage of their electorate, would be prohibitive. For them, even alliances with thousands of local bosses that could deliver brokers all over the country become problematic and prohibitively costly to be pursued in large scale. Clientelism's personalistic nature works as its limitation.

The second part of my explanation has to do with how presidents' national and heterogeneous constituency makes them more sensible to the distortions created by clientelistic favouritism. By its very nature, clientelism is based on privileging those that are politically connected with favours and resources – not necessarily those that need it the most. This type of rent-seeking can be favourable to those, like legislators, who build a career by meeting the parochial needs of their constituents, instead of working to improve the overall efficiency of the system of social protection.

Conversely, presidents' unique position in the political system means that they have to work for a majority of citizens. They will thus tend to focus on the national implications of public policies and on designing effective programmes that will be seen as both fair and effective use of public money by the majority of voters – including both those eligible to receive benefits and the ones that will pay the taxes that fund these programmes. I propose that a focus on clientelistic relations goes against presidents' incentives towards universalistic policies and thus would undermine their position of leadership and their ability to leave a lasting legacy – two key goals that presidents have an incentive to focus on.

In this chapter I explain in detail these two reasons for why presidents and legislators have such different views of clientelism. I build my theory by drawing mainly on research into the Brazilian political system. In doing so, I explain the role played by the main actors involved in the decision-making in Brazilian politics: legislators, local officials, and presidents.<sup>1</sup> Although I focus on these actors in the Brazilian context, their relevance in social policy outcomes will have parallels with what happens in other presidential democracies. Therefore, I will provide interpretations about how to conceive

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<sup>1</sup>I do not discuss the role of voters' demand for clientelistic spending in this dissertation. On this topic, see Nichter and Peress (2014).

of them in other contexts whenever possible.

Finally, I also consider in this chapter the role of variables unrelated to the role of presidents: party systems and electoral systems. I argue that Brazil's weak parties and the existence of a host of rules that favour personalistic relationships between voters and politicians give presidents significant leeway in adopting programmatic social policies instead of adopting clientelistic arrangements. Conversely, in political systems where party leaderships are strong and the rules favour control of machines by a centralised oligarchy – as in the case of Argentina – presidents will have to weigh their incentives to cater to their own national constituencies against their need to maintain a good relationship with their party's powerful leadership.

My theory provides an explanation for why clashes between politicians who prefer programmatic policies and those who favour clientelism are neither necessarily based on party affiliation nor on the relative wealth of the people that they represent. In Chapter Four I further explore this logic and demonstrate how a series of political reforms in Brazil has greatly empowered successive presidents<sup>2</sup> to pursue an ambitious agenda of policy reform that resulted in new rules-based, anti-poverty initiatives in the late 1990s and through the 2000s – a process that has continued under both centre-left and centre-right administrations. In Chapter Five I explore how the same logic can explain the recent changes in the social policy landscape in Argentina and Mexico. Recognising the existence of such divergent interests brings us closer to explaining observable patterns of transformation in social policies in Brazil and in many other Latin American countries.

## **Sharing Spoils and Problems of Commitment**

Clientelism's personalistic nature creates two commitment problems that make relations between voters and politicians more difficult. In this section I show how politicians employ networks of brokers to mitigate these problems and provide for the emergence of long-term relationships between themselves and their clients. I also elaborate on why the tendency of modern clientelistic networks to use brokers makes the practice less attractive to presidents.

To understand the problems of commitment created by discretionary spending, let us imagine a simple interaction between two players, Patron and Client. Patron holds political office and thus – because of how social policy is designed – exerts significant

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<sup>2</sup>As I explain in Chapter Four, most opportunities for reforms come with exogenous shocks that shake up the political system: financial crises, corruption scandals, even the death of incumbent presidents. All these can create opportunities for reforms that affect presidential power in the long run.

discretion over how certain public funds are used. He is interested in using these powers to gain the support of Client in the upcoming elections. Client is a voter in Patron's electoral district and is willing to exchange his vote for some kind of privileged access to state resources. It might be that Client anticipates the need to schedule appointments with a doctor at an overcrowded public hospital. He might as well be expecting that with Patron's intervention – who happens to control funding for the local public healthcare system – he may be able to get these appointments expediently. It could also be that Client needs access to a food handout programme – one that does not have clear criteria for inclusion – or is tired of waiting years to be given his own plot of land through a government's land reform programme that has equally vague requirements for inclusion. In any case, Client's expectation is that Patron can help him now and in the future, and in exchange all that Patron asks is for Client's vote. Client has the first move. He can choose either to negotiate his vote for Patron in exchange for clientelistic benefits or to seek access to goods and services outside the clientelistic network. Here, seeking support outside the network implies either looking for different patrons or reaping the benefits of having a 'free vote,' that is, voting according to one's own policy preferences and not as a function of clientelistic interests, while at the same time finding other ways to access services that can be accessed through membership in the network (e.g. putting one's children in private schools, hiring private doctors, etc.). In effect, when Client chooses to carry out the exchange, he is trading his vote for a share of Patron's spoils of office.

The spoils of office are valuable to both players today and in the future. Patron can use his powers as an elected official to push for policies at an ideal point or simply to extract rents for himself. Nevertheless, Patron's power is limited, so the political capital that he puts into securing funds to support privileged access to the state for Client cannot be used to push for specific policies or securing advantageous deals that will benefit him financially or pushing for policies that he prefers. To put it another way, political capital spent by politicians building or maintaining clientelistic networks is political capital that cannot not be used to push for other policies. Client, in turn, values the spoils of office because he wants to secure preferential access to scarce public services that would otherwise only be available to him through expensive non-political means. To make matters simpler, we can assume that, if Client decides not to strike a deal to exchange his vote for benefits, there is no probability that he will vote for Patron, and this increases the probability of Patron losing the election and having to leave office altogether. Also, we assume that if the Client votes for Patron, there is no probability that the latter will lose office.

For Client, a decision not to support Patron presupposes incurring the cost of either

creating a relationship with a rival clientelistic network or securing access to public services through non-political means (e.g. through the market for private education or healthcare). While investment in non-political access to resources implies a cost to Client, it also translates itself into the benefit of freeing up his vote and political allegiance. This, in turn, enables Client to push for his own favoured ideal point policies through democratic processes. Doing so also gives him a *de facto* fraction of the office power, but one that is usually smaller than what he would get by negotiating privileged clientelistic deals. One can think of a small businessman who becomes wealthier and does not need the help of a local patron to put his children through public schools, deciding instead to educate them privately. The businessman is now able to join a local small business association and support a different politician who has programmatic proposals for tax breaks that – under his eyes – has the potential of making make his company more competitive.

As I have briefly examined in the previous chapter, granting benefits to Client has a cost to Patron which is defined in terms of a share of the utility he obtains from holding office. The cost exists in the form of the political capital spent to maintain his network even in the absence of elections and is subtracted from the utility he obtains from holding office. This means that clientelistic politicians will have to pay a fixed cost throughout the electoral cycle that is proportional to the number of clients they have (even if the clients do not receive regular payments). Put it another way, in the clientelistic system, Patron is in effect sharing part of the spoils of office with others in the clientelistic network, including Client *and* Patron's allies – the brokers on the ground, which I will come back to.

An important distinction should be drawn here: Clientelistic and programmatic politicians relate to their supporters differently. A programmatic politician is elected to push for a specific policy agenda. We can assume that he ran on this policy agenda because he expects to gain some utility from enacting it, either because he believes in the policies or because he somehow benefits from them as well. Thus, when a programmatic politician works for this given policy agenda, both he and his supporters will gain from it. Conversely, the clientelistic politician buys the support of his client by using his time and political capital to secure resources to maintain the clientelistic network. For him, awarding benefits is part of a bargaining process with his clients in which the two parties agree to divide the benefits of office.

In this interaction, there are two commitment problems that undermine Patron's ability to credibly commit to sharing the spoils of office with his loyal clients – those that choose to invest in the clientelistic network rather than in seeking goods and services with other politicians or in private markets. The first relates to the fact that voting is secret and Patron

has no reliable way of knowing if Client actually voted for him. The second commitment problem is the result of the discretionary powers that are at the basis of clientelism. If Client votes for Patron, how can Client be confident that his benefactor will not use the same powers that enabled the exchange in the first place to either revoke or stop the flow of benefits once the election is over?

These problems are only of theoretical nature, but real concerns faced by those politicians engaged in clientelistic relationships. After all, providing privileged access to public resources to Client is costly for Patron. He has to engage in careful political negotiations with other political actors to secure the resources needed to sustain his network. More importantly for my argument, the incentive Patron has to renege on his promise of privileged access gets higher as his network increases in size. Maintaining the loyalty of a handful of clients throughout the electoral cycle is one thing, but providing privileged access to public resources to tens of thousands of voters and maintaining the loyalty of a network of brokers necessary to administer the system is a full-time job. The larger the network becomes, the more it eats away the spoils of office that Patron can appropriate for himself.

In the short run, Patron's best strategy will be to 'inflate' the size of his network as the election approaches and cast aside some of these clients and brokers after the election is over in order to cut costs. The effects of this strategy appear in regions where clientelistic networks operate in the familiar complaint that politicians' come to the village during election time making promises to the residents and latter 'abandoning' voters, only to return in the next election. Such opportunistic behaviour is evidently not sustainable in the long run if the political system is truly competitive. One could expect that voters' confidence in the established clientelistic patron will erode over time and so Patron will become more vulnerable to challengers who are able to project credibility. For Patron to remain successful, thus, some kind of commitment device is likely to emerge.

If both actors desire to strike a bargain, the logical way of solving commitment problems is by developing some kind of contract or institutional framework that would enable Patron to credibly commit to the provision of benefits to Client even once the election is over, while committing Client to vote for Patron even though voters enjoy the protection of the secret ballot.

The problem created by the secrecy of the ballot box is difficult to solve without violating the law, but this has been known to happen in places where the integrity of voting regulations is imperfectly guaranteed.<sup>3</sup> Other scholars have examined this phenomenon and have described in detail how these actors can use a wide range of

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<sup>3</sup>See, for example, Gerber et al. (2013).

signalling techniques and threats of punishment to overcome this particular problem.<sup>4</sup> Examples of signalling techniques include asking voters to dress in campaign-themed shirts, having party officials (brokers) stand outside polling stations, asking voters to provide them their voter registration numbers (even when that information cannot be used to check how they voted), and many others reported in the literature. Crucially, the continuous presence on the ground of brokers working for Patron is the main source of information about clients' needs, preferences, and behaviour before and after the election. As such, brokers will constantly signal to clients the cost of betrayal and the risk of being found out while at the same time collecting information on their behaviour that can be used to punish cheating.

Likewise, the problem created by the discretionary powers that allow Patron to withdraw clientelistic protection after the election is not easy to solve. This is because any arrangement that curbs Patron's discretion to choose beneficiaries of public services and replaces it with more objective rules would undermine the very foundation of Patron's electoral strategy: Patrons need rules to be vague and unspecific, so that they can direct resources to the people they want to help while denying benefits to others. A way out of this problem, one highlighted by James Robinson and Thierry Verdier, is for Patrons to focus their clientelistic strategies on the distribution of public sector jobs. In many countries deciding, who gets these jobs is relatively easy; politicians can exercise their discretion. But taking away a constituent's job once offered is difficult.<sup>5</sup> In this example, the laws protecting civil servants from outright dismissal function as the contractual device that patrons and clients are not able to sign with each other.<sup>6</sup>

Another possible solution is to avoid a long-term commitment altogether and stick to on-the-spot vote buying or one-off transfers. In many parts of Brazil this happens through the distribution of *cestas básicas* (literally, a basic basket), a bundle of low-cost food items that theoretically would satisfy the basic nutritional needs of a family of four persons for a month and that are normally distributed in short-term food handout programmes. In other instances, it might happen in the form of a one-off transfer of an asset through a

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<sup>4</sup>Auyero (2001); Stokes (2005); Stokes et al. (2013); Nichter and Peress (2014); Hidalgo and Nichter (2015).

<sup>5</sup>Robinson and Verdier (2013).

<sup>6</sup>In a similar vein, Jean-Paul Azam highlights the importance of public sector jobs as part of some African governments' distributive strategies, where key ethnic groups are guaranteed high-paying public sector jobs with the understanding that anyone chosen for these jobs will remit part of their payments to other members of their ethnic group, thus securing the political support of a large block of voters for the incumbent. Azam even proposes that IMF debt restructuring programmes in Africa that lowered civil servants' salaries (previously well above market rates) may have indirectly contributed to undermine political stability. See Azam (2011). For an in-depth study of patronage in Latin America, see Grindle (2012).

government initiative, such as what happens in many land reform programmes where a peasant receives the property rights to a plot of land. In other cases, it takes the form of direct cash payments to voters, something that is usually illegal and thus has to be done covertly, imposing additional costs and risks on those involved.

In any case, this type of one-off bargaining strategy theoretically eliminates the problem altogether. However, empirical work tends to support the idea that patrons and clients routinely engage in continuous relationships for several reasons. First, clients tend to have on-going demands for privileged access to the state. The peasant who was awarded a plot of land today will need subsidies to buy fertilisers tomorrow. The parent who needed to enrol their child at the public school during this electoral cycle will need help to get a doctor's appointment next month. Voters often demand the protection and special treatment that comes with being part of a clientelistic network.<sup>7</sup> In a competitive electoral system, patrons are aware that if they don't provide ongoing services and protection to their clients, someone else might come along willing to do it. Furthermore, having a faithful clientele might be helpful to further non-electoral political goals that a patron may have: a politician will often hold rallies not only to measure his own support and the efficiency of his network, but also to show his peers the size of their political base. Reliable clients can also be mobilised to engage in acts of violence that serve a political purpose<sup>8</sup> or to participate in protests designed to reinforce their patron's political or social agenda.<sup>9</sup>

In some situations, networks will indeed strike one-off deals with voters exchanging votes for favours, goods, or even buying votes on the spot with money. However, the reality of clientelism is that effective patrons understand the need to invest in long-term links with the same groups of voters. Much like in other markets, an ongoing relationship with loyal 'customers' often bears lower transaction costs than attracting new ones, making votes-for-benefits trade less expensive and decreasing the risk of voter defection and the cost of monitoring. Networks take advantage of some voters' dependency on public services in order to foster loyalty among clients, while at the same time making sure they are not going to be coopted by rival politicians. In practice, politicians will often spread goods and services to loyal clients throughout the electoral cycle and complement this long-term strategy with one-off vote-buying at election time.<sup>10</sup> In researching this dissertation, I myself have witnessed numerous examples of

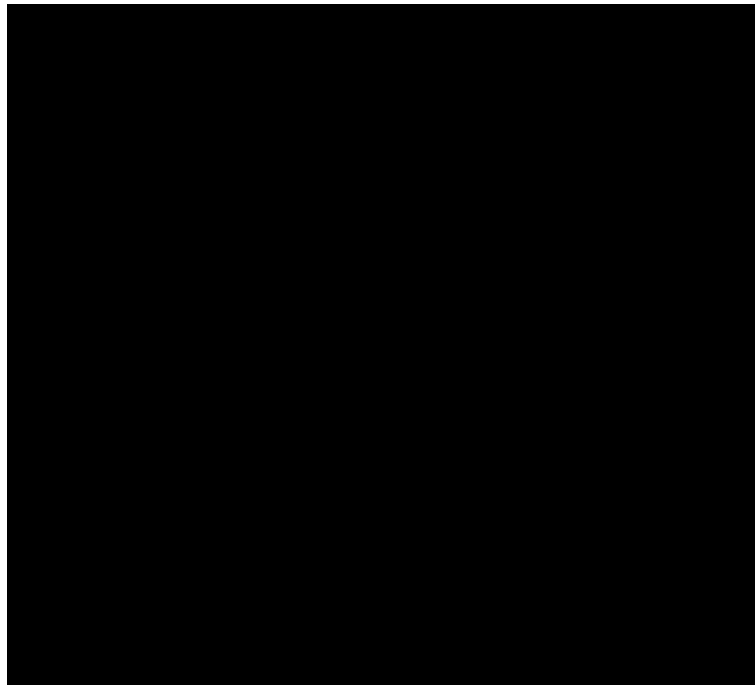
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<sup>7</sup>Nichter and Peress (2014).

<sup>8</sup>Auyero (2007); Wilkinson (2008).

<sup>9</sup>Escobar (1994); Berenschot (2012).

<sup>10</sup>Cox and McCubbins (1986); Diaz-Cayeros, Estevez and Magaloni (2012); Stokes et al. (2013). Cf. Lindbeck and Weibull (1987); Stokes (2005).



**Fig. 1:** Bounced cheque issued by a candidate's campaign election committee in 2010 supposedly to buy a vote.

flagrant cheating in relationships based solely on on-the-spot vote buying. One such occasion I witnessed an elderly man at a political rally bemoaned how 'unreliable' politicians could be. When asked about why he was so critical, he produced a bank cheque that he had received during the 2010 election campaign. The cheque, which was given to him in his native town of Palmas, clearly indicated how much he had been paid for his vote. The man went on to tell why he had accepted it. It was, he said, because the sum of money was a lot more than what he had expected, and because the cheque stated the name of the official campaign committee and thus seemed 'official' to him. When it came to cashing the cheque, however, the elderly man discovered that the bank no longer had sufficient funds to cover the amount. 'I thought these official cheques could never bounce', he confided.<sup>11</sup> This particular voter's complains are hardly unique.<sup>12</sup> Signalling techniques can increase trust, but are not perfect, especially if the secrecy of the ballot box is enforced.

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<sup>11</sup>Interview with participant in a political rally, Rio de Janeiro, September 2014.

<sup>12</sup>Another example was reported by a newspaper in the city of São Paulo. Days after the results of the 2016 local elections were announced, a group of 30 voters stormed the campaign headquarters of a defeated mayoral candidate claiming that he had not payed what he had promised them. Numerous similar cases are reported throughout the country after elections are over. For this particular report, see Cabos eleitorais protestam na sede do PRB contra suposto 'calote' da campanha de Russomanno, *Folha de São Paulo*, 05 Oct 2016.



The preference by both sides for an ongoing relationship is both consistent with the existing empirical literature and with the evidence collected in the field when talking to brokers and clients. One low-level broker once explained how a ‘social centre’ was a key part of his patron’s electoral strategy in a poor neighbourhood of Rio de Janeiro. ‘We here are poor, but not stupid. [Voters] can differentiate between someone who has been working [in] the community for a long time and and some ‘adventurer’ who just shows up on election time. The centre needs to be open so everyone can see our work, see who is really investing in the community.’<sup>13</sup> When pushed on why they cannot simply focus everything they have on the election years, he laughs: ‘It’s like my son: I never see him studying, except when it’s time for [school] exams. Then he locks himself in his room for two or three days. I don’t need to tell you that his grades are s..., right? A good student has to study year-round. Obviously you give a little extra before the exam, but you can’t just study everything in one day.’<sup>14</sup>

### **Clientelism and the Inter-temporal Sharing of Spoils**

I propose that a logical solution to both commitment problems is to use systems of sustained personal connections and direct communication between voters and brokers to enable credible commitments. Successful connections are established by brokers that are personally known to clients and with whom they deal repeatedly, often both in public and in their private lives. Effective brokers are also well-known to politicians who trust them to relay information that could help determine whether a voter is cheating. Such agents make it their business to know as many clients as possible personally and so their prestige in the community is dependent on the ability of the politicians they represent to keep their promises. Effective brokers are people ‘from the community’ that put their own personal relationships with their neighbours on the line to make commitments between politicians and voters work – for a price. In short, brokers can guarantee to potential clients that, if they become a member of a clientelistic network, the investment will pay off in the long run. At the same time brokers will be gathering enough information about voters to deduce who is cheating and who is a reliable client.<sup>15</sup>

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<sup>13</sup>“A gente aqui é pobre, mas não é idiota. Todo mundo sabe quem está trabalhando na comunidade o ano inteiro e quem é aventureiro que só aparece na época de eleição. O centro precisa estar sempre funcionando, por que aí todo mundo pode ver o nosso trabalho, ver quem realmente está investindo na comunidade.”

<sup>14</sup>“É que nem o meu filho: eu nunca vejo ele estudando, só na semana de provas. Aí ele se tranca no quarto e fica lá com a cara no livro uns dois ou três dias. É claro que as notas depois são tudo uma m..., né? Para passar de ano tem que estudar o ano inteiro. Claro que você rala um pouquinho mais na semana de provas, mas não dá para aprender tudo num dia só.” Interview with social centre worker in Ilha do Governador, Rio de Janeiro, September 2014.

<sup>15</sup>A recent literature has explored the conditions under which brokers can effectively enforce clientelistic deals and the shortcomings of the broker-based system to curb cheating by voters protected by the secret

In formal language, this type of connection enables us to think of the interaction between patrons and clients as an iterated game. In repeated interactions that actors perceive will continue indefinitely into the future, when discount rates to future benefits are sufficiently low<sup>16</sup> and the actions of players are observable to each other and enforceable,<sup>17</sup> credible commitments might emerge even in the absence of a contract. In models of political bargaining where one has to take account of the difficulty in attributing responsibility to each actor for outcomes, observable actions is a requirement that is usually modelled as political actors being able to effectively communicate with each other.<sup>18</sup> Indeed, clientelistic relations in traditional societies are often marked by face-to-face interactions between patrons and clients, where ties of honour, loyalty, family, or clan permeate the exchange, making promises to share spoils credible.<sup>19</sup>

Yet modern clientelism is much more complex. It involves networks – sometimes based around a party brand and sometimes based on non-political organisations, such as churches, clubs, ethnic communities, neighbourhood support groups, and so on. These networks distribute benefits to a large number of clients, many of which have powerful patrons at the top of the network who will never meet each client personally. Politicians are able to adapt clientelism to the age of mass politics in this way precisely because they embrace other mechanisms of direct contact between them and their clients: a party brand, mass communication, and, especially, a complex network of brokers to help them negotiate with a large number of potential clients. Herbert Kitschelt refers to this type of modern clientelism as ‘anonymous,’ but it is far from it.<sup>20</sup> In fact, for two-way communication to exist, effective clientelistic organisations are known to invest heavily in grassroots activists, or brokers, capable of both feeding the machine information about voters’ needs, preferences, and behaviours as well as projecting confidence that politicians will stick by their favoured clients once they are in office.<sup>21</sup>

If we consider what we know from the existing literature about the way brokers

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ballot. In Peru, for example, scholars have found evidence that brokers’ capacity to enforce clientelistic deals is generally weak (Levitsky and Cameron (2009); Munoz (2014)). In India, Schneider has found that brokers attempt to “guess” which voters are cheating based on limited information (Schneider (2014)). In São Tomé and Príncipe, only 12 percent of the voters claimed they had been punished by brokers for violating clientelistic deals (Vicente (2014)). While all these works show evidence of the weakness of brokers in solving one of the commitment problems pointed out here, they all acknowledge that the system is used in every one of these countries. In a study of clientelism in Kenya, Kramon argues that brokers are only capable of solving the second commitment problem I point to here – the one relating to long term protection of client’s membership in networks. See, Kramon (2017).

<sup>16</sup>e.g. Bronk (2002).

<sup>17</sup>e.g. Drezner (2000).

<sup>18</sup>Keefer and Vlaicu (2007).

<sup>19</sup>Leal (1948); Scott (1969); Scott (1972); Eisenstadt and Roniger (1984); Lémarchand (1988).

<sup>20</sup>Kitschelt (2000), p. 849.

<sup>21</sup>Auyero (2001); Stokes et al. (2013).

work, the assumption that they serve as a way to foster the kind of two-way communication and personal connections with clients required for credible commitments makes sense. Brokers and the clientelistic networks they represent are effective to the extent that they insert themselves into the lives of the communities they deal with. The assumption is even more plausible in settings where clientelistic networks have operated for a long time, like in countries where they are much older than the formal democratic institutions of the state.<sup>22</sup> In Brazil, the logic of trading favours for political support has existed for much longer than the current democratic regime. Even during the military dictatorship that existed between 1964 and 1985, local elections for mayors and alderman existed outside state capitals and a few large municipalities, and clientelistic leaders remained active political players with the support of the regime.<sup>23</sup> In other countries, such networks were embedded in powerful political parties that ruled for decades, such as the *Alianza Popular Revolucionaria Americana* (APRA) of Peru, the Peronist Party in Argentina, the *Democrazia Cristiana* in Italy, or the *Partido Revolucionario Institucional* (PRI) in Mexico. While Brazil's party system does not show the same degree of stability or unity that we see in other Latin American countries, clientelistic networks have been remarkably adaptable and over the years and have supported candidates from most of the country's many political outfits.

In a way, the reliance that clientelistic networks have on brokers to establish credible commitments between patrons and clients is analogous to what is described in studies about credibility and trust in mafias. Like criminal gangs, clientelistic networks operate outside the formal remit of the state and thus cannot benefit from the normal protection that most individuals can rely on, such as binding contracts, courts to settle disputes or freedom to advertise reputation openly. As in such organisations, participants in clientelistic networks need to constantly assess the reliability of their counterparts and do so based on ties of kinship, friendship, and other such personal connections that go beyond the participation in the clientelistic network itself.<sup>24</sup>

However beneficial, resorting to brokers also creates problems for patrons. Stokes and coauthors point out that brokers might prefer to channel benefits to loyal supporters of the clientelistic networks, while patrons favour targeting clientelistic benefits at swing voters.<sup>25</sup> Keefer and Vlaicu highlight the fact that brokers demand a share of clientelistic spoils of office for themselves and thus increase the cost of communication between

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<sup>22</sup>Leal (1948); Chubb (1982).

<sup>23</sup>Skidmore (1993); Nicolau (2012).

<sup>24</sup>Campana and Varese (2013).

<sup>25</sup>Stokes et al. (2013).

patrons and clients as compared to the traditional forms of face-to-face clientelism.<sup>26</sup> Despite this recognition of the challenges that employing brokers poses to the administration of clientelistic networks, most accounts recognise their essential role in facilitating communication between actors. They are often described as agents able to give patrons reliable information about the needs and political preferences of clients, making it easier for patrons to curb cheating at the ballot box.<sup>27</sup> Yet their role in enabling patrons to credibly commit to sharing spoils of office after the election is less well understood.

Brokers will communicate their patron's proposals to voters and, at the same time, keep patrons well informed about the political moods in the community they are embedded. But to be effective they have to do a lot more than that. Unlike absent patrons, they are usually well known to individual clients. Their personal and professional lives are intrinsically linked to the community and their future depends on the ability of the patrons in higher offices to channel public resources there. In Brazil, some high-level brokers manage to get elected to local offices and serve as aldermen or even as mayors in small towns and villages, thus signalling to more powerful politicians their own ability to mobilise voters in one particular community.<sup>28</sup> In other instances, brokers may be rewarded by patrons with political appointments to the local offices of federal and state bureaucracies that have high levels of discretionary spending, serving both as facilitators in the process of distribution of benefits to clients and as enablers of commitments between those clients and recipients of benefits. Others still can be employed as advisors to their patrons through NGOs run by their political group or in the patron's congressional staff, acting mainly as liaison officers in their constituencies, or as functionaries in 'social centres' or 'charity centres' that dispense favours and services on the ground.

Brokers often go to great lengths to convince voters that their professional future is tied to that particular village, town or neighbourhood, and they rarely have real hopes for higher office and thus are unlikely to 'abandon' that group of clients. When national or state-wide elections come, they often endorse specific candidates to congressional seats, state legislatures and sometimes even governorships and senate seats, promising their followers that if those they endorse are elected, there will be significant discretionary funds available to that community – and, specifically, to those in the community they are connected with. Such brokers rarely have any programmatic commitments to a party or

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<sup>26</sup>Keefer and Vlaicu (2007).

<sup>27</sup>As described in the previous chapter, Stokes et al. (2013) make this a central feature of their theory of why clientelistic arrangements collapsed in Britain and the United States.

<sup>28</sup>Novaes (Forthcoming).

an ideology, but the clients they serve rarely care about such things. Rather, they serve as guarantors that politicians' promises will be kept. The system works because brokers' careers depend both on their patrons' continued access to resources and ability to channel a portion of them to their communities and on clients' continued willingness to trust and support the network politically.

Evidently, professional politicians interact with voters at least during every election and one could say this constitutes a repeated interaction system between patrons and clients even without the need to put brokers into the model. However, brokers enable information to flow both ways. Without them, communication becomes unidirectional, with patrons able to use mass media and other tools of political campaigning to communicate proposals to large groups of voters. Yet, this is a poor substitute for the personal connection that enabled mutual credibility in clientelistic arrangements. Embedded in what is by its very nature a personalistic relationship, clients need reassurance that they will deal with someone that will have repeated interactions *with them*, not with voters in general. Unlike patrons, brokers are credible when they promise to a client that they will gain favours and special access to state resources because their professional future is tied to a particular community where they had developed connections to clients that often go beyond politics. In effect, they are – or must be seen as – locals, without the resources or the inclination to leave the community whenever they see fit and with a personal reputation for loyalty.

With efficient brokers, patrons will be able to solve the commitment problems of clientelistic relations. To be sure, voters will still be able to use the secrecy of the ballot box to cheat patrons into providing them with benefits without actually voting for them and patrons themselves will still have the power to renege by going back on their promises to their clients after the election is over. But repeated interaction between the players of a clientelistic game make a cooperation outcome much more likely and less costly.

In countries or regions with strong and stable parties associated with clientelistic practices, maintaining a well-functioning relationship between the party leadership and its brokers on the ground is crucial to upholding the party's good reputation, even though defections and intra-party competition among patrons for the loyalty of brokers could happen.<sup>29</sup> But in fluid party systems such as the one that exists in Brazil, assuring the loyalty of brokers – who can easily switch from one party to another – becomes a crucial priority for patrons. In clientelistic systems in general, it is not only the defection from

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<sup>29</sup>Diaz-Cayeros, Estevez and Magaloni (2012) and Chubb (1982) offer detailed analyses of such systems in Mexico and southern Italy respectively.

his clients that the patron fears, but that of his brokers. In theory, patrons understand that they can replace at least some of the voters they have cheated upon with other supporters elsewhere. It is harder to rebuild a network of brokers that have credibility with their local communities that can be used to enter into clientelistic arrangements. That is the main incentive that patrons have to uphold the resource-sharing arrangement with clients.

Similar systems of modern clientelism exist in many other countries, but differences in socio-economic and political realities affect how arrangements work. Argentina, for example, has adopted a closed-list proportional representation system that is different from Brazil's open-list. In that system, governors of the country's small and powerful provinces have great power in the ordering of candidates' names in proportional elections, thus exerting influence over how networks are organised. As a result, party brand becomes more important and brokers have potentially less leverage over patrons.<sup>30</sup> Like Argentina – but unlike Brazil – Mexico has a long history of strong party brands associated with clientelistic policies.<sup>31</sup> When clientelistic parties are powerful, it is likely that the cost of creating credible commitments to share spoils of office through clientelism for individual patrons is lowered; nevertheless there is significant evidence that, even in those systems, brokers play a leading role in organising networks and enabling credible commitments.<sup>32</sup>

My theory underscores one reason why clientelistic politicians tend to favour the decentralisation of social policy decision-making: to make effective use of clientelistic networks, patrons need brokers to be able to fulfil their promises to provide special access to public services to clients. Since brokers are the ones that clients must trust, the more control they exert over actual distribution of goods and services, the more credible they will be. In an interview I conducted with an aid to a federal legislator in Brazil he made this clear to me: 'We [the team around the congressperson who employs the interviewee] spend our entire office tenure trying to give mayors the tools to fulfil their electoral promises. That is why we must have the "power of the pen" on our hands. We have to be making decisions about the [social] programmes, otherwise the mayor can't look voters in the eyes in four years. Otherwise the alderman cannot go around asking for votes. If we lose our local presence, we are doomed. Those guys [local politicians] will end up campaigning for someone who they might think will be better [at delivering promises] moving forward. They are faithful to the [budget] amendment, not to us.'<sup>33</sup>

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<sup>30</sup>Spiller and Tommasi (2009).

<sup>31</sup>Magaloni (2006).

<sup>32</sup>Auyero (2001); Stokes (2005).

<sup>33</sup>'A gente passa o mandato inteiro trabalhando para dar as condições os nossos prefeitos poderem cumprir as promessas eleitorais deles. É por isso que nós temos que ter o poder da caneta na mão. A gente tem que tomar decisão sobre os programas, senão o prefeito não tem como olhar no olho do eleitor daqui

As long as the clientelistic network continues to deliver, there will be strong incentives for brokers and voters to remain loyal.

This is a functional view of clientelistic networks. Such arrangements between brokers, patrons, and clients might have economic, social, and even cultural roots that predate and go beyond the role that they play in enabling credible commitments between voters and politicians. In many places, such networks existed for generations and have served many politicians and parties over the years. In other cases, networks are put together by patrons who acquire new positions of power that give them the resources to establish a clientele. In yet other cases, networks serve as a way for brokers to ‘shop around’ in the political system for suitable patrons willing to channel resources into a community. Notwithstanding the reasons they emerge in the first place, clientelistic networks play a key function for patrons by making deals about special access to public resources credible, and this function explains why patrons invest in them.

### **Returns to Scale and Brokers’ Inefficiencies**

So far, my effort in this chapter has been to explain why patrons and clients rely on brokers to intermediate clientelistic arrangements. The simple answer is that the particular dynamics of clientelism requires personal connections between politicians and voters, which in modern democracies can only be accomplished by relying on those agents on the ground.

My theory also has implications about the efficiency of clientelistic networks that are relevant to understand why some politicians choose to abandon it and instead push for programmatic forms of income distribution. It suggests that even modern forms of clientelism rely on personal connections and that a fundamental characteristic of such arrangements is that they do not ‘scale’ well. Thus, politicians accountable to larger constituencies may find it more efficient to relinquish their discretionary powers altogether and adopt a programmatic relationship with voters based on impersonal rules and bureaucracies.

Because of the personalistic nature of their job, one single broker will not be able to credibly commit to providing benefits to too many clients. For clients, knowing a broker personally, having direct two-way communication with them, being able to personally assess their loyalty through previous interactions (that often go beyond politics), and having a sense that a broker’s future is tied to that community for the foreseeable future

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a quatro anos. Senão o vereador não tem como pedir voto. Se perdermos o contato local, estamos fritos. Esses caras vão fazer campanha para outro lá que eles acharem que vai ser melhor lá na frente. Eles são fiéis à emenda, não à gente.’ Interview with Legislative aid. Brasília, July, 2015.

is crucial to enable credible commitments in an environment of high policy discretion. For patrons, brokers are also a useful source of information on clients' preferences and behaviour.

A handful of well positioned brokers will make all the difference in local elections when a few thousand votes can decide if a mayor or a state assemblyman is elected or not. But what about large races that are decided by differences of hundreds of thousands or even millions of votes? Consider a candidate to become president that decides to bet heavily on clientelism in a country like Brazil. Such candidate will not only have to concern himself with the formidable challenge of finding the resources to share the spoils of office with many thousands of clients – which would not necessarily be an impediment if the size of the spoils of office were sufficiently large at the top, but would also have to put together a network of thousands of brokers spread across a vast territory.

Brokers' personalistic strategy does not provide the returns to scale that presidents need. Adding an additional broker to a clientelistic network expands the size of its voter reach by a fixed amount due to the intensity and frequency of interactions between brokers and voters that are required to sustain the operation. Fortunately, different options are open to presidents and presidential hopefuls. They can invest in building personal reputations or 'brands' by communicating their programmatic ideas through mass and social media. By doing so, they avoid making promises to individuals, talking instead in abstract terms about laws and regulations that they plan to enact if elected to office. While there is certainly room for cheating by unscrupulous politicians in programmatic commitments made through mass communication, voters can always look at the candidate's past record in dealing with poverty and inequality as a way to infer the candidate's credibility.

There are numerous examples of how presidents and presidential hopefuls create this reputation. In Brazil, Luiz Inácio Lula da Silva ran for president three times before his election in 2002. It was no surprise that once he took office he immediately started working on revamping and drastically expanding the rules-based social programmes created by his predecessor. As a member of Brazil's 1987-1988 Constitutional Assembly, Lula had been a leading proponent of enshrining articles that committed the federal government to reforming social policy to increase its efficiency and reduce poverty and inequality. In all his previous attempts to win high office he had made income redistribution a cornerstone of his campaign. He made speeches, wrote manifestos, and made a point to be seen alongside leading experts on the topic.

The same is true for many other presidential candidates in other countries. Some write books and appoint famous experts as advisors. Others work with non-governmental



organisations and prominent activists to gain credibility. Others still may choose to use governorships as a stepping stone to show that they are qualified to be president, piloting social programmes that they can claim will later be extended to the entire country. Be it as it may, the initial investment that any politician must make in order to build a national reputation is certainly much higher than the one required to employ a handful of brokers.

Presidents, however, must be willing to make these upfront investments because, while the initial cost is high, the large returns to scale makes this strategy more efficient for those wishing to gain favour with a large national electorate. In contrast, legislators who can win only by courting a limited number of supporters are much more likely to be daunted by the heavy start-up costs of such a strategy and stick to the clientelistic model.

This insight is key for the first part of my main argument: Not all politicians will be equally well-placed to make good use of clientelistic networks and practices. When only a handful of votes can make the difference between winning and losing office, clientelism can be a powerful tool and I expect politicians who hold and hope to continue to hold such offices to favour discretionary social spending. Conversely, for politicians that have ambitions to run for higher offices, where hundreds of thousands or millions of votes separate winners from losers, such discretionary powers will get in the way of a more effective form of gaining political support through social spending. Instead of favouring the type of discretionary spending powers that characterise clientelistic policies, they will be better off by designing programmes based on objective rules that can be controlled by specialised bureaucracies from the top. Crucially, this theory provides an explanation for variations in politicians' preferences for clientelism that does not depend directly on their party affiliations or on voters' relative wealth. Instead, it focuses on the incentives created by the electoral system and the limitations inherent to clientelistic social spending itself. This perverse logic that makes small groups more vulnerable to clientelistic practices is perfectly captured in an old saying that is popular in Hispanic America: (*pueblo chico, infierno grande*) (small town, big hell).

There is a second reason why presidents are more sensitive to the costs of the broker-based system. Brokers may be a patron's agent, but their actions cannot be wholly observable or perfectly monitored. Did a patron's support in a certain precinct fall because other candidates did a better job campaigning or because brokers on the ground failed to use effectively the resources made available to them? Are brokers effectively targeting the voters more likely to switch allegiance or are they channeling resources to some clients based on their personal preferences? Did the candidate fail to mount an effective campaign or is his broker on the ground simply bad at his job?

These kinds of questions bedevil every politician engaged in clientelistic

arrangements. Because brokers' future is not only dependent on their standing with the politician who hires them, but also on maintaining a good standing in the communities they live, it has been shown that they distribute more than what would be necessary for their patron to win an election and they do it to voters whom they have closer relationships with, instead of seeking out those that would need smaller transfers to change their minds and vote for the patron. This inherent inefficiency of the broker-based system has been well-studied in the literature. In their work on vote buying in 19th century Britain, Edwin Camp and his coauthors pointed out that politicians often considered their brokers (dubbed 'party agents') as 'parasites' or 'traitors,' a necessary evil to make the system work.<sup>34</sup> In a separate paper, Camp finds that Argentine brokers blackmail patrons for more resources by using the threat of defection to rival party machines.<sup>35</sup> Similarly, Mariela Szwarcberg finds that brokers in Argentina are not only agents of politicians, but of other non-political social networks such as money lending, childcare, and counselling. Their multiple loyalties ensure that they distribute resources in ways that do not always favour their patrons.<sup>36</sup> The most important cross-country empirical work on the issue has been done by Stokes and coauthors, who find evidence that brokers in Argentina, India, Venezuela, and Mexico do not allocate clientelistic resources in order to maximise the vote share of their patrons, but to maintain their own personal influence in the community.<sup>37</sup> No work yet exists on the topic using evidence from Brazil, but anecdotic evidence points to the same troubled pattern of relationships between brokers and patrons. For example, recent discussions about electoral reform following a Supreme Court ruling cracking down on private donations to parties in 2012 focused primarily on limiting the number of brokers each candidate could employ in his or her campaign.<sup>38</sup>

This evidence suggests another reason why scaling up clientelistic networks can be problematic. Politicians must invest heavily on monitoring their brokers' actions or paying the cost of sub-optimal allocation of their resources.

By contrast, centralised bureaucracies that can collect objective information on the state of poverty and inequality across the country and thus design impersonal delivery

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<sup>34</sup>Camp, Dixit and Stokes (2014).

<sup>35</sup>Camp (2014).

<sup>36</sup>Szwarcberg (2012).

<sup>37</sup>Stokes et al. (2013), Chapter 4.

<sup>38</sup>For regulations on hiring brokers, see Federal Government of Brazil. Lei Federal 12.891/2013, Available at: [http://www.planalto.gov.br/ccivil\\_03/\\_ato2011-2014/2013/lei/112891.htm](http://www.planalto.gov.br/ccivil_03/_ato2011-2014/2013/lei/112891.htm), especially Article 100. For interpretation, see High Electoral Court. Especial Minirreforma: lei impõe limites para a contratação de cabos eleitorais, 17 Dec 2013. Available at: <http://www.tse.jus.br/imprensa/noticias-tse/2013/Dezembro/especial-minirreforma-lei-impoe-limites-para-a-contratacao-de-cabos-eleitorais>.

mechanisms are an effective choice for presidents. The cost of monitoring their actions will be significantly smaller because their activities will be more transparent and therefore simpler to observe. Like the process of building a reputation, setting up a centralised bureaucracy to deliver social benefits requires a significant upfront investment, but it provides higher returns to scale.<sup>39</sup>

## **Universalist Presidents, Particularistic Legislators**

In the previous section I have shown why the cost of clientelistic arrangements is significantly higher for presidents than for legislators and local officials and that policy designs that bypass the broker-based system can be more effective for politicians catering to a large, national constituency. In this section I will explain why presidents' shift towards rules-based policies is not just escaping the costs of the broker-based system, but also about the unique constitutional position that they have.

By definition, presidential democracies separate the political fate of presidents from that of legislators. The former represents the entire country and in almost every jurisdiction is elected by winning the support of a majority of the voters. To govern, however, they must work together with parliamentarians who represent the interests of a particular group of voters. As a consequence, we can expect that disagreements between presidents and legislators over design, control and funding of social programmes will reflect not only disagreements about what the optimal policy might be for either the country as a whole or for some particular group, but also disagreements over how to prioritise between these two constituencies.

Presidents, one can safely assume, must look at issues such as poverty and inequality considering first and foremost the welfare of the country as a whole because of their large and heterogeneous constituency. Conversely, legislators may be interested in national issues, but their political survival will be tied to the groups who helped them get elected in their constituency. When it comes to redistributing income, these two approaches are bound to conflict with each other.

We can think of redistribution as a policy that provides two outcomes: one national and diffuse and one local and concentrated. I argue that legislators and presidents will disagree about the relative relevance of these outcomes. Whereas presidents will care about the national effects of distribution, legislators will be more focused on the effects to his constituents, placing the national implications of policies only as a secondary concern. For legislators, distortions created by policies designed to send resources to their preferred

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<sup>39</sup>To be sure, bureaucracies can also generate agency costs. See, for example Huber and McCarty (2004). I assume here that these costs will be lower than the costs of broker-based clientelism.

constituents will be a small price to pay to secure the favour of the groups that ensure their reelection.

Because broad collective action of constituents in the design of distributive policies is extremely costly,<sup>40</sup> legislators can afford to make alliances with local leaders and clientelistic networks on the ground with relatively little cost to themselves but with a high probability of reaping electoral benefits. The benefits gained by a legislator for concentrating resources on their supporters and excluding their opponents can outweigh the costs of maintaining a broker-based system described in the section above. As a result, legislators can be less sensitive to the cost inherent in supporting the broker-based system because the benefits that they accrue from providing small groups of supporters with privileged access to state resources is much larger than what would be for presidents. At the same time, they may consider the cost of creating distortions in the welfare system to favour their constituents as a small price to pay to secure the support that they need to remain in office. The expected outcome was exhaustively described in the sections above.

However, constituents expect different things from presidents. By the very nature of their office as directly elected heads of government, in Brazil – and in most other presidential systems – presidents need the support of a majority of voters. Brazilian electoral legislation makes this broad accountability even more striking by using mandatory voting for all literate citizens between the ages of 18 and 70.<sup>41</sup> Their large and heterogeneous constituency drives them to look at issues in a universalistic way. If poverty or inequality goes up, it is presidents that get the blame. If policies are designed in ways that are seen not to be fair by the broader public, presidents are also at fault. Instead of finding ways to favour some chosen politically connected voters, presidents must think of social programmes that appeal to both those that are beneficiaries of social programmes and those that must pay taxes to support them – that have legitimacy with the broad public as a necessary government action designed to produce a fairer and more equitable society.

As a result, instead of investing in personalistic arrangements, presidents will be better off by pushing for impersonal and objective rules of eligibility in targeted programmes or by providing public goods. Instead of a network of brokers and clients, presidents will prefer centralised bureaucracies that can be seen as impartial by voters and that allow them to control social programmes from the top with reduced cost.

None of this means that presidents do not care about electoral outcomes. Like

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<sup>40</sup>See, for example, Bates (1981); Olson (2009).

<sup>41</sup>Carey and Horiuchi (2013).

legislators, they keep in mind that they can gain a second term, which has come to be a hallmark of a successful leader in most presidential democracies that allow reelection. In Latin America, however, this temptation is much stronger, as former presidents – even those that secure a second consecutive term – rarely leave frontline politics as many attempt to elect a chosen successor and return for a non-consecutive third term after four or eight years. In Brazil, Lula da Silva has announced his intention to run in 2018 for a third non-consecutive term as president, after the impeachment of his chosen successor in 2016. In Chile, a country that does not allow presidents to run for a consecutive second term, former presidents Michelle Bachelet (2006-2010 and 2014-2018) and Sebastián Piñera (2010-2014 and 2018-present) have returned to active politics after seating out one term.

Other former presidents become party grandees, sometime running for a seat in the country's parliamentary upper house or for another suitably distinguished office that allows them to retain influence. In Brazil, Fernando Henrique Cardoso has remained closely involved in the internal politics of his former political party, mostly trying to nudge its leaders towards the centre of the political spectrum and making sure subsequent presidential candidates fielded by the party would defend his legacy of privatisations and structural reforms. Itamar Franco (Cardoso's predecessor) had announced his intention to run for a third term before dying from a sudden stroke. Even in Colombia, one of the few countries that bars both consecutive and non-consecutive presidential reelection, former president Álvaro Uribe (2002-2010) has consistently been a major figure in all presidential campaigns after he has left office, supporting candidates that had close personal ties with him. Even presidents in their final terms appear to know that the best way to solidify their legacy and secure lasting influence in the public sphere is to ensure that an ally – or at least someone sympathetic to their policy choices – takes over the presidency after their are gone.

### **Presidential Particularism?**

All things considered, it is safe to say not only that presidents care about reelection, but also that they care about who succeeds them. This is relevant because, if presidents are as driven by electoral outcomes as legislators and local officials engaged in clientelism, why would they be so inclined towards universalistic policies when legislators are so driven by particularism? Would not their incentive to elect a handpicked successor drive them into the hands of their parties and, by extension, into the networks of clients that machines control on the ground?

Recent works have cast doubt over the extent to which presidents can be absolutely

universalistic in all their endeavours. Brandice Canes-Wrone, for example, has pointed out that US presidents tend to favour more particularistic spending when in election years, especially when their popularity ratings are low.<sup>42</sup> Still looking at the American political system, Kriner and Reeves have shown that presidents are indeed rewarded by voters for the performance of the government as a whole, but also that they take into consideration how these policies affect their local geographic constituencies.<sup>43</sup>

Indeed, there are numerous instances in Latin America in which we can find evidence of presidential particularism – and specifically, clientelism. In Chapter One I opened this dissertation by using Hugo Chávez’ *misiones* programme in Venezuela and Mexico’s Pronasol as examples of clientelism. In Argentina, Presidents Néstor and Cristina Kirchner (2003- 2007 and 2007-2015 respectively) have also been accused of using the national government to empower the Peronist clientelistic machine throughout the country. This is indeed a powerful criticism that must be addressed before we move to the empirical part of this study.

First, it is important to point out that presidents’ electoral concerns do not mean that they are absolutely beholden to a party machine. Much of my argument about why presidents are in favour of rules-based policies is that they make sense for them both electorally *and* as a tool to strengthen their positions as national leaders. As other analysts of Latin American presidential systems have pointed out, parties throughout most of the region do not completely unify their campaigns for presidential office with those of legislators and local officials – precisely because they understand that what is required to win the presidency is completely different from what is required of candidates to seats in parliament or in local elections.<sup>44</sup> The end result is that, while presidents must indeed work together with legislators by allowing them access to the resources necessary for them to keep the clientelistic machines running, the more bargaining power they have over parliamentarians, the more they will be successful in getting their way and pushing for rules-based policy designs. There are, however, situations in which presidents are overly dependent on strong parties and must balance their incentives to relinquish clientelism with their dependency on party oligarchies. I will return to this theme towards the end of this chapter and in my study of Argentina in Chapter Five.

Second, much of the criticism of presidential universalism is specific to the US case, having to do with the distortions created by the electoral college that exists in that country. That system does not exist anywhere else, making this argument irrelevant for

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<sup>42</sup>Canes-Wrone (2006).

<sup>43</sup>Kriner and Reeves (2015).

<sup>44</sup>Samuels and Shugart (2010).

my analysis. In Latin American presidential elections, voters are equal regardless of where they are registered. This means that presidents have fewer incentives to adopt distributive strategies that create spatial inequalities.

What I adopt here is a *soft* version of the universalistic presidency argument. While I disagree with one of its premises – namely, that presidents are not motivated by electoral outcomes – I propose that presidents’ unique position atop the political system, catering to a large and heterogeneous constituency gives them unique set of incentives.

That being said, there are situations when we do observe presidents engaging in clientelistic activities. These show some limitations of my argument. A first limitation is that my theory assumes a certain quality of democracy and real electoral competition. Where democracy is weak and electoral competition non-existent, patrons would have little to fear from competing politicians and could more easily get away with cheating their clients. Conversely, the more competition, the more leverage clients have to walk away and punish the patron. For this very reason, politicians occasionally try to create captive clienteles that cannot find other ways of accessing public resources other than through the established network. In Brazil during the 19th and early 20th centuries, local bosses were known to employ violence to punish detractors, especially before the institution of the secret ballot.<sup>45</sup>

Secondly, my theory does not fit well with the logic of rentier states, where political leaders – usually those at the national level – have at their disposal exogenous sources of revenue that they can use to build nation-wide clientelistic networks. Such is the case with many oil producing countries like Venezuela and Russia, where groups that captured the national government were able to use the oil revenues that it controlled to establish formidable national networks of brokers with their vast oil and gas revenues. The logic of clientelism in rentier democracies is a topic in need of further examination by the scholarship.

Thirdly, as I will further explore in Chapters Three and Four, presidents do not fully control the agenda in parliaments and will often be forced to collaborate in clientelistic arrangements with legislators and local governments as part of their strategies of coalition management. Yet, as I show in Chapter Three, the federal government’s spending on clientelistic programmes does not increase the likelihood that voters will support a president or his chosen successor in Brazil.

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<sup>45</sup>Leal (1948); Bieber (2000).

## Presidents and Particularism in Comparative Perspective

The idea that presidents and local politicians prefer very different kinds of institutions is not entirely new, of course, and is consistent with a wider literature on the political determinants of institutional design. In their study about the incentives facing politicians when designing bureaucracies, Moe and Caldwell have argued that American presidents have a strong incentive to be "champion[s] of effective, responsible government." Conversely, legislators are by their very nature parochial and thus willing to work with special interest groups in building 'whatever sort of bureaucratic monstrosity' suits their interests.<sup>46</sup> Shugart has argued that in presidential systems legislators tend to be close to their regional constituencies and very responsive to their demands for pork-barreling and clientelism, while a nationally elected executive has the mandate to provide collective goods.<sup>47</sup> In analysing US defence policy, Cowhey argues that presidents approach the subject as a way to provide constituents with a public good (security), whereas legislators are largely concerned with infusing policy with particularism such as defence contracts for local constituents.<sup>48</sup>

Other authors have also highlighted that the personalistic nature of arrangements between patrons, brokers, and clients imposes limits on the use of clientelistic practices. Robinson and Verdier, Robinson and Torvik, and Keefer and Vlaicu, have all built formal models that lead to the conclusion that clientelism is somehow a result of broader failures of politicians to credibly commit to delivering public services during the electoral process.<sup>49</sup> Specifically, Keefer and Vlaicu separate politicians into those that try to build reputations by keeping voters informed of their commitments and following up on their pledges and those that rely on brokers (which they confusingly call 'patrons') that build credibility through their personal relationships with voters. As I discussed earlier, Stokes, Dunning, Nazareno, and Brusco look at the issue from the point of view of the debate about whether clientelistic networks tend to favour core supporters – those that are loyal to the network – or swing voters – those that are indifferent between voting for the clientelistic politician or not and are thus nudged to do so by clientelistic transfers. By looking at this question they identify a divide between the interests of patrons and brokers similar to the one I pointed to in this chapter: if patrons would have an incentive to channel scarce resources to swing voters, after all, why would the patron want to offer bribes to those already committed to your cause? Brokers, however, are embedded and loyal to the communities where they live and work. Their own

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<sup>46</sup>Moe and Caldwell (1994).

<sup>47</sup>Shugart (1999).

<sup>48</sup>Cowhey (1995).

<sup>49</sup>Robinson and Verdier (2013); Robinson and Torvik (2005); Keefer and Vlaicu (2007).



professional future depends on their relationships with the locals. They are also self-interested rent seekers, who live off public resources and deliver only as many votes as is necessary for the network's candidate to win the next election. For brokers, buying the vote of a loyal partisan is cheaper and easier than risking their resources on a swing voter who is not directly connected to the network. Relying on brokers thus presents a principal-agent problem for patrons. Eventually, however, exogenous factors such as economic development, urbanisation, and industrialisation, increase the costs of monitoring and communication associated with the operation of clientelistic networks. In those situations, Stokes and others predict that patrons will turn against their own brokers and push for reforms that will weaken clientelism.<sup>50</sup>

Here I am not seeking to disprove those arguments, but rather to highlight different mechanisms that can work to undermine a brokers-based clientelistic system. There is, however, considerable debate within the literature about the assumption made by Stokes and coauthors that the concepts of core and swing voters is applicable in developing democracies, where programmatic debates are rarely at the centre of electoral disputes. Díaz-Cayeros, Magaloni and Estévez, for example, have built a core-voter model that takes into account the calculation by clientelistic networks that core voters are their supporters only because of past clientelistic benefits and the expectation that they will continue to receive them in the future.<sup>51</sup>

Finally, my argument shares features with the classical critique of presidentialism in Latin American politics. According to those who have originally proposed it, several features of the region's presidential systems make them inherently unstable. In those systems, because the executive and the legislative branches are elected separately and using different electoral systems, they would be permanently at odds with each other. In a seminal piece, Juan Linz has claimed that, because presidents are elected nationally, their goals will be 'plebiscitarian.' Their best policy strategy will be to try to satisfy as many people as they can, rather than give in to interest groups. On the other hand, legislators represent narrow subsets of the population. Their primary goal then will be to satisfy the parochial interests of the people that elected them and to form alliances with powerful interest groups, rather than thinking of the common good. With fundamentally different constituencies, presidents and legislators are destined to oppose each other' agendas and decision making will inevitably be paralysed by institutional disputes.<sup>52</sup>

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<sup>50</sup>Stokes et al. (2013). See also Camp, Dixit and Stokes (2014) for an application of this theory to the United States and Britain.

<sup>51</sup>Díaz-Cayeros, Estévez and Magaloni (2012).

<sup>52</sup>Linz (1994). See also Shugart and Carey (1992); Mainwaring (1993); Linz and Stepan (1996); Stepan and Skach (1996); Mainwaring and Shugart (1997).

Pessimists about Latin American presidentialism cautioned that the US system only endured the test of time because of its strong 'disciplined' two-party system.<sup>53</sup> Having decided to adopt different variations of proportional representation, Latin American countries were condemned to political instability and deadlock. Yet, we know that most of the region's democracies have endured with reasonable levels of institutional stability well beyond the 1980s and 1990s, when most of that criticism was first raised. We know as well that significant – often unpopular – constitutional reforms were successfully enacted into law by governments, including central bank independence, social security reform, and privatisation of state-owned enterprises,<sup>54</sup> showing that those regimes could adapt well to constraints imposed by a changing global economy.

What this first generation of studies of Latin American presidentialism neglected to account for was the powerful tools that those presidents have to manage fragmented assemblies.<sup>55</sup> Brazil has remained a paradigmatic case for those arguing that a powerful president can provide stability under a fragmented party system. Most strikingly, the Brazilian Constitution of 1988 has given presidents the ability to legislate by decree, force special sessions of Congress to discuss executive initiatives, line-item veto legislation, dislodge legislation from committee and send it to the floor through urgency measures, and – most important for my analysis – the power to distribute resources that can be used for clientelistic purposes by legislators and their allies in local politics.

The concern over the stability of fragmented presidential systems left unexamined the issue of the quality of governance they could provide. Many Latin American presidents found ways to build majorities because they had control over the distribution of a number of forms of clientelistic benefits coveted by legislators and their allies, including patronage. In countries where some form of coalition presidentialism took root, presidents have often found themselves having to strike a delicate balancing act between their own 'plebicitarian' incentives that force them to abandon clientelism and the need to form majorities in legislatures where parochial interests prevail. In Chapter Four I discuss how the federal distribution of clientelistic resources for local politicians remains in place despite the fact that presidents themselves appear not to benefit from such practices. Clientelism's durability is, I will argue, a by-product of the bargaining process inherent in Brazil's 'coalition presidentialism.' Presidents, after all, cannot always act unilaterally. They need to compromise sometimes – or they'd get nothing. As we will see in Chapter Four, these compromises are an enduring feature of Brazil's

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<sup>53</sup>Linz *op. cit.*.

<sup>54</sup>Kingstone (1999); Boylan (2001).

<sup>55</sup>Figueiredo and Limongi (1999); Chasquetti (2001); Cheibub, Przeworski and Saiegh (2004); Amorim (2006); Figueiredo, Canello and Vieira (2012); Chaisty, Cheesemana and Power (2014).

political landscape' and often involve presidents providing legislators with the resources to fund clientelistic machines despite the fact that chief executives cannot win electoral support from that kind of social spending.

## **Presidents, Parties, and Clientelism**

The theory I outline here paints a picture of presidents as independent actors, more or less divorced from their parties' consideration. But to what extent are presidents really independent? Can their concern about the electoral future of their parties shift them away from programmatic policies and towards clientelism? Can presidents simply use the clientelistic networks of their allies in the legislature to effectively harness the power of clientelistic distribution?

My response is that presidential systems tend to drive legislators and presidents apart, making this sort of arrangement unlikely. As Samuels and Shugart demonstrate, presidents tend to reach the top with weak ties to their parties. They rarely have strong connections with their central party organisations and therefore have few opportunities to engage in coordinated action with their party allies. In effect, legislators and presidents run different types of campaigns and have little opportunity – and even little reason – for close cooperation.<sup>56</sup> It is worth quoting Samuels and Shugart at length here:

In pure presidential systems, parties are not likely to select candidates for president for their skills at handling the party bureaucracy or managing the party's legislative contingent. Instead, because they must win an electoral contest separate from legislative elections, parties will select presidential candidates based on their outsider appeal, partly because the traits that appeal to voters may be only loosely correlated with the traits that send signals of reliability to party insiders. In making such choices, parties accept the possibility of adverse selection in order to enhance their chances of victory in the popular election for president. The conventional wisdom thus assumes a trade-off under pure presidentialism due to the incompatibility between being a good [party] agent and being a good candidate.<sup>57</sup>

Brazil provides ample evidence to support a view that presidents and legislators do not, in practice, find cooperation useful or viable. Major presidential candidates find it difficult to force party officials to unite behind them and often have to deal with legislators and local officials in their own party actively supporting a rival candidate for reasons

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<sup>56</sup>Samuels and Shugart (2010).

<sup>57</sup>*Idem*, p. 69.

having to do mostly with local politics. For example, in the 2017 election, the alderman of the Workers' Party in the state of São Paulo – which one year before had witnessed the impeachment of Dilma Rousseff – decided to ignore their party leader and presumptive presidential candidate, Lula da Silva, and support the mayoral candidates put forward by the governor of São Paulo, Geraldo Alckmin. For them, the fact that Alckmin would be Lula da Silva's main challenger in 2018 was not as important as securing an alliance with the local governor.<sup>58</sup> Such betrayals are so common that the High Electoral Court of Brazil heard twenty complains of party bosses claiming that party members were actively campaigning for opposition candidates in 2006 alone. When the issue finally reached the Supreme Court, justices ruled that party members' right to free speech included the right to support candidates of rival parties.<sup>59</sup>

It is worth noting, however, that the extent to which presidents can mobilise support from their parties will also be affected by electoral rules and party structure. Brazil's relatively weak parties tend to empower individual candidates. There are specific rules that further weaken the hand of party leaders: a strong federal system creates numerous regional leaderships with significant resources to attract mayors and other local officials. Furthermore, campaign finance rules allow each candidate to effectively run a separate campaign with no need to collaborate with any central authority to raise or spend any campaign money.

In that regard, I propose that Brazilian presidents will have much weaker ties to parties than some of their colleagues around the region. In other cases, such as Argentina, the political system will inevitably create stronger bonds of dependency between party leaders and presidents. When that happens, presidents' incentives will be less clear: on the one hand, the challenges they will face to cobble together networks of brokers will be less significant, as they can rely on a well-established party apparatus on the ground that is heavily dependent on the central party structure for the resources necessary to engage in clientelism. On the other hand, presidents will still be the sole actors in the political system responsive to a national constituency. The key dynamic that I expect to find in such cases is that parties will act as a moderating force on the universalistic impulses of presidents. Presidents will still attempt to carve space in the budget for their own rules-

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<sup>58</sup>Fernando Taquari, Com apoio do PT, deputado do PSDB é eleito presidente da Alesp, *Valor Econômico*, 15 Mar 2017.

<sup>59</sup>Tribunal Superior Eleitoral (TSE). Jurisprudência em Favor de Outro Partido ou Coligação. Available at: <http://temasselecionados.tse.jus.br/temas-selecionados/propaganda-eleitoral/propaganda-em-favor-de-candidato-de-outro-partido-ou-coligacao>. On the right to free speech, see Pedro Canário, Liberdade de expressão permite apoio a candidato de outro partido, *Consultor Jurídico*, 29 Apr 2016. Available at: <https://www.conjur.com.br/2016-abr-29/liberdade-expressao-permite-apoio-candidatos-outros-partidos>.

based policies, but will be wary of taking resources away from the machines that support them.

## What Clientelistic Networks Look Like

So far, I have discussed clientelistic networks in very abstract terms. Yet, they are very real phenomena and their form of organisation is crucial to understanding the strengths and weaknesses of clientelistic forms of income redistribution.

In conducting fieldwork for this thesis I had the opportunity to interview a number of brokers and witness them doing their job of organising the distribution of clientelistic spoils. These are individuals that work at the edge of legality, almost always uncertain themselves if what they are doing at a given moment is illegal. It is no surprise, therefore, that there have been few studies on the inner-workings of clientelistic networks: It is very costly and time-consuming to collect evidence on the micro-foundations of clientelism. Two notable examples of such studies have been the anthropological work on Argentine clientelism by Javier Auyero and the classic study of Italian networks by Judith Chubb.<sup>60</sup> I use both works extensively throughout this dissertation.

A small number of recent works have looked at clientelism using both formal theories and econometric techniques. The 2013 volume by Stokes and others referenced above includes a survey experiment with Argentine brokers and a game-theoretic model that shows why clientelistic networks work in ways that create incentives for brokers to give benefits to core voters, while swing voters – who, in theory, would change their votes in exchange for fewer benefits – are mostly ignored.<sup>61</sup> Finally, a forthcoming piece by Lucas Novaes offers statistical evidence that aldermen work as brokers for federal legislators in Brazil. His article provides the best evidence so far for how crucial brokers are to the electoral fortunes of federal legislators and how weak their loyalty to parties or individuals is.<sup>62</sup>

From the existing literature, we can see that there is much variation in how clientelistic networks operate. In Brazil, the evidence collected by Novaes shows that networks are not faithful to a specific party or to a politician. Brokers will be constantly on the lookout for legislators and other well-positioned politicians who can provide them with the resources to satisfy voters.<sup>63</sup> Auyero claims that Argentine networks are more

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<sup>60</sup>Auyero (2001); Chubb (1982). Chubb's concept of patronage is roughly equivalent to what I term clientelism.

<sup>61</sup>Stokes et al. (2013) For survey experiment, see Chapter Four. For a formal model showing why brokers favour core voters, see Chapter Five.

<sup>62</sup>Novaes (Forthcoming).

<sup>63</sup>*Idem.*

closely linked to a specific party and receive resources directly from certain legislators. More recent anecdotal evidence suggests, however, that Argentine brokers do switch allegiance in search of resources, but that the process simply takes more time given how stronger party identities are.<sup>64</sup> One thing is clear from the existing literature: Politicians need to constantly channel resources to their brokers on the ground, and therefore, parties that have more resources available to them get an advantage in access to clientelistic networks. In a fragmented system such as Brazil's, even very small parties have access to clientelistic networks.

Unfortunately, there are still many unanswered questions regarding clientelistic networks. For example, it is unclear how clientelistic networks are set up in the first place. From interviewing brokers and clients on the ground, one gets the sense that organising around such groupings to demand benefits from politicians is simply 'how things are done' in many poor communities in Brazil. There is also limited evidence on what happens to networks if a patron loses an election. Some brokers I interviewed had more than one patron, not necessarily from the same party.

## Conclusion

In this chapter I outlined a theory of why some politicians are more likely to favour programmatic social spending, whereas others tend to prefer to maintain the kind of discretionary distributive arrangements that characterise clientelism. My theory has two parts. First, it explores the consequences of clientelism's personalistic characteristics; it relies on personal connections between politicians' representatives and voters. For a patron to make credible promises to provide his clients with privileged access to state resources, he must rely on a network of brokers, who will work to establish personal relationships with clients and help make commitments to distribute benefits credible even in the absence of enforceable rules. Maintaining a network of brokers and awarding benefits to clients is costly to politicians, so the utility of such strategies will depend both on how many clients a patron needs to significantly improve his chances of being elected and on how much political capital and resources he can realistically dedicate to sustain his network of clients.

Second, it highlights presidents' role as a national political actor, accountable to a large and heterogeneous constituency. This means that presidents cannot be effective leaders by catering to small groups of voters that are well-connected with political

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<sup>64</sup>See, for example, Pablo Torres, *Menos Estado, Más Clientelismo: Políticas Sociales y punteros. Anfibia*. Available at: <http://www.revistaanfibia.com/ensayo/menos-estado-mas-clientelismo/>.

machines. Instead, they must establish a reputation as effective leaders, capable of designing policies that can be seen as fair and efficient by both welfare recipients and by those that pay taxes to fund the system. By doing so, I propose that presidents will be rewarded by their constituents. In countries plagued by poverty and inequality they will be able to establish themselves as national leaders, leave a lasting legacy and – as I explore in detail in the next chapter – gain the support of voters when running for reelection or when supporting a specific candidate to succeed them.

One of the main advantages of this theory is that it is simple and straightforward. It highlights a logic affecting the incentives faced by politicians when deciding when to rely on clientelistic networks to safeguard their electoral future. It is also powerful because it relies on assumptions common to many theories and empirical studies that have examined situations that are analogous to the operation of clientelistic networks.

In the next two chapters, I use both quantitative and qualitative evidence to explore the validity of this theory. In Chapter Three I demonstrate that discretionary and programmatic social policies have different effects on politicians' chances for reelection: spending on programmatic policies tends to favour incumbent presidents or their chosen successors, while having no effect on the vote share of legislators in president's party. The reverse is true for spending on highly discretionary programmes. Here, spending has no statistically significant impact on president's prospects for reelection, but it provides a major boost for incumbent legislators' prospects. I show this to be true under administrations of different parties of both the centre-left and the centre-right and under different identification strategies.

In Chapter Four I turn to qualitative evidence, showing that political actors behave very much in accordance with the theory and the incentives I describe, with presidents and governors of larger states pushing hard for programmatic distributive policies, whereas local political leaders tend to favour clientelism. I also explain how a dramatic shift in power from Congress to the Presidency in Brazil is directly connected to the evolution of large-scale programmatic social policies. As I develop the empirical case for my theory, I return to a more careful discussion of the conceptual issues raised in this chapter.

## Chapter 3

# The Electoral Consequences of Programmatic Distribution

The theory I outline in Chapter Two provides for two observable implications that can be used to test it. First, presidential candidates that are either running for reelection or are supported by the incumbent will benefit in the ballot box from rules-based anti-poverty spending, but their vote share will not be systematically affected by highly discretionary programmes. Conversely, legislators in the governing coalition seeking reelection will not gain much from programmatic social spending, but will profit from clientelistic schemes.<sup>1</sup> In this chapter I use a unique database of anti-poverty spending in Brazil to statistically test these propositions.

Winning votes from clientelistic social spending requires candidates to establish personal connections with voters through complex clientelistic networks. Maintaining such arrangements in turn forces politicians to hire brokers who can vouch for their promises to deliver privileged access to government resources to their loyal clients once the election is over. This is expensive for politicians and takes away from the benefits they accrue from holding public office. The price of such highly personalistic arrangements increases proportionally to the size of the network the politician in question needs to build in order to retain office. Because the proportional electoral systems in many Latin American democracies allow candidates within large districts to form alliances with each other so that all their individual clientelistic promises count towards the party list vote share, maintaining networks is affordable and a highly profitable investment for most candidates that do not have presidential ambitions.

Latin American presidents, on the other hand, cannot hide behind party lists or a handful of faithful clients. Instead, they have to find ways to improve the lives of the majority of the voters in the country. Their electoral strategies may well include smart alliances with key regional leaders, but this is a sideshow. For the most part, the retail politics required to make clientelism work is too burdensome to be used as a large-scale vote-gaining strategy in presidential elections. As I explained in the previous chapter,

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<sup>1</sup>To be sure, there is no reason to expect that clientelism will harm presidential incumbents' electoral chances, i.e. that it will have a significant and negative effect on their vote share. In presidential systems, candidates to the executive and legislative branches can campaign separately, even when they are members of the same party. This makes it easier for presidential candidates to distance themselves from clientelistic schemes or to make alliances with powerful patrons as they please. This is especially true in the case of Brazil, where the party loyalties are weak.



broker-based clientelistic networks are more costly for presidents due to their large and diverse electorate. Furthermore, their position as a national leader makes them uniquely accountable to a majority of voters – both those that receive anti-poverty benefits and those that pay the taxes that support them. In order to build legacies and establish themselves as strong leaders, presidents must design policies that are both centralised and seen as fair and effective by their constituents.

This chapter uses a unique dataset to explore the empirical implications of the theory. The data – gathered and assembled over two years – contains information on the Brazilian federal government’s major anti-poverty programmes from 2002 to 2014 in each of the country’s 5.570 municipalities. In constructing this dataset, I relied on a mixture of open sources and freedom of information requests.<sup>2</sup> Each of the policies on which I have gathered information has been adopted by the federal government with the explicit intention of relieving poverty or indirectly supporting poverty relief strategies.<sup>3</sup>

As expected, I find that federal spending on the programmes that use detailed legislation to circumscribe the discretionary power of politicians benefits presidential candidates endorsed by the incumbent or running for reelection. By contrast – and in line with my prediction – that same spending has no effect on the parliamentary vote share of the incumbent president’s party. Conversely, programmes that give politicians significant discretionary the power to choose who gets to be a recipient have no significant impact on presidential candidates’ vote in any election. Nevertheless, spending on those programmes benefits the incumbent party’s vote share in legislative elections. Interestingly, this happened regardless of whether the incumbent president came from a centre-left or a centre-right party.

What’s more, these statistical patterns hold for a variety of statistical models, regardless of the assumptions made. The findings are also robust when we account for the alternative explanations outlined in the literature, including the effects of party membership and relative economic development of each municipality. And finally, they also hold under different identification strategies.

All of this is encouraging, though of course there is more work to be done. One could use the research design presented in this chapter to investigate whether the same patterns exist in countries with different electoral systems, but this is outside the scope of this thesis. It would also be desirable to continue collecting data for several more years so as to test whether the patterns I describe here are robust to future political shocks or change over time – if other political parties win the presidency, for example.

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<sup>2</sup>See appendix on data sources at the end of the dissertation.

<sup>3</sup>Their goal is evidenced in the laws and regulations governing them, which are discussed in more detail below.

## Measuring Discretion

The goal of this chapter is to examine the connection between social spending and voting behaviour and how this dynamic shapes incentives for politicians to engage in clientelistic activities. To that end, I first created objective criteria to distinguish distributive policies that are more open to clientelistic use from those that are rules-based. That is just the first step in this analysis, but it is an important one.

We start by looking closely at one well-known type of policy design: conditional cash transfers (CCTs). Much of the literature on CCTs has taken as unproblematic that their design automatically excludes politicians from the decision-making process and replaces discretion with objective rules that favour the poor.<sup>4</sup> But this is not always the case. I will elaborate on how politicians have successfully manipulated CCTs in Brazil to suit their clientelistic strategies in Chapter Four. For now, it suffices to say that both in Brazil and in other countries, politicians have found clever ways to use CCT rules in their traditional clientelistic bargains. One strategy that has been employed in Brazil is establishing a very low income threshold for programme eligibility, thereby creating wait lists. Such lists in turn can be manipulated for electoral purposes, with politicians or their representatives influencing the choice of which eligible citizens are enrolled first. A second strategy is to tightly control information on the programme's existence and enrolment rules, handing out membership forms only in political rallies or even over-complicating the enrolment process with bureaucratic procedures for voters who are not confirmed loyal supporters, while providing enrolment assistance for the ones who are. Because of politicians' inventiveness, those who are serious about eliminating political favouritism must write detailed legislation that anticipates most such possibilities in order to tie the hands of public officials now and in the future.

There are two straightforward – albeit imperfect – indicators of how much discretion politicians have. The first is a simple count of the number of words in the legislation that regulates it. The second is the number of words in the legislation divided by the number of years that have passed since the policy in question was created.

The first indicator – the word count – is a raw signal of how dense is the regulatory environment that politicians and civil servants have to navigate when dealing with a programme. The second takes into account the fact that new legislation – mostly secondary legislation – is produced every year simply to update the legal framework in every government programme and make it consistent with the rest of the legislation of the country.

We can see how the number of words in a programme's legislation is relevant by

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<sup>4</sup>Weyland (1996); Hunter and Sugiyama (2009); De La O (2015); Ferguson (2015).

looking at two clearcut examples. First take *Bolsa Família*, – a well-known CCT run by Brazil’s federal government. To create this programme, President Lula published an emergency decree with 5,746 words in 2003 that was later confirmed as a law by Congress in 2004. This law in turn was enacted to modify parts of the 2,309 word-long law that created *Bolsa Escola*, Brazil’s previous federal CCT programme.

As is customary in Brazil’s legal tradition, the Lula soon after issued a 15,657 words decree to clarify how the Executive would implement the law and, using prerogatives established under that law and its accompanying regulatory decree, successive ministers for Social Assistance issued 207 *portarias* (a form of secondary legislation issued by ministers), totalling 91,415 words,<sup>5</sup> to regulate even the most mundane decisions that would have to be taken by civil servants involved in the implementation of *Bolsa Família*.

As we will see in this chapter, this makes it by far the most densely regulated social programme in the country and strikes a contrast with other CCTs enacted by Brazilian municipalities at one time or another. Take, for instance, the CCT created by the mayor of Campos dos Goytacazes, a city with a population of 470,000 people, roughly 300 kilometres from Rio de Janeiro. There, the municipal government created its own CCT programme in 2004 using a windfall of tax revenues from vast oil deposits that exist in that region. The municipal assembly drafted a simple bill, authorising the executive to create a programme called *Cheque Cidadão* (Citizens’ Cheque) by collecting data on citizens’ wealth and to award those living with an income below half a monthly (federal) minimum wage a grant of unspecified amount and to impose unspecified conditionalities on programme participants. The law has in total 1,508 words and no regulatory decree was ever issued to clarify its implementation.

With so much discretion given to the executive, *Cheque Cidadão* became synonymous with clientelism in Brazil’s political debate. Since 2004, three mayors in that city have been arrested for using *Cheque Cidadão* for clientelistic purposes. During the 2012 mayoral elections the press found that membership cards were distributed in political rallies and could be activated only after the election was over.<sup>6</sup>

Few federal anti-poverty programmes are as unregulated as *Cheque Cidadão*, but fewer still maintain the high standards set by *Bolsa Família*. In this chapter, I take a close look at four of the largest federal programmes that were designed to alleviate poverty in some way. By this I mean that I excluded from consideration any universal forms of redistribution, such as public schooling or even programmes that were not designed to benefit the poor directly, such as university scholarships. I also do not

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<sup>5</sup>Excluding numerous mathematical formulae and standardised forms in the annexes.

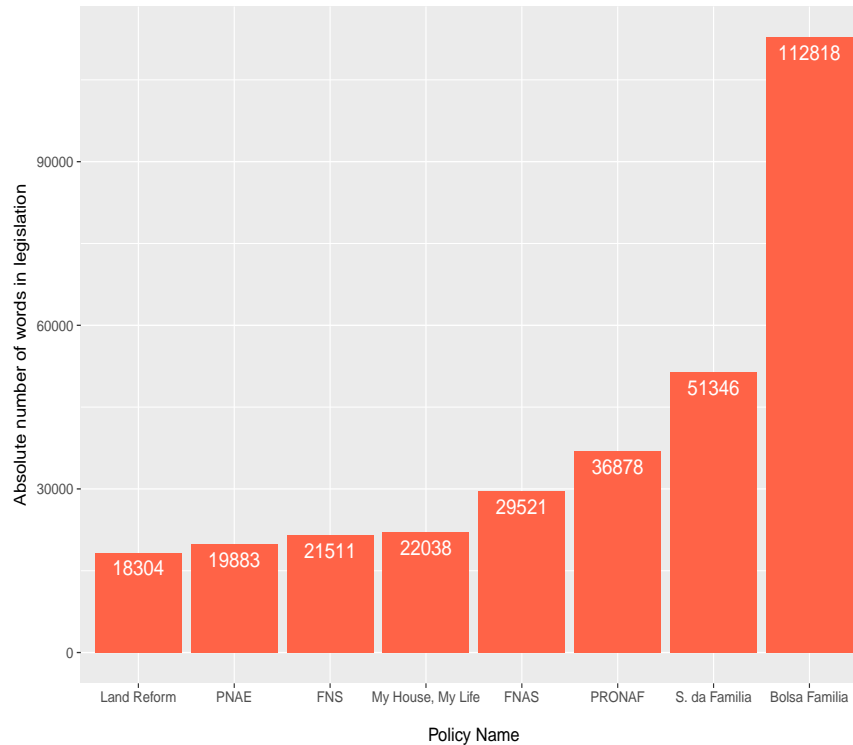
<sup>6</sup>Campos tinha ‘lista clandestina’ de beneficiários do Cheque Cidadão, *Época*, 16 Nov 2016.

consider programmes that are designed to build infrastructure or to address regional inequality, but only those that provide either cash or a service to individual citizens. Two of these programmes are clearly rules-based. They are *Bolsa Família*, the aforementioned CCT, and the *Estratégia Saúde da Família* (Family Health Strategy), a policy designed to provide basic preventive healthcare in poor neighbourhoods which currently has a legislative framework with 51,366 words.

The two other policies I explore are highly clientelistic: both have very loose regulatory frameworks. They are the National Fund for Social Assistance – or FNAS in the Portuguese acronym – and the National Land Reform Programme. The FNAS is a federal fund that pays for a network of social care centres throughout the country to provide several forms of assistance to those in need as well as for a myriad of *ad hoc* projects ran by municipal and state government and the federal administration. The FNAS was set up to create what the law calls a ‘decentralised social care system’, funded by the federal government, but administered at the local level. The total number of words in the programme’s legislative framework is 29,521.

Land reform is the second highly discretionary programme I consider. Its regulations are similar to those found in most land reform statutes around the world: land deemed unproductive can be expropriated and redistributed to unlanded peasants – or those who are deemed to be unlanded peasants – who latter may receive credit or farming equipment from the government to establish themselves as small farmers. It currently has a total of 18,308 words in its legislative framework. I chose these programmes because they are all national in scope and are representative of the two dynamics under study. They also have existed for enough time for an assessment to be made about their electoral effects under different conditions.

Few federal anti-poverty schemes are entirely clientelistic or entirely rules-based. Many initiatives are in the middle of this continuum. Brazil’s Programme of Assistance of Family Agriculture (*Programa de Assistência à Agricultura Familiar*), is a case in point. PRONAF mixes some rules-based elements, but has been linked to clientelistic practices in the past. Other policies appear to be new additions to the hall of rules-based programmes, but have only existed for a small number of years and their electoral effects cannot be credibly assessed yet. A clear example here is the ‘My House, My Life’ (*Minha Casa, Minha Vida*) initiative, that aims to subsidise or simply give away low-cost housing to the poor, a signature policy of the Dilma Rousseff Administration (2011-2016). ‘My House, My Life’ would clearly fall in the more rules-based camp in my word-count continuum and I would expect that spending on this programme would favour presidents, but not legislators. Others still are older programmes that appear to

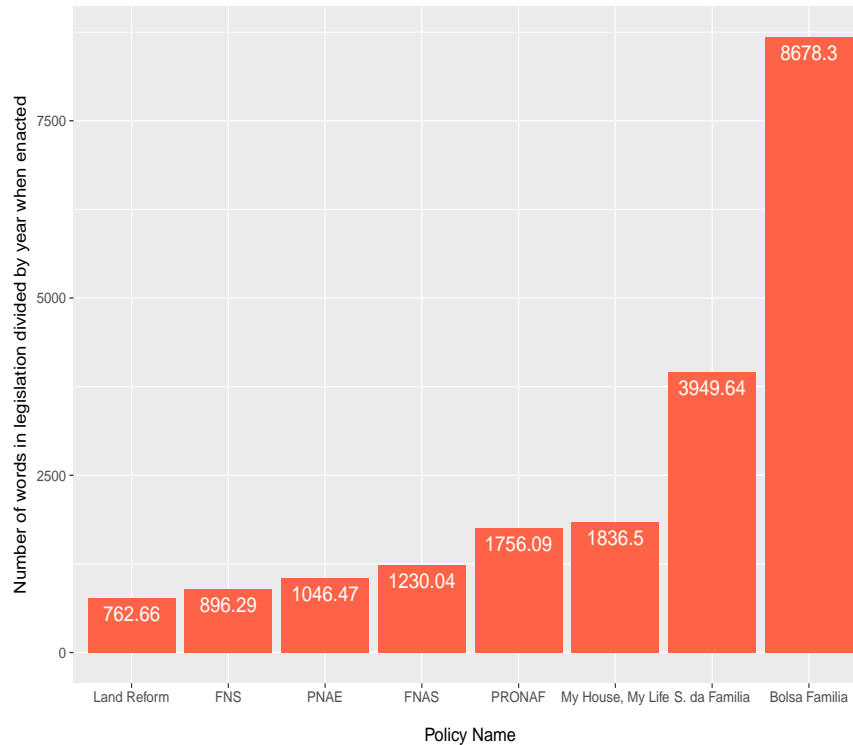


**Fig. 2:** Discretion index 1: number of words in the legislation governing each anti-poverty programme.

have produced some legislation over the years, mainly because they have existed for a long time and politicians have had to adjust their legislative framework to changing overall procurement rules. Once we take into account how long these programmes have existed, the appearance that they are becoming more rules based disappears. The most prominent case in this category is the National Health Fund (*Fundo Nacional de Saúde*, FNS).

Still others – indeed, many others – have very simple legislative frameworks, have existed for many years, have national scope, but cannot be included in my analysis because disaggregated spending data is not available. One prominent case is the National School Lunches Programme (*Programa Nacional de Alimentação Escolar*, or PNAE), a policy to pay for lunches for poor children attending public schools.

Figures 2 and 3 rank the programmes mentioned above along the continuum in two measures of discretion based on their legislative frameworks. One is a simple word-count of all the legislation regulating each of the policies – laws, decrees, and *portarias*. The second is the an index of discretion calculated by dividing the word count by  $2017 - L_p$ , where  $L$  is the year in which the first piece of legislation creating programme  $p$  in its



**Fig. 3:** Discretion index 2: number of words in the legislation in each anti-poverty programme divided by the number of years since the policy was enacted.

current form was enacted.

Both measures give similar results. Some newer policies, like ‘My House, My Life’ go up significantly when we take into account their creation date, but for the most part, clientelistic programmes remain clientelistic, while more rules-based policies are created in this way and continue to be so.

### **Rules-Based vs. Discretionary Redistributive Policies**

The criteria outlined above provides one way of separating the policies that are clientelistic from those that are rules-based. A brief qualitative examination of the four programmes examined in this chapter corroborates that criteria: the ones that have less detailed legislation are the ones often connected with allegations of corruption and clientelism. The sections below provide an overview of what the existing regulation provides for in each of the four programmes and what evidence exists connecting them to clientelistic practices.

## Rules-Based Policies

### *Bolsa Família*

Few types of anti-poverty policies in developing countries get as much attention as conditional cash transfers. Their basic idea is simple: all citizens (or households) below a certain income level are eligible to receive some amount of cash from the government, provided that they fulfil a pre-specified condition, such as sending their children to school or showing up for health checks regularly.

This straightforward design allows politicians to incentivise poor citizens to engage in pro-social behaviour they would not otherwise be able to afford – like sending children to school instead of forcing them to join the labour force at a very early age. In this simplest form, CCTs have the added advantage of eliminating much of the discretionary powers that politicians in developing countries have over income redistribution schemes and replacing them with objective criteria.

However, as I discussed in the previous section, such policies can be easily adapted to serve politicians' clientelistic purposes. In the mid 1990s, when the idea of creating CCT programmes was seriously considered by mayors and governors throughout Brazil, it was far from clear which model Brazil would follow: one based on transparent rules or another that gave politicians wide latitude to do whatever would maximise their electoral support. Most municipal CCTs created in the 1990s were short lived, usually lasting for a few months before an election, and many mayors were accused of manipulating waiting lists and enrolment rules to empower party brokers.

When the federal government decided to create its own programme in 2001, it did not look at those policies for inspiration. Rather surprisingly, it looked at the example of the government of the Federal District (comprised of the capital, Brasília, and its suburbs and roughly equivalent to the District of Columbia in the United States). There, the governor created in 1995 what was arguably the first CCT in Latin America. This was a curious choice of a model to emulate. The governor at the time was Cristovam Buarque, an economics professor of the then-opposition Workers' Party with few friends in his own party<sup>7</sup> had gone to great lengths to insulate his flagship *Bolsa Escola* programme from political interference. The design was simple: a small group of career civil servants was designated to work in the poorest neighbourhood of Brasília registering families with at least one child of school-age. Parents would sign a contract acknowledging that they earned less than the monthly minimum wage and agreeing to keep every child in the

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<sup>7</sup>Buarque, at the time represented a moderate wing of the leftist Workers' Party that had opposed longtime party leader Luiz Inácio Lula da Silva and lost. He eventually left that party and joined a small centrist outfit.

household at school and ensure a satisfactory school attendance every month. If they fulfilled this conditionality, families would receive one tenth of the monthly minimum wage for each schoolchild up to the limit of three children per household. Buarque was adamant that all qualifying families would be eligible for benefits irrespective of their political leanings. In speech after speech he emphasised that membership in the programme was not conditional on beneficiaries' electoral support for him and that he did not want beneficiaries' votes in exchange for that benefit.<sup>8</sup> Voters got the message. So free did they feel to support other candidates that in 1999 they elected his challenger, Joaquim Roriz, who scrapped the CCT in his first year in office and replaced it with a traditional food handout programme.<sup>9</sup>

The federal CCT was created along similar lines to the one that existed in Brasília in 2001 and its name was changed from *Bolsa Escola* to *Bolsa Família* in 2004, reflecting a new government's emphasis on reducing economic inequality, rather than simply boosting school enrolment. As the federal government scaled up the programme to include the entire country, more regulation was enacted to curb possibilities that it could be hijacked for clientelistic purposes. Much of the regulation enacted over the years has to do with ways to measure the income of potential beneficiaries when they work in the informal sector and do not have payslips. An entire division was created within the government's statistical agency to devise and regularly update such methods based on findings from the country's yearly population survey.

While the rules of *Bolsa Família* are very much crafted by the centralised bureaucracy established within the Ministry of Social Assistance to run the programme, implementation was left to municipal civil servants. Thus a second part of the regulations deal with curbing any powers that local authorities could use to politicise enrolment or conditionality monitoring. To tie the hands of municipal officers empowered with the registration process, the government commissioned an elaborate software system controlled by the Ministry in Brasília and which will only register new beneficiaries when the data is entered correctly and the application is certified both by local officials and a civil servant in Brasília. It also diversifies the registration options available to potential beneficiaries by hiring state-owned banks and the Post Office – all controlled by the federal government – to make preliminary applications through their local branches, which can be later confirmed by municipal officials or by regular 'missions' of federal social workers send from the capital. To curb invalid registrations, the system also uses social security numbers to cross-check beneficiaries income against

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<sup>8</sup>Sugiyama and Hunter (2013), loc. 1922.

<sup>9</sup>I discuss regional and municipal CCTs in detail in the next chapter.



Central Bank data on citizens' banking and credit activities.

A final set of regulatory instruments imposes mandatory regular audits of the programme. While this is clearly the most complex programme of all examined here, cases of clientelism exist and are regularly picked up by the press. One investigation found a municipal civil servant who registered 2,4 million beneficiaries in one day, triggering an alert in the electronic system in Brasília.<sup>10</sup> Another investigation found over 4,800 beneficiaries that were over the legal income threshold in the state of São Paulo.<sup>11</sup> To limit these practices, the programme has been subject to special separate yearly audits by the Court of Accounts and the Office of the Comptroller General. Audits clearly do not make *Bolsa Família* immune to clientelism, but they do make it a less attractive target for those wishing to reward political allies and punish detractors.

### *Saúde da Família*

The second rules-based programme examined here is part of Brazil's national health service. Modelled after the British National Health Service, Brazil's Single Health Service or SUS, technically provides universal healthcare for everyone in the country that is free at the point of delivery. In practice, however, lack of funding and inadequate management means that access to SUS services is limited; those who can afford private healthcare continue to hire private health insurance plans. Because of scarcity, access to services in public hospitals is often mediated by political brokers, whose political masters control – directly or indirectly – the health system in each municipality. The practice of using administrative control to turn SUS into a tool for clientelism is so widespread that a number of aldermen I interviewed talked openly about how they used their powers to make doctors work part of their hours in private 'social centres', charities maintained by politicians to cater to their clients.<sup>12</sup>

*Saúde da Família* was created as an attempt by the federal government to insulate basic preventive healthcare from much of the clientelistic practices that are prevalent in the rest of the health system. The idea is that the government hires health agents – not fully trained doctors – to visit peoples' homes and dispense basic, preventive healthcare. In a country suffering from a shortage of doctors – and where doctors tend to prefer lucrative private practices to working in a corrupt public healthcare system – this policy would fund

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<sup>10</sup>Pente Fino do Governo Descobre Fraude no Bolsa Família. *O Globo*, 24 Ago 2016.

<sup>11</sup>MPF apura fraude de R\$ 7,7 milhões no Bolsa Família na região de Ribeirão, *GI*, 21 Jul 2016.

<sup>12</sup>In one interview an alderman for a municipality in the state of Pernambuco stated: 'we have a social centre, to support the communities. We have dental care, legal counselling, a school, and an ambulance. We bring in a GP, a paediatrician, and a dentist from [the local hospital]. The first two bring their own equipment and the dentist sees our people in her [private] practice. Interview with alderman of the city of Paulista, 10 Mar 2015.

basic training for health agents, a less expensive option than providing care at hospitals. As with the CCT programmes *Bolsa Escola* and *Bolsa Família*, this programme was also inspired by a similar initiative in Cuba.<sup>13</sup>

Much of the legislation created under the *Saúde da Família* programme is about the training of health agents. Most health agents do their work on the streets, away from the supervision of their bosses. One potential problem that regulators appear interested in curbing is that these positions can be used to hire favourites of local political bosses. To curb that practice, the legislation put the training of agents firmly under the control of the Ministry of Health in Brasília, which later provides funds for municipalities to cover hiring of those that complete the appropriate training.

Further legislation addresses incentives to boost productivity of health agents. Because overseeing their work is difficult the government has created a system of remuneration based on the health indicators in each team's catchment area. With that, agents themselves are expected to complain about working with others who are there mainly for political reasons and to resist pressure to politicise their visits.

This incentive-based system is possible because of a loophole in Brazil's overall health laws: while the Constitution and other legislation put municipalities and state governments firmly in control of healthcare policy, the government realised there was no mandate for local governments to control *preventive* care, thus affording the opportunity for the Ministry of Health to assume control of this area by decree and regulate it by secondary legislation. As long as Congress continues to fund such a system,<sup>14</sup> and does not pass legislation to revoke the decrees that created *Saúde da Família*, it remains mostly outside the reach of the legislature.

## **Discretionary Policies**

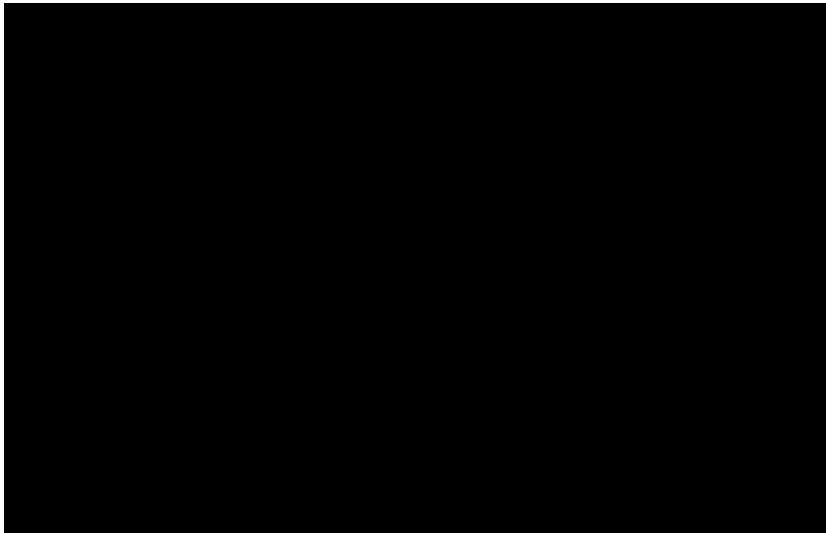
### ***The National Fund for Social Assistance***

This chapter deals mainly with large-scale national policies, but the reality on the ground in Brazil is that anti-poverty initiatives are usually small, short lived programmes. The National Fund for Social Assistance, or FNAS, was created in 1993 as part of a broader government effort to help the federal government pool its social assistance investments into one fund. In practice, however, FNAS has two functions. The first – not of direct interest here – is to finance *Benefícios de Prestação Continuada* (BPCs), which are non-contributory pensions for workers over 65 who are either considered disabled or have a

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<sup>13</sup>Dresang et al. (2005).

<sup>14</sup>In the next chapter I discuss under what conditions presidents are able to maintain funding for their preferred policies.



**Fig. 4:** A member of the Minas Gerais State Assembly (right, not blurred) gives away a wheelchair to a client (seated) in a FNAS-sponsored programme in the municipality of Formiga.

*per capita* income of less than one quarter of the monthly minimum wage.<sup>15</sup> The second – and the one relevant in this chapter – is to support a national network of social assistance centres that can provide unspecified benefits for people in poverty.

In practice, social assistance centres and the benefits they provide are mostly funded by amendments to the federal budget designed to finance specific local initiatives that have the support of federal legislators and their allies. Consistent with the theory outlined in the previous chapter, most such programmes tend to cater to small clienteles. In 2015, for example, one of the poorest municipalities in the state of São Paulo received FNAS money that could only be used to refurbish a local football pitch, despite an ongoing Zika epidemic in the region.<sup>16</sup>

When I was undertaking fieldwork for this dissertation I had the opportunity to witness one example of how FNAS funding can easily be appropriated for clientelistic purposes. In the municipality of Formiga, a city in the state of Minas Gerais, an NGO was awarded a FNAS grant to distribute wheelchairs to the poor. The organisation that received the money to run the programme did indeed give away 125 chairs in a ceremony (see picture below) where each beneficiary would take a photograph with a member of the state assembly who had secured funding for the initiative and who happened to be one of the directors of the organisation.

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<sup>15</sup>BPCs are technically funded with FNAS resources, but they are regulated by separate legislation. Here, I exclude BPC spending from the model because of their separate legislative framework.

<sup>16</sup>Vereador em São Paulo dá mais verba a campo de várzea que à Saúde, *Folha de São Paulo*, 03 Set

Because FNAS is so unregulated, its projects are often textbook examples of clientelism: politicians work to earmark funding to some initiative they think will allow them to reward their clients through FNAS. But the funding comes with political strings attached. FNAS managers will often celebrate an agreement between the government and the organisation specified by the politician who secured the budgetary amendment in question. Because politicians often have influence over such organisations, they are able to freely control who receives benefits and thus maintain leverage over their clients.

### *The Land Reform Programme*

Land reform has been an issue of the Brazilian left for decades. This is not surprising considering that a recent survey found that 44% of all land in the country was owned by less than 1 percent of landowners.<sup>17</sup> Virtually every Brazilian president since the 1940s has promised some degree of land reform, either because of the potential for violence and instability that the political mobilisation of landless peasants brings or, more recently, to fulfil promises made to peasant organisations that helps left-wing leaders get elected. For that reason, numerous land reform programmes have existed throughout Brazilian history. Of interest here is the one presently in place.

In keeping with previous legal frameworks, the goal of the present land reform programme is for the government to expropriate agricultural plots deemed ‘unproductive’ and grant plots to landless families.

Existing regulation addresses the definition of what can be considered ‘unproductive land’ and the minimum size of plots of land that can be subject to expropriation (most smallholders are exempt from productivity requirements). There is, however, great discretionary power when it comes to actually expropriating land that has been considered ‘unproductive and suitable for land reform’ (the language used in the legislation). In each case, a presidential decree is required to complete the expropriation process, making it possible for the president to stop or speed up land reform as he or she pleases. Compensation to landowners is not strictly dealt with in programme regulations, but is instead addressed in more general laws and constitutional provisions concerning expropriations of private property.

The most important issue, however, is the selection process of beneficiaries. Here, there are important criteria in the legislation that are based on previous residence in rural regions of Brazil or experience in Agriculture. But the ways in which one can prove eligibility are vague. The existing legislation is also mostly silent about who gets priority

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2016.

<sup>17</sup>IBGE, Censo Agropecuário 2006. Brasília: IBGE, 2009.

in the waiting lists. The Lula administration created some new criteria, giving preference to those who are part of landless social movements, an attempt to bring in organisations that have long been close to the Workers' Party.

The land reform programme is often the subject of corruption or fraud investigations. In 2016 the Federal Court of Accounts for the first time cross-referenced a list of land reform beneficiaries with data from the Federal Revenue Service. It found that, among the beneficiaries of the programme there were 61,965 business owners, 144,621 civil servants, 37,997 dead persons, and 1,017 elected politicians, including one senator.<sup>18</sup> While cases of corruption such as these do not necessarily point to clientelism, these two phenomena often go hand in hand.

## **Research Design and Measurement Strategy**

The previous section distinguished two types of redistributive policies: those which are rules-based and those that are more prone to enable clientelism. It is now time to see if these two types of policies altered the behaviour of Brazilian voters in the ways that my theory would predict. To that end, I begin by identifying other variables that have an independent impact on voters' preferences. In this section I discuss the variables I use as part of my original database on social spending in Brazil.

### **Dependent Variables: Vote Share in Brazilian Municipalities**

Every four years Brazilians go to the polls to choose a new president. On the same day, they choose the members of the Chamber of Deputies, the lower house of Congress. They also choose the governors for their home states, vote to elect all members of the states' unicameral legislative assemblies, and renew part of the Federal Senate.<sup>19</sup> Voting is mandatory for every Brazilian citizen between the ages of 18 and 70, and optional for those aged 16 or 17, over 70, and for those who are illiterate. For all legislative elections apart from the Federal Senate, Brazil uses an open-list proportional representation electoral system that greatly benefits small parties. A generous system of public funding for parties that enables most tiny groupings to receive some funding serves as another incentive for fragmentation. In 2016, for example, there are 23 parties represented in the Chamber of Deputies<sup>20</sup> and roughly double that number registered with the Federal Electoral Court. For presidential, gubernatorial and mayoral elections in mayoral

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<sup>18</sup>Fraudes causam suspensão do programa de reforma agrária. *GI*, 07 Apr 2016.

<sup>19</sup>There are three senators for each state and every senator is elected for a term of eight years, so in some elections there are two senatorial seats at play in each state, and in others only one.

<sup>20</sup>This number changes significantly throughout the year as legislators switch party affiliation at will.

elections in cities with over 100.000 registered voters, a two-round system of voting is used whenever no candidate gets more than 50% of the valid votes. For all executive offices, each candidate is allowed to attempt reelection for a second consecutive term, but never for a third.

To compare the effects of social policy spending I look at two sets of dependent variables: (1) the vote share of the presidential incumbent or of the candidate supported by the incumbent; and (2) the vote share of the incumbent president’s party in the elections for the Chamber of Deputies.<sup>21</sup> In each case the vote share is calculated for each one of Brazil’s 5,670 municipalities, excluding those for which data is not available.

The summary statistics for the dependent variables for each election between 2002 and 2014 are displayed in the table below.

**Table 1:** Descriptive statistics of variables measuring the vote share of incumbents and incumbent supported candidates and parties (2002-2014)

Statistic	N	Mean	St. Dev.	Min	Max
Presidential vote share 2002	5,476	0.309	0.132	0.022	0.801
Parliamentary vote share 2002	5,471	0.161	0.181	0.0004	0.885
Presidential vote share 2006	5,477	0.516	0.179	0.114	0.934
Parliamentary vote share 2006	5,472	0.119	0.099	0.002	0.670
Presidential vote share 2010	5,477	0.553	0.158	0.158	0.948
Parliamentary vote share 2010	5,475	0.148	0.119	0.005	0.812
Presidential vote share 2014	5,536	0.514	0.197	0.001	0.920
Parliamentary vote share 2014	5,535	0.137	0.127	0.000	0.805

## Independent Variables

The key independent variables in my analysis are government spending per person in each social policy of interest. I look separately at each of my four social policies – *Bolsa Família*, *Estratégia de Saúde da Família*, FNAS, and the Land Reform Programme – and calculate estimators for each election between 2002 and 2014 based on how much the federal government spent in each municipality per person in each policy. Spending has

<sup>21</sup>In the time frame I examined in this dissertation, no presidential incumbent switched parties or supported a candidate of a party that he was not affiliated with. Also, no incumbent president declined the opportunity to run for a second term.

been adjusted to account for any matching funds that may or may not be provided by each municipal or state government.

Many models used here also include a vector of control variables that could affect both social spending and voting behaviour in each year. Most such variables are measured for every election-year – such as the party affiliations mayors and governors. Others are the same for every model – such as the vote-share each of the two main parties received in the 1988, which I use as a proxy for the electoral base each of them had before the period analysed here. For FNAS there is no available desegregated spending data before 2006 and for the land reform programme there is only data for the year of 2006.

Descriptive statistics on all independent variables are displayed in the table below. A full description of each dependent, independent, and control variable, including their sources, is available in an appendix at the end of this dissertation.

**Table 2:** Descriptive statistics of variables measuring spending per capita for each anti-poverty programme of interest (2002-2014)

Statistic	N	Mean	St. Dev.	Min	Max
2002 CCT spending p.p.	5,473	0.220	0.117	0.000	0.633
2006 CCT spending p.p.	5,477	0.762	0.472	0.002	2.859
2010 CCT spending p.p.	5,477	1.085	0.644	0.002	2.935
2014 CCT spending p.p.	5,129	2.478	3.918	0.004	9.866
2002 Saúde da Família spending p.p.	5,365	0.410	0.323	0.000	1,522
2006 Saúde da Família spending p.p.	5,522	0.743	0.519	0.000	2,988
2010 Saúde da Família spending p.p.	5,483	1.294	0.902	0.000	5,197
2014 Saúde da Família spending p.p.	5,048	2.072	1.320	0.000	6,367
2006 FNAS spending p.p.	5,522	0.101	0.575	0.000	0.279
2010 FNAS spending p.p.	5,483	0.172	1.134	0.000	0.714
2014 FNAS spending p.p.	5,048	0.271	1.751	0.000	0.914
2006 land reform spending p.p.	5,365	0.110	1.636	0.000	0.584

## Statistical Analysis of Social Spending

The tables below report a series of coefficients for cross-sectional regression models using Ordinary Least Squares (OLS) specifications. I have clustered standard errors by state in

each of the models in order to adjust estimated standard errors for any arbitrary patterns of correlation within states, such as serial correlation and correlation resulting from state-specific components. The OLS models address heteroskedasticity, serial correlation, and contemporaneous correlations using robust standard errors. In each case, the full results for each model can be found in the appendix at the end of this dissertation.

The dependent variables across the models on the tables below are spending on each of the social programmes of interest for the 2002, 2006, 2010, and 2014 elections and the independent variables are the vote share of presidential candidates in each election. In almost every election, the two rules-based programmes are associated with a significant increase in presidential candidates vote share, while the highly discretionary policies are not shown to be significantly correlated with voters' choices in presidential elections.

**Table 3:** Effects of CCT spending on incumbent party's presidential and legislative vote share (2002-2014). See appendix for full regressions.

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2002 CCT spending p.p.	0.201*** (0.020)	0.009 (0.033)
2006 CCT spending p.p.	0.079*** (0.006)	-0.005 (0.006)
2010 CCT spending p.p.	0.084*** (0.005)	0.007 (0.006)
2014 CCT spending p.p.	0.001*** (0.0004)	0.034 (0.042)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01



**Table 4:** Effects of *Saúde da Família* spending on incumbent party’s presidential and legislative vote share (2002-2014). See appendix for full regressions.

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2002 Saúde da Família spending p.p.	7.103e-02* (3.681e-02)	0.0283 (0.0612)
2006 Saúde da Família spending p.p.	0.0097 (0.0234)	0.0098 (0.0220)
2010 Saúde da Família spending p.p.	0.0298** (0.0136)	0.0193 (0.0155)
2014 Saúde da Família spending p.p.	0.040*** (0.015)	0.640 (1.254)

*Note:*

\*p<0.1; \*\* p<0.05; \*\*\* p<0.01

Overall, these models show two types of redistributive programmes: the first kind favouring presidential candidates, and the other favouring legislative candidates that are members of the incumbent president’s party. How can we make sense of these results? The fact that redistributive spending favours incumbents is not surprising at all. After all, prominent models of income distribution show that politicians redistribute income because it helps them get reelected – or, in some cases, elect their chosen successors and retain political influence.<sup>22</sup> What is remarkable here is that presidents are not rewarded by voters for federal spending in the two programmes that are more prone to clientelism, while at the same time legislators in the president’s party cannot build a party following using programmatic spending.

The answer is that clientelism has not been a good investment for Brazilian presidents, who simply will not be rewarded by voters for engaging in particularism.

<sup>22</sup>See chapters One and Two for the discussion of literature, including my argument for why presidents also care about reelection and about electing a chosen successor.

**Table 5:** Effects of FNAS spending on incumbent party's presidential and legislative vote share (2006-2014). See appendix for full regressions.

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2006 FNAS spending p.p.	0.1173 (0.1993)	0.11070 (0.2121)
2010 FNAS spending p.p.	0.1100 (0.1215)	0.2445** (0.1070)
2014 FNAS spending p.p.	0.569 (1.0106)	0.3197** (0.082)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Legislators that are affiliated with the party of government, on the other hand, appear not to benefit systematically from the federal government’s signature spending on key policies like *Bolsa Família*. Instead, they gain votes from investment in the programmes that can be more easily used for clientelistic purposes. Again, this happens with the two major Brazilian parties that have occupied the presidency for most of the time since democracy was restored: the centre-right PSDB and the centre-left Workers’ Party. Neither of them managed to use rules-based policies to build a loyal party following that increased their legislative vote share.

There are two exceptions here: in 2006, *Saúde da Família* and FNAS spending appear not to affect the vote share of the incumbent party at all. In the next section I employ more sophisticated statistical techniques that show that the anomalous 2006 FNAS coefficient is more likely a result of endogeneity in the OLS models and that it disappears under different identification assumptions. The *Saúde da Família* 2006 results showing no relationship between spending and voting behaviour, however, remains an anomaly that is does not fit any of the theories of redistribution presented here and could be caused by measurement error. All these results are discussed in detail in the next section.

**Table 6:** Effects of Land Reform Programme spending on incumbent party’s presidential and legislative vote share (2006). See appendix for full regression.

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2006 land reform spending p.p.	0.557 (0.708)	1.522** (0.668)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

### **Robustness to Endogeneity Bias**

The OLS models above provide strong evidence in favour of the theory that presidents have incentives to push for rules-based social policies, but that legislators favour the

clientelistic *status quo*. But is it possible that the results are affected by endogeneity bias? And can endogeneity bias be the reason that two of my results diverge from what the theory predicts?

There are reasons to suspect bias in OLS models using observational data. For example, it may be the case that social spending is collinear with unobserved variables that also affect voting behaviour in ways that affect some policies more than others. Indeed, it is well-known that politicians not only craft spending strategies with an eye on future elections; they also develop them to reward voters that supported them in the past.<sup>23</sup> This could potentially confound the results.<sup>24</sup> It is also possible that voting behaviour is what is causing social policy to be distributed across municipalities in a way that gives the impression that some are associated with legislative vote increase and others with presidential vote gains. To put the problem in terms of microeconomic theory, to explain the forces behind the *supply* of social spending we need to find exogenous factors affecting *demand* for social spending.

I use an instrumental variable (IV) approach to capture exogenous variations in the demand for social spending in each Brazilian municipality. The fact that both OLS and instrumental variable models show the same overall pattern in the results is a strong indicator of the reliability of my findings. A valid instrumental variable must satisfy the exclusion restriction. That means that its effect on the dependent variable should operate exclusively through the potentially endogenous independent variable. In this case, the instrument must be correlated with the dependent variables of vote share in a first-stage regression but not correlated with the error term of the second-stage regressions where the dependent variables are vote share for each election.

It stands to reason that demand for social spending is affected both by short-term processes – such as variations in economic growth or fiscal policy – as well as by long-term historical developments. Unfortunately, most of these short-term factors will be strongly connected with the same political variables that I am interested in. So the best place to start looking for exogenous sources of variation should be in long-term trends affecting the evolution of poverty in Brazil. My instrumental variable is the distance between each municipality and the closest slave settlement that existed at the end of 19th-century Brazil.

Slave settlements (*quilombos*) were safe heaven villages formed by runaway slaves that would protect each other in order to evade capture by their former masters. They existed mostly in areas where slave work was the dominant form of labour. In regions

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<sup>23</sup>Cox and McCubbins (1986).

<sup>24</sup>The control variables for the incumbent party's vote share in 1998 – before my analysis starts – captures part of this variation in the OLS models.

where colonisation was less intense, these settlements were rarer. Institutionalised slavery existed in one form or another in the country since the beginning of Portuguese colonisation in the early 16<sup>th</sup> century. At first, the colonisers attempted to enslave the native population, much like the spaniards had done to the west in what is today Peru, Bolivia, and Colombia. But Brazil was not home to large native civilisations before the arrival of European expeditions.<sup>25</sup> The Portuguese eventually preferred to bring slaves from their colonies in Africa and the practice continued for centuries, even after Brazil's independence. Slavery was finally abolished in Brazil in 1888.<sup>26</sup>

One year after the abolition of slavery was signed into law, the government was overthrown by a military coup and the new government signed a law requiring a national census. This would be the first time the state would identify slave settlements and issue their inhabitants formal documents as free citizens. That census was effectively conducted in 1890 and its data would provide the first picture of slave settlements throughout Brazil's territory.

My argument for the use of this instrument is built upon the fact that development of colonial institutions, such as slavery, had a significant impact on the evolution of patterns of poverty and inequality in large European colonies and that Brazil is no exception.<sup>27</sup> However, this influence is not equally felt throughout the territory. In some regions, colonial exploration was more significant than in others and, as a result, there is significant variation across the territory in terms of the degree to which colonial institutions influenced later developments.<sup>28</sup> and that variation creates institutional differences that persist over time.<sup>29</sup> Yet, their effects on day-to-day politics after such long periods of time is only possible through their impact on institutions.<sup>30</sup>

To compute the instrument, I use data collected by the Palmares Foundation, an organisation of the Brazilian federal government that works to preserve the history and memory of communities of slave descent. I geocode all slave settlements identified in the 1890 and 1900 censuses. With that data, I calculate a matrix with the distance of each municipality of Brazil to the closest slave settlement identified in these historical censuses. My claim is that this distance satisfies the exclusion restriction from a statistical perspective and is therefore a valid way of capturing the exogenous variation in the demand for social spending that drives all my independent variables. To further

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<sup>25</sup>Archeological estimates put the number of natives living in Brazil when the Portuguese arrived in 1500 at roughly 5 million people. See Simonsen (1971), p. 271.

<sup>26</sup>Bethell (1970).

<sup>27</sup>Acemoglu, Johnson and Robinson (2001); Nunn (2009); Engerman and Sokloff (2012).

<sup>28</sup>For a full analysis, see Naritomi, Soares and Assunção (2012).

<sup>29</sup>North and Thomas (1976); Engerman and Sokloff (1997); Sokoloff and Engerman (2000).

<sup>30</sup>Acemoglu, Johnson and Robinson (2001).

boost confidence in the validity of the instrument, I use a series of overidentification tests using measures of distance to the Equator and distance to Lisbon for all Brazilian municipalities to exclude a direct effect on voting.<sup>31</sup> In all those tests, the overidentifying restrictions never fail to reject the hypothesis that the instrument is valid – orthogonal to the error term in the second-stage least squares regression in the Sargan-Hansen tests.

I conduct a series of IV estimations following the Two-Stage Least Squares (2SLS) method. My main objective is to estimate:

$$Y_i = \rho S_i + X_i\beta + c_i + \nu_i \quad (1)$$

where  $T_i$  denotes municipality  $i$  outcome for the election in question,  $S_i$  indicates spending in a given social policy in municipality  $i$ ,  $X_i$  is a vector of municipality characteristics that vary across space, like population,  $c_i$  is a state fixed effect, and  $\nu_{it}$  is a random shock. This is the same estimators identified in the OLS regressions above.

The first stage of the just-identified 2SLS estimator is of the following form:

$$S_{it} = \gamma_1 M_i + X_{it}\gamma_2 + c_i + \epsilon_i \quad (2)$$

where  $M_i$  denotes the instrument that is the distance matrix between the centroid of  $i$  to the nearest slave settlement, and  $\epsilon_i$  indicates the error term.

The over-identified 2SLS used to check the robustness of the instrument is the following:

$$T_{it} = \zeta_1 M_i + X_{it}\zeta_2 + Z_i\zeta_3 + E_i\zeta_4 + c_i + \omega_i \quad (3)$$

where  $Z_i$  is a distance matrix with the shortest distance between the centroid of  $i$  and Lisbon,  $E_i$  is another matrix, with the value of each municipality's distance to the closest point in the line of the Equator, and  $\omega_i$  indicates the error term.

The tables below display the results of the second stage of 2SLS regression for each policy of interest between 2002 and 2014, with the results of estimations for presidential vote-share displayed first.

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<sup>31</sup>Distance to the Equator serves as an instrument for income and has been used before by McCleary and Barro (2006) to show an inverse causal relationship between religiosity and economic growth. Distance to Lisbon is an instrument associated with the intensity of colonisation.

**Table 7:** Effects of CCT spending for presidential and parliamentary elections in 2SLS models (2002-2014)

	<i>Dependent variable:</i>							
	2002 pres. vote share	2002 parl. vote share	2006 pres. vote share	2006 parl. vote share	2010 pres. vote share	2010 parl. vote share	2014 pres. vote share	2014 parl. vote share
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2002 CCT spending p.p.	0.117* (0.060)	-0.148 (0.086)						
2006 CCT spending p.p.			0.372*** (0.005)	0.004 (0.011)				
2010 CCT spending p.p.					0.180*** (0.003)	-0.008 (0.006)		
2014 CCT spending p.p.							0.117*** (0.006)	0.055 (0.347)
Constant	-0.033 (0.063)	0.194*** (0.019)	0.232*** (0.004)	0.116*** (0.009)	0.358*** (0.003)	0.159*** (0.006)	0.231*** (0.016)	-19.956 (13.171)
Observations	4,901	5,471	5,420	5,472	5,420	4,901	5,062	4,571
R <sup>2</sup>	-2.192	-0.022	0.487	-0.004	0.562	-0.001	-3.823	-0.100
Adjusted R <sup>2</sup>	-2.193	-0.022	0.487	-0.004	0.562	-0.001	-3.824	-0.101
Residual Std. Error	0.228 (df = 4898)	0.183 (df = 5469)	0.128 (df = 5418)	0.099 (df = 5470)	0.105 (df = 5418)	0.119 (df = 4899)	0.439 (df = 5060)	13.373 (df = 4568)

Note:

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

**Table 8:** Effects of Saúde da Família spending for presidential and parliamentary elections in 2SLS models (2002-2014)

	<i>Dependent variable:</i>							
	2002 pres. vote share	2002 leg. vote share	2006 pres. vote share	2006 leg. vote share	2010 pres. vote share	2010 leg. vote share	2014 pres. vote share	2014 leg. vote share
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2002 Saúde da Família spending p.p.	0.3304*** (1.042e-09)	-3.712 (2.6614)						
2006 Saúde da Família spending p.p.			-1.699e-07 (1.566e-07)	0.2510 (0.2309)				
2010 Saúde da Família spending p.p.					0.7554** (0.3180)	1.14922 (1.0813)		
2014 Saúde da Família spending p.p.							0.3527* (0.1462)	-2.1961 (2.5260)
Constant	0.905*** (0.087)	0.317*** (0.112)	1.801 (1.189)	-0.071 (0.175)	3.788*** (0.438)	-0.004 (0.143)	4.328*** (0.359)	14.363*** (0.596)
Observations	5,247	5,245	5,394	5,393	4,840	5,352	4,431	4,428
R <sup>2</sup>	-0.491	-44.645	-2,493.807	-177.045	-18.844	-77.694	-5.714	-0.047
Adjusted R <sup>2</sup>	-0.491	-44.653	-2,494.270	-177.078	-18.852	-77.709	-5.717	-0.047
Residual Std. Error	0.160 (df = 5244)	1.226 (df = 5243)	8.921 (df = 5392)	1.318 (df = 5391)	0.697 (df = 4837)	1.054 (df = 5350)	0.516 (df = 4428)	12.981 (df = 4426)

Note:

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

**Table 9:** Effects of FNAS spending for presidential and parliamentary elections in 2SLS models (2006-2014)

	<i>Dependent variable:</i>					
	2006 pres. vote share	2006 leg. vote share	2010 pres. vote share	2010 leg. vote share	2014 pres. vote share	2014 leg. vote share
	(1)	(2)	(3)	(4)	(5)	(6)
2006 FNAS spending p.p.	-1.1517 (8.1071)	3.1161** (1.1402)				
2010 FNAS spending p.p.			-4.7464 (3.777)	1.0006* (0.5910)		
2014 FNAS spending p.p.					-2.4136 (2.6511)	3.0764* (1.4360)
Constant	1.704** (0.840)	0.086*** (0.013)	1.384** (0.665)	0.131*** (0.011)	1.114* (0.662)	6.070* (3.671)
Observations	5,394	4,879	5,354	4,838	4,951	4,902
R <sup>2</sup>	-1,405.868	-3.588	-1,173.309	-1.001	-367.032	-15.119
Adjusted R <sup>2</sup>	-1,406.129	-3.589	-1,173.528	-1.001	-367.106	-15.122
Residual Std. Error	6.699 (df = 5392)	0.210 (df = 4877)	5.437 (df = 5352)	0.168 (df = 4836)	3.828 (df = 4949)	51.138 (df = 4900)

Note:

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01

**Table 10:** Effects of land reform spending for presidential and parliamentary elections in 2SLS models (2006)

	<i>Dependent variable:</i>	
	lulavs2006	ptvs2006
	(1)	(2)
2006 FNAS spending p.p.	-0.001 (0.005)	1.971*** (0.152)
Constant	0.923 (1.378)	0.090*** (0.003)
Observations	5,394	5,353
R <sup>2</sup>	-5,551	-0.372
Adjusted R <sup>2</sup>	-5,552	-0.372
Residual Std. Error	13.310 (df = 5392)	0.116 (df = 5351)

Note:

\*p&lt;0.1; \*\*p&lt;0.05; \*\*\*p&lt;0.01



## Interpretation of the OLS and 2SLS results

Some of the IV coefficients in the 2SLS models are notably different in magnitude from OLS coefficients in the equivalent models. In some programmes, such as *Saúde da Família*, we see a pattern of different results, with all OLS models showing a smaller coefficient for the expenditure variable than the 2SLS regressions. A similar pattern can be observed for the CCT expenditure models.

A likely explanation here is that the measures of social spending are endogenous, but that direction of bias is not the same for every policy. One possibility is that there are unmeasured factors affecting the dynamics between social spending and voting that could not be accounted for in the OLS models despite the many controls included in the regressions. Or it could be that measurement errors in control variables are affecting the result in some systematic way. In any case, the results of the IV models potentially eliminate biases that exist in the OLS regressions. Despite these differences, even in the simpler OLS models the potential bias created by endogeneity is not large enough to change the results save for one case. The association between 2006 FNAS spending and the incumbent president's vote share becomes significant in the 2SLS model and thus consistent with the broader pattern of results.

The one result that still is an anomaly in the 2SLS models is the 2006 spending on the *Saúde de Família* programme. On that election, neither the presidential candidate running for reelection nor his party appear to have benefited systematically from spending public money on that programme. This result is intriguing and not consistent with any of the standard theories of the political economy of income distribution.<sup>32</sup> One possibility is that this is a result of measurement error that affected the 2006 data in a way that did not happen in other years. However intriguing, this remains an exception to the broader pattern identified here.

It is also worth noting that a few of the coefficients for the programmes that afford politicians with more discretion are very large. The OLS coefficient for the effects of land reform spending in 2006 is 1.522, which implies a considerable return for each real spent in land reform to the Workers' Party candidates. In the 2SLS regression for land reform, the large is maintained and it remains statistically significant coefficient. There are many possible explanations for this. The most obvious is that land reform was indeed a very powerful way for the Workers' Party to gain legislative votes in 2006, the only year for which data was available. This interpretation would be consistent with the importance

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<sup>32</sup>However, see Imai, King and Rivera (2016) for a recent work that found no connection between a rules-based anti-poverty programme and voting behaviour in Mexico using experimental data. That result is not consistent with any previous works on CCTs referenced throughout this thesis and is at odds with the findings reported by De La O (2013) and De La O (2015) for the same policy.

of landless movements within that party, which has been a vocal proponent of large-scale land distribution for decades.<sup>33</sup> It is also possible that 2006 was an anomaly, since it was the first time a Workers' Party president was running for reelection. However, we cannot rule out the possibility of measurement error or even misreporting of land reform spending. Obtaining desegregated data on land reform was particularly difficult as the government denied a series of administrative freedom of information requests filed between 2014 and 2016 and a judge is yet to rule on my request to have that full dataset declassified.

## **Changing Names, Claiming Credit**

One final issue of interpretation that must be addressed is how presidents are able to claim credit for programmes nominally created by their predecessors. Wouldn't the same party always gain credit for a programme that they created?

The simple explanation as to why the incumbents have always managed to claim credit for spending on election year is simple: rebranding. Both *Bolsa Família* and *Saúde da Família* when through significant rebranding over their histories. *Bolsa Família* actually started its life as *Bolsa Escola* under the Cardoso government. The ATM-style cards issued under the programme were designed with the government's logo and included Cardoso's campaign slogan ("*Working throughout the country*"). Once the Lula administration took over, they renamed the programme as *Bolsa Família* and reissued ATM cards to include the new government visual identity and Lula's campaign slogan ("*Brazil: A country for everyone*"). While Rousseff, Lula's chosen successor, did not rename the programme, she did reissue the cards under her own campaign slogan ("*Brazil: A rich country is a country without poverty*"). The issue of who actually pioneered CCTs became a politically contested and was raised in each election since 2002. But, as the evidence in this country shows, the incumbent has always managed to keep the advantage.

The same rebranding strategy is true of every other programme, including *Saúde da Família*. When it was first created its full name was *Programa Saúde da Família*. Under Lula it was renamed *Estratégia Saúde da Família*. As governments changed, new uniforms were issued to health agents to comply with the incumbent administration's visual identity and slogan.

Similar strategies can be seen in other countries. For example, in Mexico a successful CCT programme was renamed every time a new administration came to power. This

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<sup>33</sup>Robles and Veltmeyer (2015).

suggests that presidents do believe that they can capture the benefits of government social spending with rebranding. The analysis in this chapter corroborates this assumption.

## **Conclusion**

The models above provide robust statistical evidence for the theoretical argument developed in the previous chapter. This is done using an original dataset on anti-poverty expenditure in Brazil between 2002 and 2014. During this period, different governments of centre-left and centre-right parties occupied the presidency, providing robust evidence that the patterns observed here are not a function of the ideology of the governing president. The findings remain consistent both in OLS models with state fixed-effects and when I employ an instrumental variable estimation. As expected, more complex, rules-based policies favour presidential incumbents running for reelection or their chosen successors, but have no systematic effect on the incumbent's party vote share in the federal legislative elections. On the other hand, anti-poverty policies that have simpler legislation and are known to provide politicians with significant discretionary powers to reward clients and punish detractors significantly increase the incumbent party's vote share in the elections for the federal Chamber of Deputies, but have no systematic effect on the presidential elections.

In the next chapter I elaborate on the mechanisms that link presidents to rules-based policies and legislators to clientelistic arrangements and discuss in depth why recent Brazilian presidents managed to gain enough power to push for the creation of the kinds of policies that benefit them, but why they still must tolerate clientelistic spending in order to build working majorities in the country's fragmented legislature.

Chapter Four will show that the reality that presidents benefit from rules-based policies and legislators prefer discretionary programmes is well understood by all players. When elected in free and fair elections, presidents pushed for reforms that would make social spending more rules-based. They sought opportunities to expand their powers and consolidate a role for the federal government in income redistribution. Conversely, legislators are sceptical of rules-based social spending. Their preferred strategy is to invest in decentralised programmes that give them and their allies in local politics significant discretion.

## Chapter 4

# Taming Clientelism: the Rise of Rules-Based Policy Making in Brazil

Like many other institutions, clientelism is path dependent. Once politicians and voters start to develop connections based on trading political support for privileged access to public resources, it is hard to get them to change their ways. Indeed, clientelism often appears to be so entrenched that observers cannot be blamed for thinking that only wholesale political change can bring about the emergence of programmatic social policies. Yet, in the previous chapter I show that some politicians in Brazil do benefit from programmatic social spending. Legislators running for reelection may not benefit from rules-based interventions, but presidents and presidential candidates supported by the incumbent did enjoy an electoral bounce, and a rather substantial one at that. As for federal spending on clientelistic programmes, here I found legislators enjoying a significant boost in their vote shares, while the vote shares accrued by presidential candidates barely budged. Did presidential contenders from the centre-left fare better than candidates from the centre-right? When it came to clientelistic programmes, it made no difference: clientelism is a legislator's game.

This finding helps us understand how programmatic policies made it on to Brazil's political agenda: they were put there by the presidents. When the executive branch had the upper hand, programmatic, rules-based interventions were introduced (by presidents) onto the legislative docket and enacted into law. But of course, this just moves the analysis back a step to the prior question of how presidents came to be so powerful. How did they get the upper hand? And are they likely to keep it? For how long? This chapter asks these 'prior' questions and suggests two simple answers.

First, Brazil's presidents were historically weak and their choices deeply constrained by powerful local oligarchies. President's inability to cater to their national constituency and to address national problems such as macroeconomic imbalances were seen as having contributed to the economic and political instability in the 1950s and 1960s that in turn opened the way to decades of military dictatorship. The framers of Brazil's 1988 constitution were eager to move away from that system and drafted a constitution that consolidated electoral democracy and significantly empowered presidents to respond to the demands of their constituencies.

While Brazilian presidents were always directly elected, the significant change created in 1988 is that voting in Brazil is not only for the first time a right enjoyed by every

adult regardless of their income or their ability to prove a minimum level of education, it is also compulsory for those between the ages of 18 and 70.<sup>1</sup> This is a massive change from the previous system in which presenting a school certificate or passing a reading and writing examination was required for those wishing to register to vote.

The new rules quickly put enormous pressure on successive presidents to address the crucial issues of poverty and inequality. In the 2010 Presidential Elections, more than 135 million voters showed up, many of whom lived well below the poverty line. To be successful in such a contest at the national level, a candidate must find ways to improve the lives of tens of millions of people. In this scenario, local clientelistic networks demanding privileged access to state resources for just a handful of voters just get in the way.

The crucial moment in this process of presidential empowerment came in the mid-1990s, when the country struggled enact structural reforms in order to control inflationary pressures and to bring public sector deficits under control. Presidents used these emergency reforms to gain even more control over public resources and to enact federal legislation that limited the ability of local governments to issue debt and to create state-owned monopolies that could be used to raise capital for the maintenance of clientelistic machines. Since presidents managed to force fiscal responsibility measures on local administrations, they have actively worked to take over the control over distributive policies that once rested squarely with mayors and governors.

Second, even though Brazilian presidents are powerful, they still need to work with congress to govern. Having been written mostly by regional leaders, the constitution of 1988 put congress and local officials in control of much of social social spending. Since then, presidents have used every opportunity created by exogenous shocks – financial crises, corruption scandals and even impeachments – to gain more leverage in social policy design and implementation. Over time presidents have learned how to bring clientelistic legislators on board. They did this not by threatening them (i.e., twisting their arms) but by bribing them. These presidents were engaged in a delicate balancing act. They were giving legislators what they wanted: the control of the resources necessary to maintain and expand clientelistic networks. In exchange, however, the legislators had to support the president's rules-based policies, the passage of which helped the president's cause.

The reason why rules-based innovations never completely replace clientelism is that, while the role and the power of presidents changed significantly over the last decades, legislators and local officials continue to work under the same institutional framework created in the early 20th century. As a result, while a new generation of presidents

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<sup>1</sup>It is also optional for those aged 16 and 17 and for those over 70.

gradually realised the potential benefits for themselves of reforming Brazil's traditionally inefficient distributive policies, congress has remained a natural ally for the clientelistic networks that have traditionally dominated local politics. The problem is that the 1988 constitution continued a system in which Brazilian legislators are elected primarily as a result of their deep connections with local clientelistic networks. These networks are important because they mobilise voters to support a candidate in exchange for access to state resources, not programmatic platforms. Putting together party lists that combine representatives with access to various special interest groups and clientelistic networks remains an effective strategy for parties running for legislative or local office. While not all candidates will be successful, all votes matter when the time comes to compute the proportion of votes that the party list receives. That is why it is often the job of those who are elected to safeguard the interests of those who were not, normally by securing them political appointments in government bureaucracies or budget amendments that favour their clients. Party lists which mobilise a large collection of special interests and clientelistic networks with enough brokers on the ground do well. Those concerned with abstract causes or ideas, very often do not.

This chapter is organised into three sections. First, I provide a brief analysis of how the Brazilian political system got to the point where it is now. Here, I explain how clientelistic networks came to matter so much for local politics<sup>2</sup> and why previous presidents did not pose a credible threat to their power and influence. Second, I analyse in depth the system created by the 1988 Constitution, explaining why consolidated presidents' incentive to fight for the interests of the majority – and, most notably, the poor – while maintaining the role of legislators as natural allies of clientelistic networks operating at the local level. I also show why this very system created political stability by forcing Congress and the president to compromise over their different spending priorities, resulting in the current reality where resources have to be split between programmatic and clientelistic initiatives, neither decisively defeating the other. Finally, I look at how presidents from all parties since the mid-1990s have used their power in practice to gain control over the design, funding, and on the ground implementation of key rules-based social programmes from Congress, carving the space for action in the federal government that more recently resulted in the creation of the world's largest conditional cash transfer programmes and significant reductions in the levels of inequality.

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<sup>2</sup>To be sure, my goal is not to tell a history of clientelism in Brazil, only to contextualise its importance for local politics dynamics in the country.

## Clientelism and Politics in Brazil

The tension I described in the previous chapters between a central government responsive to a majority of voters and legislators and local officials accountable to small groups has been a permanent feature of Brazilian politics. For most of the country's history, powerful local elites had the upper hand, keeping the central government weak and resisting efforts of centralisation that would curb their control over taxation and mobilisation of voters. Over time, however, presidents managed to assert some independence over them, creating national policies, strengthening the role of technical civil servants, unifying the tax system, and creating independent electoral courts. The process was slow and filled with coups, rebellions, and authoritarian takeovers.

From the early days of independence in the early 19th century the first framers of the country's political system attempted to grapple with the issue of how to hold together a vast and sparsely populated territory roughly the size of the continental United States with little in the way of infrastructure connecting the different regions. Always present was the danger of post-independence fragmentation and civil war exemplified by the former Spanish colonies to the west and to the south.

Avoiding such a fate was the main priority of the country's elites after independence. To this end, they set out to emulate as best as they could the political institutions of their former colonial masters – to the point of making a Portuguese prince their independence hero and turning him into a monarch.<sup>3</sup> The result was a hyper-centralised monarchy that virtually replaced Lisbon with Rio de Janeiro as the ruling centre and where state governors<sup>4</sup> were nominated by the ruling Cabinet in Rio. While the arrangement was successful in helping Brazil avoid the instability that plagued its Spanish-speaking neighbours<sup>5</sup>, it proved to be unpalatable to many regional leaders in the long run, especially after the end of slavery in 1888 eliminated the main reason local rulers had to support the centralised monarchical regime. Local elites found that calls for a federal system were a convenient way to push for the reforms they thought would enable

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<sup>3</sup>Indeed, unlike in the former Spanish colonies, most of the immediate post-independence political elite was drawn from the Portuguese ruling class and bureaucracy that had fled Lisbon in 1807 after Napoleon's invasion of Portugal. These men were trained and socialised in Portuguese universities and most had had extensive previous experiences working for the Portuguese bureaucracy either in Rio or in Lisbon. For a discussion of their backgrounds and how this affected the post-independence quest for stability and unity, see Carvalho (1980).

<sup>4</sup>Until the end of the monarchy in 1889, provinces were ruled by the President of the Province (*O Presidente da Província*). The Constitution of 1891 established the republican regime and renamed the provinces as states (*os estados*). Presidents of provinces received the American-inspired title of Governor of the State (*O Governador do Estado*). Here, for simplicity I always refer to the current names of those offices.

<sup>5</sup>Merquior (1992).

powerful local groups to remain in power in their states regardless of which party or political group happened to hold office in Rio de Janeiro at the moment.<sup>6</sup>

A military coup in 1889 replaced the monarchy with a federal republican system where governors and mayors were directly elected. A new constitution was enacted in 1891 giving governors and mayors ample political and economic powers and severely limiting the ability of the newly established presidency to intervene in local affairs. Now, for the first time, every adult male that could read and write would be allowed to vote. However, the law gave control over voter registration and election monitoring to local authorities, in effect limiting suffrage to numbers even smaller than during the monarchy when only male citizens above a certain income level could vote. With nearly total control over the voting process resting in the hands of local elites, presidential elections were usually decided by agreements where political leaders from the two most powerful states (São Paulo and Minas Gerais) took turns naming one of their leaders to occupy the office. Control over local politics by small hegemonic groups was so tight that all political groups in office in 1898 – the year when the first elections were held under the new regime – remained in power until a new military coup overthrew the system in 1930. A paradigmatic case, governor Antônio Borges de Medeiros stayed in office himself for 25 years straight without any opposition in the southern state of Rio Grande do Sul.

From this point on, control over local clientelistic networks became one of the most important tools politicians had to hold on to power. Governors stood at the apex of a complex network of clientelistic arrangements throughout their states. To remain in power, governors needed votes, which came mostly from the overwhelmingly rural population that worked in large plantations in the countryside. Landowners could make sure peasants living in their land showed up to vote and, through a mixture of vote buying and coercion, make sure they would do so in the desired way – a task made simpler by the fact that the secret ballot was only introduced in 1932. At the same time, landowners depended on governors to secure access to government subsidised credit, place their political protégés in well-paid government jobs, and to use government police forces in local conflicts in the violent countryside. This alliance between rural bosses, mayors, and governors for the control of regional politics became known as *coronelismo* because of the widespread practice of governors awarding powerful local bosses the honorary rank of colonel in the state-controlled National Guard corps.<sup>7</sup> The early republic took decentralisation to extremes and set the stage for many of the deep rooted clientelistic practices that still persist today.

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<sup>6</sup>Torres (1961).

<sup>7</sup>Leal (1948).



To this day this remains the longest period of political stability in Brazil's republican history, but it did not last forever. The economic decadence of landowners, progressive urbanisation and rising popular resentment with the established oligarchies eventually proved too much. As the Wall Street crash of 1929 wreaked havoc in Brazil's commodity-dependent economy, a military coup in 1930 brought down the regime and established a dictatorship that would last until 1945.

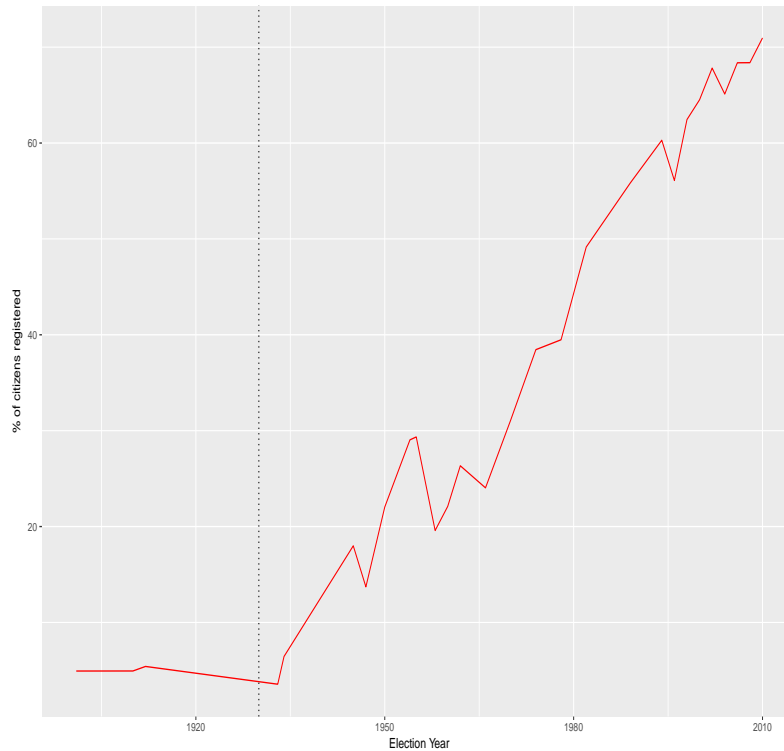
While the fall of the *República Velha* (Old Republic) – as the 1889-1930 regime has been named by historians – is largely credited to economic factors, it provides some lessons that are relevant to my analysis. First, it shows that vote-buying and patronage systems tend to be centred around local political actors, even when the system empowers politicians in higher levels with the control over the tools to make such arrangements work. The 1898 constitution gave mayors almost no power over taxation or nominations for public jobs – the very tools they required to make the *coronelista* system described above work. Yet the literature consistently points to the crucial role played by mayors and aldermen in organising voter coercion, both for their own benefit in local elections but more crucially in the much more competitive gubernatorial and federal legislative ballots.<sup>8</sup> Second, it shows how such systems depend on keeping the number of voters relatively small. The graph below shows the evolution in the number of registered voters in Brazil from 1910 to 2010, with the dotted line representing the end of the *República Velha*. For the 1910 election only 1.1 million people were allowed to register to vote, representing 4.8% of the population of Brazil at the time. While the 1891 constitution provided for universal male suffrage, it ruled that the illiterate could not register to vote, a relevant consideration given that in the 1920 census 75.54% of respondents answered that they could not read or write a small note. In the absence of independent monitoring, mayors and local police used vague rules to to their advantage, registering and de-registering people – both the literate and the illiterate – as they pleased.<sup>9</sup>

That logic is even clearer if we look at the numbers of voters in each state. In 1910 only four states had more than 100,000 registered voters (Bahia, Minas Gerais, Rio Grande do Sul, and São Paulo), yet only five states had a population that was below 100,000 inhabitants on that year. The numbers of registered voters do go up, but only in absolute terms, remaining roughly stagnant as a proportion of the country's fast increasing population throughout this period. As we approach the end of the 1889-1930 republic, reports of voter fraud and violence against those attempting voter registration become more common in the press, replacing the traditional complains of vote buying

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<sup>8</sup>Faoro (1958); Abrucio (1998).

<sup>9</sup>Leal (1948).



**Fig. 5:** Proportion of citizens who are registered voters in Brazil, 1901-2010. Dotted line marks 1930 *coup d'état*

through the distribution of food and money to voters as the main concern of opposition groups.<sup>10</sup> Once powerful governors that had ruled their states directly or indirectly for decades now faced credible challengers. One such challenger – a man called Getulio Vargas – in 1928 defeated the quintessential *coronelista* governor of the state of Rio Grande do Sul that had held office for 25 years by adopting a populist platform of opposing the ‘old ways’ and modernising the state. After winning the governorship of his home state on the back of the urban vote, Vargas ended up running for president in 1930 and, when he was defeated, organised a coup that brought down the regime and installed him as a dictator from 1930 to 1945 with the support of the military.

As the *República Velha* collapsed, Vargas sought to build a new support base among the emerging urban middle classes and reform-minded young officers in the military, increasing the president’s power vis-à-vis the traditional rural bosses in the process. For the first time, the central government sought to play a decisive role in poverty alleviation and welfare provision, inaugurating Brazil’s version of what scholars later named a ‘truncated’ welfare state.<sup>11</sup> Such early distributive policies would not be designed to

<sup>10</sup>Nicolau (2012).

<sup>11</sup>Lindert, Skoufias and Shapiro (2006); Diaz-Cayeros and Magaloni (2009).

reach everyone, or even the poorest that lived mostly in remote rural areas and almost exclusively made a living by working and trading in informal markets (as many still do) and could not vote. Rather they would provide social insurance benefits to a small number of urban middle class Brazilians that worked in the formal economy. They encompassed old-age pensions, sickness and disability insurance, maternity and family benefits, unemployment insurance, limited health insurance, and subsidised housing loans. Vargas sought first to extend such policies to his most crucial supporters after the coup: the armed forces. After that, civil servants, the judiciary and members of key workers' unions that supported the president were awarded similar privileges. Despite the fact that the primary focus of Vargas' efforts was in creating rights extensive to formal sector workers, he also inaugurated a long tradition of the federal government funding New Deal-inspired emergency public works programmes administered by municipalities, mostly in irrigation and road construction designed to alleviate difficult conditions in the dry areas of the northeast of Brazil that suffered with the decline in cotton and sugar exports after 1929. In effect, these were the first systematic anti-poverty programmes created in Brazil – more than a hundred years after independence.

This expansion in the federal government's distributive role coincided with a limited but significant expansion of voting rights.<sup>12</sup> Women were awarded the right to vote in 1934, but the illiterate were still disenfranchised. A new open-list proportional electoral system was introduced to curb the role of governors in each state in organising electoral lists that included trusted allies on the top and punished detractors by placing their names at the bottom. The party system was also restructured to eliminate regional one-state parties that were controlled by local leaders. Instead, the new system called for national parties that had to nominate candidates in at least seven states (out of 21) in every election. A system of electoral courts was also established to provide independent oversight of candidates' compliance with the law and to register voters independently of local governments.

Those reforms represented significant changes in terms of the role of the central government had in the provision of welfare and in the power of the president to enact policies independently of local leaders in general. However, they did not change the fact that Vargas did not deliver on the promise to subject his own rule to popular elections. The regime eventually proved unstable in the face of growing democratic aspirations and the economic decline after decades of populism. It eventually collapsed in 1945 giving way to a brief experiment with limited democracy between 1945 and 1964, which

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<sup>12</sup>Legislative and local elections continued to exist under the Vargas dictatorship. Even though Vargas in effect governed without seeking consent of the legislature, congress remained opened and some opposition groups were allowed representation.

eventually saw Vargas himself democratically elected and dying in office in 1954. The authoritarian aspects of the Vargas regime were mostly abolished in 1945, but the bureaucratic structure that was created to curtail the power of governors and mayors was largely kept in place. Even so, presidents still had to rule by circumventing a very powerful legislature populated mostly with representatives of rural elites<sup>13</sup> and the heavily politicised armed forces that opposed any expansion of the role of government in welfare provision as ‘socialism’, something of a taboo after the Cuban Revolution of 1953.<sup>14</sup>

After Vargas, presidents could not be treated as mere puppets of the political elites of powerful states anymore. They had began to slowly build their own constituencies and to cultivate some independent powers to cater to them. Growing presidential power was primarily a result of how Vargas managed to use the extraordinary powers of a dictator and his vast personal popularity to give the federal government a role in programmatic welfare provision that locked in the support of the urban middle class. Yet, all presidents that came after him still depended heavily on local elites to gain support in vast rural areas of Brazil. The result was not only felt in the political instability and deadlock that marked the 1945-1964 regime, but also in the economic life of the country at that time. In 1962 inflation reached 59% and was on the rise, the GDP was stagnated, and the government was running a deficit of 452,7 million US dollars. In 1961 socialist leader João Goulart became president and vowed to push for income distribution policies. He envisioned a role for the federal government in providing social housing, redistributing land to the poor, nationalising key industries, and what was then considered a ‘radical’ electoral reform that would give the illiterate the right to vote.

Of Goulart’s ambitious plans for social and electoral reforms, the only limited success was in a pension reform that that was designed primarily to extend rights to rural workers and those in the urban informal sector. His ability to get approval for those reforms in congress has largely been credited to a surge in countryside mobilisation of rural wage labourers, sharecroppers, landless families, and small farmers.<sup>15</sup> Discontent was particularly acute among sugarcane workers in the northeast of the country, where the Communist Party – even though it was at the time an illegal organisation – was successful in organising peasant leagues<sup>16</sup> Goulart used the apprehension that this wave of mobilisation caused to push for concessions. These came in the form of the Statute of

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<sup>13</sup>Souza (1976); Nunes (1997); Santos (2000); Amorim Neto and Santos (2001).

<sup>14</sup>Stepan (1971).

<sup>15</sup>Chilcote (1974), esp. pp. 155-160; Novaes (1991); Maybury-Lewis (1994); Pereira (1997); Houtzager (1998).

<sup>16</sup>Chilcote (1974), p. 156; Pereira (1997); Houtzager (1998), p. 107.

the Rural Worker (*Estatuto do Trabalhador Rural*), which was approved by congress in 1963. The Statute extended labour regulations approved under Vargas for urban workers to those working in the countryside and gave them the right to unionise. At the same time, Goulart passed social-security legislation creating the Fund for the Assistance of the Rural Worker (*Fundo de Assistência ao Trabalhador Rural*, or FUNRURAL), which extended non-contributory pension benefits to rural workers above the age of 65 funded by taxes levied on large agricultural producers. While congress indeed approved FUNRURAL, its most conservative members managed to change the text to make sure that the scheme would require implementation through additional legislation, which was not passed until 1973, after a massive strike of sugarcane workers.<sup>17</sup>

Growing discontent with the shift towards left-wing populism at the height of the Cold War drove a wedge between the president and the most powerful political force that had favoured centralisation since Vargas: the military. Goulart was eventually overthrown by a military coup in 1964 with the backing of key regional leaders and a large share of the urban middle class. The military would end up staying in power until 1985 and, during that period they would have the opportunity to shape much of the political landscape with effects that are felt today.

At first, the military coup was endorsed by most legislators, governors, and mayors of key cities, especially in the rural north. But this alliance between the centralist military establishment and regional oligarchies became unstable as the civilian leaders realised that the armed forces would not relinquish the presidency after the arrest of leftist politicians and activists as it had been promised to them.<sup>18</sup> The armed forces leadership was conscious of the role played by local politics in constraining the powers of Brazilian presidents and that – even if repression against the left-wing groups could bring elites together in the short-run – they would need to find an accommodation with the traditional oligarchies to stay in power in the long term. When considering this problem, the generals soon realised that the instability of the 1945-1964 regime had a lot

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<sup>17</sup>See, for example, Houtzager (1998), p. 108 and Garay (2010) p. 37-38. Indeed, a few years after the implementing legislation passed, the Supreme Court declared FUNRURAL unconstitutional. Final approval for a new rural pensions scheme only came in 2001, under a new constitutional regime.

<sup>18</sup>It should be clear by now that for most of Brazil's history the armed forces were a powerful political actor. In total they intervened in politics five times, either to support or to overthrow the established order. However, the only time the generals did not immediately relinquish power after overthrowing the government of the day was in 1964. In the beginning the leaders of the 1964 coup promised presidential elections in 1965, the year when Goulart's term of office would officially end, but hardliners in the Army that favoured a longer period of military rule in order to wipe out the 'threat of communism' ended up winning the day. For most of their history, the military supported efforts of successive presidents to centralise political power and curb patronage and clientelism, but concomitantly opposed an expansion programmatic of welfare provisions to the poor. For more on the relationship between the military and Patronage, see Jenks (1979), pp. 79-92.

to do with the fact that legislators relied mostly on the support of governors and mayors to mobilise voters and stay in office. Local leaders not only controlled the clientelistic machines that brought the votes, but also had fiscal authority to fund their clientelistic operations by creating new taxes and raising loans through state-owned banks. The result was they could easily rebel against the president with no serious consequences.<sup>19</sup>

In some limited instances, the dictatorship worked to undermine patron-client linkages. They unified and centralised the social security payments system and placed the federal government firmly in charge, extending some benefits to every worker with a formal contract, including sick leave and unemployment insurance.<sup>20</sup> A new system of semi-contributory benefits for the elderly and the disabled was also instituted. They also extended healthcare benefits to some sectors of the formal economy that were left out of the Vargas reforms in the previous decades through the creation of US-style private healthcare insurance firms that would be awarded a mixture of government subsidies and tax breaks to provide healthcare coverage for workers in certain sectors. Finally, the government also instituted the first permanent national programme of universal and mandatory vaccination in 1974, reaching close to 80% of the target population.<sup>21</sup> Some in the Army even proposed extending the vote to the illiterate in the legislative and local elections that still existed in order to limit the influence of clientelistic groups in the electoral process.<sup>22</sup>

But inside the regime there was enormous resistance to the expansion of the role of the federal government given the importance of the support of the traditional oligarchies to the dictatorship and the fact that the military had established its legitimacy as the country's rulers on fierce opposition to leftist groups. To solve this puzzle the generals moved decisively to strike a new compromise designed to bring about both political and economic stability and to consolidate their political role in the long run. On the one hand they knew that the real challenge to the power of the presidency in Brazil came from elites in local offices that had the loyalty of the overwhelming majority of legislators in Congress and who opposed any reforms that limited local autonomy. They also knew that an independent president would have incentives that were quite different from those of more parochial legislators in Congress and that this conflict would result in instability.<sup>23</sup> Their policy for the most part was not to go after the clientelistic machines that dominated local and state politics directly. Nor would they seek to accomplish the

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<sup>19</sup>Figueiredo (1987).

<sup>20</sup>Malloy (1979).

<sup>21</sup>Garay (2010), p. 39.

<sup>22</sup>Jenks (1979), p. 50.

<sup>23</sup>Abrucio (1998), Chapter Three.

nearly impossible task of controlling them directly.<sup>24</sup> Instead, they aimed to create a relationship of interdependency between clientelistic networks operating at the local level and the federal government that would be given primary control of the tax revenues needed to make clientelism work.

The generals would never subject their own rule to elections directly, but they allowed for some electoral competition between local elites in each state, provided they did not push too hard against the regime itself or did not stray too far into what they considered 'leftist' platforms. For this, they created a system of two political parties: one party fully supporting the government and another serving as the sanctioned opposition. This served as the testing ground for the new arrangement. The main goal of the reforms was to make all political groups – both those in government and the ones that opposed – heavily dependent on the president for resources.

Now only the federal executive would be able to create and collect taxes, and it would later send a portion of the revenue to states and municipalities. While these federal grants would keep most of the regional administrations afloat, extra resources to expand local government programmes would have to be negotiated on a case-by-case basis with Brasilia.<sup>25</sup> As part of this new compromise, local leaders gradually managed to re-gain control over key parts of the new federal welfare policies and transfer some of the implementation powers to local administrations. The ever-increasing bureaucracy established to handle social security was a particularly sought after prize, with regional leaders in both parties working to nominate directors of a newly established web of social security regional agencies that would process retirement requests, sick leave payments, unemployment insurance. The new bureaucracy would enjoy flexible rules that gave political appointees high degrees of discretion to decide who could benefit from non-contributory policies. The same happened to the Department of Public Works Against Drought (DNOCS), created to run irrigation public works programmes in the dry areas of the northeast of the country, as well as the Institute of Land Reform (INCRA). The most significant exception to this rule was probably the Movement for Brazilian Literacy, or MOBRAL, a programme to provide free classes to eliminate adult illiteracy throughout the country. Created in 1967, it was for decades the largest centralised social policy in Brazil that was explicitly targeted at the poor. For reasons mostly related to political propaganda, the military sought to make this policy work well by creating a specialised bureaucracy within the Ministry of Education to design and implement MOBRAL, insulating it from the influence of local authorities.

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<sup>24</sup>See Chapter Two.

<sup>25</sup>Diaz-Cayeros (2006), Chapter 8.

By keeping clientelistic networks in the hands of local leaders and at the same time making a large share of resources for their functioning conditional on good relations with the federal government, the military created the basis for the system that took shape after they relinquished power. In effect, they gave the presidency the means to co-opt and arbitrate disputes between the different regional political groups, a job that used to belong to state governors. This did not fundamentally change the logic by which local elites operated, but it created the basis for the system that was established after the military left office. Presidents would never again be puppets of local elites as they were during the *República Velha*, nor would they be at the mercy of local interests, fighting for survival in an unstable arrangement like during the 1945-1964 limited democracy. The centre of gravity of Brazilian politics had definitively changed from the myriad of parochial forces represented in the legislature to the federal executive and a new generation of presidents would now use these powers to tame the forces of clientelism.

## **Taming Clientelism**

When it became clear in the late 1980s that the military were on their way out and that the establishment of a true democracy – with voting rights for all and every political force able to compete in free and fair elections – was all but unavoidable, the main concern expressed by observers and leading figures in the country's political class was that Brasília could not repeat the mistakes of the 1945-1964 system.<sup>26</sup> The fear of political instability would deter the regional elites that gained prominence after the end of the military regime from returning to a weak presidency system, but their desire for more independence would lead them to partially reverse the fiscal centralisation of the military regime, forcing the federal government to transfer a fixed portion of its revenue to states and municipalities.

Writing in 1990 – two years after the promulgation of a new constitution – political scientist Juan Linz lamented that the Brazilian post-dictatorship political system was 'unorganised and volatile' and 'not accommodating to a presidential institutional format'. He warned that a return to a combination of proportional representation and presidentialism, both in Brazil and in many other parts of newly democratic Latin America, had made presidents once again hostages to fragmented legislature that had more incentives to pander to clientelistic networks and vested interests than to support the executive's majoritarian agenda:

It is only natural that once a president is elected, parties are likely to turn to their distinctive partisan agendas in their congressional elections and, even if

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<sup>26</sup>Figueiredo (1987); Figueiredo and Limongi (1999).



they were part of the president's electoral coalition, assert their distinctiveness by criticizing the president. It is also natural that, not having responsibility for national policy, they would turn to the representation of special interests, localized interests, and clientelistic networks in their constituencies. There is no reason for them to care about the success of a president of a different party or to support unpopular policies because there is no reward for doing so and, in fact, a great likelihood of being penalized. There are no incentives for party responsibility or party discipline. In fact, often a president has to turn to pork barrel and clientelistic policies to neutralize the opposition.<sup>27</sup>

In hindsight, it is clear that Linz' skepticism about the stability of multi-party presidentialism was premature: these systems have endured throughout much of Latin America to this day. But how did the post-dictatorship system succeed in promoting stability when previous attempts at reconciling a fragmented congress bound by parochial interests and committed to clientelistic relationships with presidents' majoritarian impulses had failed? The key here is presidential power. Since the enactment of a new constitution in 1988, Brazilian presidents have extensive powers that give them the upper hand when it comes to the design of government programmes and bureaucracies. Take for example their powers to fast-track legislation through congress. Instead of just sending proposed bills for legislators to debate and vote, they can issue *medidas provisórias* (provisional measures) that have the power of law while they are being debated in congress. While legislators can decide to eventually vote down a president's *medida provisória*, this often imposes an additional cost of explaining to the country why a programme or policy ended after a few months on the books. In 1994, for example, President Itamar Franco issued a *medida provisória* that completely rewrote Brazil's monetary system overnight, changing the country's currency and pegging the new one to the US dollar in order to curb a four-digits inflation rate. It took eleven months for legislators to approve that particular piece of legislation and during that period inflation rates fell from a yearly rate of 2.477% in 1993 to 5,91% in 1994. In cases such as this, it is not difficult to understand why few legislators have the hubris to vote down *medidas provisórias* after their effects have been felt. This shows how unimaginably costly it is for legislators to go against a president when it comes to policy design.

The constitution of 1988 gives presidents other tools to intervene in the legislative process. For example, they can dislodge pending legislation from congressional committees and force Congress to vote on what they classify as urgent measures before

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<sup>27</sup>Linz (1994), p. 63.

legislators can vote on anything else. In theory, these two powers to intervene in the workings of the legislature could be interpreted as a recipe for instability, as legislators would resist the executive's agenda and attempt to push forward their own interests. But if a legislator's main electoral strategy is the distribution of privileged access to the state to his clients on the ground, his interest in most legislative initiatives will be marginal. After all, not being bound to support a strong party platform, a legislator can feel free to negotiate his vote with the president or any group that has a vested interest in some piece of legislation. This brings us to what is probably the most important tool that presidents possess: their control over the budgetary process.

The 1988 constitution continued the practice adopted under military rule of giving the preeminence to the president in all budgetary negotiations. They alone submit budgetary proposals to congress, where legislators can vote them down and propose amendments, but not replace the proposed budget with a new draft of their making. If for some reason the president's proposal is not approved in time for the new fiscal year, spending continues as if the Executive's proposal had been accepted until legislators come to an agreement. Even congressional amendments are limited in scope and can mostly be applied to social spending and to shift a limited portion of total revenues.

But even if the president is not happy with all the extra spending on pet projects that legislators regularly attach to the bill, they do not have to worry too much. This is because budgets are merely an authorisation to spend, not an obligation. After the bill is approved, presidents will issue a decree freezing all the expenses they do not consider essential – usually those placed there by legislators' amendments – in order to maintain fiscal discipline. They will then issue other decrees authorising the spending previously frozen as part of their bargains with legislators, governors, and mayors.

Presidents also control the powerful civil service bureaucracies who are responsible for actually implementing any government policies on the ground. While most civil servants today are admitted through competitive exams, mid-level and senior management positions are normally at the gift of the president. In 2016 there were 100.313 jobs that the president could freely distribute to allies in congress and local politics as part of their political bargains. This represented roughly 16% of all civil servants in the federal administration and does not include tens of thousands of sinecures that the president can distribute in the management of state-owned enterprises, the Central Bank, and a myriad of regulatory agencies with oversight over key sectors of the economy. The distribution of patronage plays three key roles in the workings of clientelistic networks. First, they are well-paid rewards to efficient brokers who are able to mobilise a large contingent of voters for his or her political masters. Second, they

provide such brokers with a privileged position from which they are able to control the execution of government programmes on the ground. The more discretion the rules allow, the more these political appointees can strategically use state resources to the benefit of political machines. For example, a well-positioned broker explained to me why legislators pushed so hard to nominate the superintendents of the Social Security Administration agencies in different municipalities. I expressed to him my puzzlement given the strict rules governing social security contributions and age limits for those wishing to retire. This did not appear to fit my theory about how more rules-based policies would not be of much interest to legislators.

This [position] had more power in the old days, when we did not have the computer systems interlinked [with data on contributions]. In the countryside there's a lot of people with problems, that cannot prove everything [necessary to get a pension]. They go there thinking that they have 30 years of contributions<sup>28</sup> and discover that their boss twenty years ago did not fulfil his obligations and he did not know. In these situations we could help. Today it is not like this anymore, because everything is linked with the Caixa database.<sup>29</sup> What we can do is to help with other kinds of benefits, like disability retirement or temporary sick leave. In these cases it depends a lot on the doctor that conducts the examinations and the superintendent has a lot of influence, do you understand?<sup>30</sup>

Finally, some political appointment jobs such as directorships in state-owned companies or regulatory agencies are important as sources of revenue for political parties that can later be used by politicians to provide goods or favours to clients or to buy votes on the spot. Once appointed to these posts, party officials (usually former legislators or very high-level brokers) gain a say over which companies will receive lucrative government contracts. And many of them have proved all too happy to make those decisions based on bribes, which they then share with their patrons in Congress.<sup>31</sup>

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<sup>28</sup>the current necessary minimum to retire

<sup>29</sup>Caixa Econômica Federal is the state-owned bank that collects compulsory social security contributions and controls the system's investment funds.

<sup>30</sup>Interview with broker in Rio de Janeiro, 04 dec 2015. Original in Portuguese: Isso tinha mais poder antigamente, quando não tinha os sistemas de computador interligados. No interior tem muita gente com problema, que não consegue comprovar tudo. Chega lá achando que tem 30 anos de contribuição e descobre que o patrão lá vinte anos atrás não cumpriu a obrigação e ele não sabia. Nessas horas, a gente podia dar uma ajuda. Hoje não é assim, porque está tudo ligado com o banco de dados da Caixa. O que a gente pode fazer é ajudar com outros benefícios, tipo aposentadoria por invalidez ou auxílio-doença. Nesses casos depende muito do médico que faz a perícia e o superintendente tem muita influência, tá entendendo?

<sup>31</sup>On the investigations concerning contracts based on bribes, see Mello and Spektor (Forthcoming).

Investigations by federal prosecutors over the last three years have exposed how such deals work to fund the electoral machines. According to prosecutors investigating misdeeds that happened in the state-owned oil concern Petrobrás, executives appointed by party officials saw their main job as charging illegal fees on deals with private sector contractors and later channeling those fees to their backers in government, after pocketing a portion for themselves. Estimates released by the attorney general's office suggest that since 1997, the companies involved in the graft scheme secured some \$20 billion in subsidised credit from the Brazilian Development Bank, which is underwritten by taxpayers. To ensure continued access to this gold mine, the companies lavished gifts and other favours on cooperative politicians and contributed large sums, both on and off the books, to party coffers.

One such operators was a former legislator named Pedro Corrêa. He was arrested in 2015 and later convicted to spend 20 years in jail for his participation in schemes to defraud Petrobrás. Corrêa was president of *Partido Progressista* (Progressive Party), which despite its name is a small right-wing party founded after the end of the military dictatorship by politicians that had ties with the regime but that wanted to support redemocratisation. Their stated ideology and historical ties with the military did not stop them from joining the left-wing Workers' Party in a coalition to support Luiz Inácio Lula da Silva in Congress in 2003, as it had done with every other president before him. When caught, Corrêa signed a plea agreement with federal prosecutors detailing how nominations to key posts were used to raise money to fund political machines.

In mid 2004 a businessman in the field of oil distribution that had a company [REDACTED] of oil distribution, had an ethanol distillery and several fuelling stations under the name [REDACTED], he sought a meeting with me saying that he knew that I had a strong relationship, that I had nominated doctor Paulo Roberto Costa to be Director of [Oil] Supply [at Petrobrás]. He was trying to make a deal with Petrobrás to buy 45 million litres of ethanol that Petrobrás had. This ethanol was nicknamed inside Petrobrás as "infected ethanol" because it was anhydrous ethanol that had been used to clean ducts of diesel and gasoline. When this happens [the ethanol] turns yellow, but can still be used [as fuel] (...). He bought the 45 million litres from Petrobrás for 40% below the production costs. Of this discount, he offered to our collaborators 4.800.000,00 reais in undue advantages, in kickbacks (...). These 4.8 million reais were divided in the following way: 1.440.000,00 reais, which was 30%, was for Paulo Roberto da Costa. A further 10% was payed to Genú [a broker that had organised the deal]. As a

facilitator he was entitled to 10%, that was 480.000 reais. And the remaining 60% [actually, 40%] were payed to the *Partido Progressista*: 2.800.000,00 reais. (...) Now what did a party like the *Partido Progressista* want with a directorship at Petrobrás, which was a technical department that no one knew nothing about? What we were interested in was in appointing the director to sell services to businessman and receiving resources. And those resources – kickbacks – were used in elections.<sup>32</sup>

Corrêa goes on to detail how it was important for his party not to support anyone in presidential elections. His policy was to let each regional boss choose which presidential candidate or governor was more popular in their regions and support them. He knew that after the election was over he would negotiate his support to whoever had won the presidency in the legislature. In his own words, his party was a ‘party of deputies and senators’.<sup>33</sup> He details his negotiation for patronage positions in the government after the 2002 elections:

In my case, I supported [defeated presidential candidate José] Serra, because I was an ally of Jarbas Vasconcellos, who was at the time the governor of Pernambuco [and a member of Serra’s party] and so we voted for Serra. In 2003, part of the party had voted with Serra and we had a meeting of the parliamentary party (...) and decided that we would join the Lula Administration. (...) They authorised myself, Deputy Pedro Henry, who was chosen as party whip, and Deputy José Janene who was chairman of the party. We were chosen to set up our negotiating position so that we could

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<sup>32</sup>Statement by former legislator and President of the *Partido Progressista*, Pedro Corrêa to the Federal Prosecutors of the State of Paraná as part of a plea agreement, 1 set 2016. Original in Portuguese: Em meados de 2004 o empresário do ramo de distribuição de petróleo, tinha uma empresa [REDACTED] de distribuição de petróleo, além de ter destilaria de álcool e vários postos de bandeira [REDACTED], ele me procurou dizendo que sabia que eu tinha relacionamento forte, tinha feito a indicação do doutor Paulo Roberto Costa para a Diretoria de Abastecimento [da Petrobrás]. Ele me procurou na tentativa de fazer um negócio com a Petrobrás em cima de 45 milhões de litros de álcool que a Petrobrás tinha. Esse álcool era denominado dentro da Petrobrás de "álcool infectado", porque era álcool anidro, que tinha sido utilizado para limpar os dutos de óleo diesel e de gasolina. Ele ficava amarelo, mas era próprio para o consumo (...). Ele comprou esses 45 milhões de litros da Petrobrás com um deságio de 40%. Desse deságio ele ofereceu ao colaborador uma contrapartida de 4.800.000,00 reais de vantagem indevida, de propina. (...). Esses 4.8 milhões foram divididos da seguinte maneira: ficou R\$1.440.000,00, que era 30% para Paulo Roberto Costa. Foi pago a Genú, 10%, ele como operador teria direito a 10%, que seriam R\$480.000, e o restante, os 60%, foram pagos ao Partido Progressista: R\$2.800.000,00(...). O que um partido como o PP [Partido Progressista] de administrar uma diretoria da Petrobrás? Não tinha nenhum interesse em administrar a Petrobrás, que era área técnica que ninguém sabia como funcionava? O que nós tínhamos interesse era em nomear o diretor para prestar serviço aos empresários e receber recursos. E esses recursos – propina – era para se gastar em eleição.

<sup>33</sup>Um partido de deputados e senadores.

make [political] appointments to join the Lula government supporting coalition. Our first conversation was with José Jenoino, who was president of the Workers' Party at the time (...) So he set up a meeting with Minister José Dirceu [Chief of Staff to the President] and he asked us to come up with a list of the appointments that we wanted to make and he set up meetings with his staff. We filled the requests. We wanted to make a number of appointments. We wanted a directorship in the [Reinsurance Institute of Brazil], a directorship at the [National Sanitary Surveillance Agency], the secretariat of Strategic Affairs in the Ministry of Health, which purchases all drugs for the entire Ministry of Health, the Ministry of Cities, we wanted the [National Department of Roads], the Directorship of Supplies at Petrobrás, the [National Urban Rail Company], the Federal Revenue Service, the vice presidency of the [state-owned bank] Caixa Econômica, [one] directorship at the [state-owned bank] Bank of the Northeast, the presidency of [INAUDIBLE], the management of the Treasury Operations of the [state-owned] Bank of Brazil and some directorships of [civil servants'] pension funds.<sup>34</sup>

The extensive wish-list shows how powerful the presidency has become but at the same time how the resources that the executive has at its disposal are there to be used in negotiations with legislators. Since the Vargas years, presidents have realised that expanding the economic role of the state in the name of developmentalist policies could provide them with ideal justifications to create more state-owned companies and political appointment positions that can be distributed in exchange for political support. Pedro

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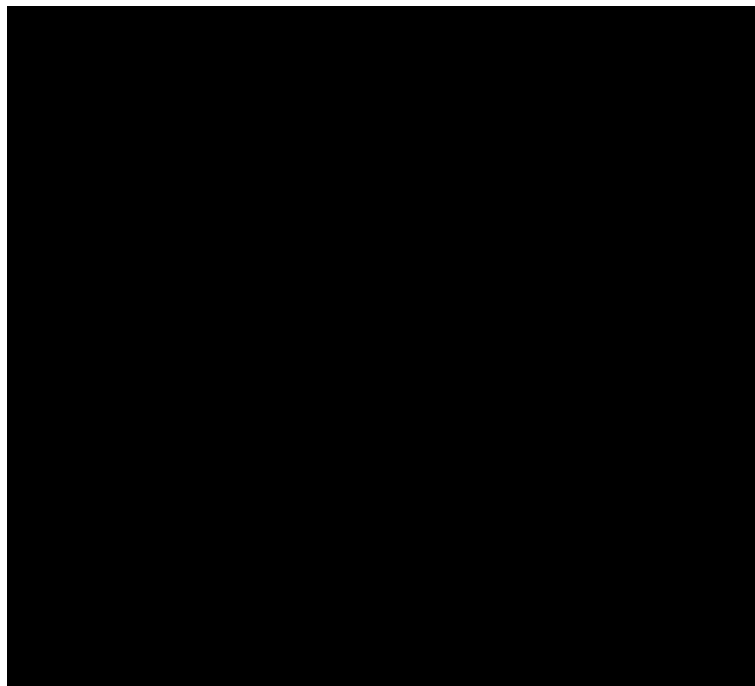
<sup>34</sup>Statement by former legislator and President of the *Partido Progressista*, Pedro Corrêa to the Federal Prosecutors of the State of Paraná as part of a plea agreement, 1 set 2016. Original in Portuguese: No meu caso, eu fiquei com o [José] Serra, por que eu era aliado político de Jarbas Vasconcellos, que era o governador de Pernambuco e nós votamos em Serra. Em 2003, parte da bancada tinha votado com o Serra e nós tivemos uma reunião da bancada (...) e acertamos que nós íamos participar do governo Lula (...) e aí fomos autorizados eu, como presidente do partido (...), Pedro Henry, que foi escolhido líder do partido e o deputado José Janene, que era o presidente de honra do partido. Fomos escolhidos para montar a base de negociação para que a gente pudesse fazer as indicações dos cargos e participar da base do governo de Lula. No início nós tivemos a primeira conversa com o deputado José Jenoino, que era líder e presidente do PT (...). Então ele marcou uma conversa com o ministro José Dirceu (...) e ele pediu que fizéssemos uma lista dos cargos que petendíamos e marcou para que a gente começasse a fazer essas reuniões com os assessores dele de gabinete (...). Nós entramos com os pedidos. Nós queríamos uma série de órgãos e aí pedimos a ele. Nós queríamos uma diretoria do IRB, uma diretoria da ANVISA, a secretaria de Assuntos Estratégicos do Ministério da Saúde, que era a secretaria que comprava todos os remédios do Ministério da Saúde, queria o Ministério das Cidades, queria o DENATRAN, a Diretoria de Abastecimento da Petrobrás, a CBTU, a Receita Federal, a vice-presidência da Caixa Econômica, [uma] diretoria do Banco do Nordeste, presidência da [INAUDIBLE], gerência da Mesa de Operações do Banco do Brasil e algumas diretorias de fundos de pensão.

Corrêa and others who signed plea agreements with federal prosecutors after the Petrobrás corruption scandals detail why making such deals with presidents is vital to party machines. The distribution of patronage represents a source of personal income for brokers, elected party officials, and well-connected businesspeople.

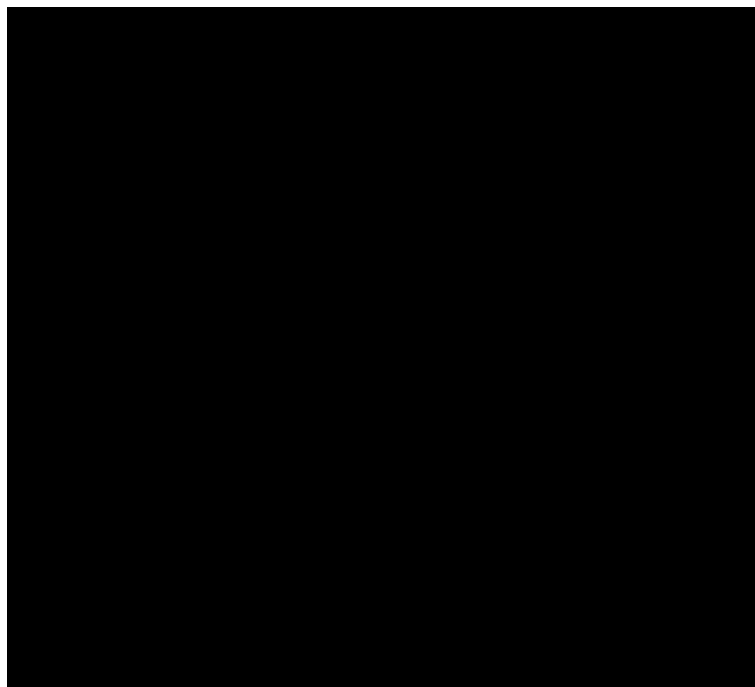
But as Corrêa's statement above as well as other evidence given in the course of the prosecutors' investigations show, most of the proceeds from these arrangements did not go to support individuals, but rather party machines. Not only do the proceeds pay for the day-to-day operations of outfits with no deep-seated ideological commitments – and thus no ideological grassroots supporters willing to donate time or money – but they also provide crucial resources that can be (re)distributed to potential voters in exchange for their support. One example of how party contributions are used as clientelistic distribution during campaigns was shown to me by a party broker in the municipality of Penapolis, in the state of São Paulo. This particular broker took pride in her organisational skills and how her services gave the family that has for decades dominated local politics an edge over the competition. At each rally for her candidate she would informally take attendance, writing down the names (usually nicknames) of everyone present and later organising the information in a computer spreadsheet. Once she was convinced that someone was a regular supporter she would occasionally award them vouchers for free gasoline that could be redeemed at a local fuelling station such as the ones displayed in the picture below.

This well-funded ground game was only possible, I was told, because her boss's brother had connections 'with a minister in Brasília' (she would not tell which one) and thus could secure funds to maintain the office active for most of the year, collecting information, awarding small gifts to loyal clients, and crucially, retaining talented brokers such as the one organising this particular distribution system. The importance of public funding for such schemes is evidenced by the fact that, when I used one of the vouchers that the broker gave me in a show of friendship, I not only managed to get 20 reais worth of gas (minus taxes), but was also given – after some bargaining with the fuelling station attendant – an invoice showing that the gas was billed to the public grant account, not to someone's private account (see Fig. 3). Essentially, the power of presidents to hand out patronage is the power to distribute opportunities for clientelism and corruption among different political groups.

With such powers it would be easy to imagine that presidents would always be able to subdue the parochial interests of legislators and impose their majoritarian preferences on disorganised and weak legislators. Indeed, the Brazilian system is not plagued by



**Fig. 6:** Voucher for 20 reais to be used at a fuelling station.



**Fig. 7:** Invoice showing clientelism 'gift' billed to a public grant account.



polarisation or gridlock such as the United States', South Korea's and other presidential democracies. With the immense powers they have been granted since 1988, Brazilian presidents do indeed get a lot of legislative activity out of Congress. In the three decades since its existence, the current Brazilian constitution got amended a whopping 91 times and most new laws do indeed come to the floor straight out of the presidential palace. Many start their lives as presidential *medidas provisórias*.<sup>35</sup> Presidents managed to do this even if none of them ever enjoyed a majority in congress. In fact, no elected president ever came from the party with the largest number of legislators in congress. Yet, in the last two decades congress has agreed to pass major reforms that among others changed the pillars of the country's macroeconomic policy, privatised state monopolies, and, as I discuss below, restructured the country's redistributive framework to create and fund the first generation of rules-based social policies designed to reach the poorest Brazilians.

But much of this power comes at a significant cost. This is because even a reactive legislature like the one that exists in Brazil has significant powers to modify proposals that presidents send when crucial interests are at stake. A long review of legislative proposals by Barry Ames shows that, while the overwhelming majority of legislative bills approved by congress originated in the executive, almost none of them passed the legislature without significant modifications in the original text.<sup>36</sup> Cox and Morgenstern argued that the optimal response of a strong president when negotiating with reactive legislatures is to seek the support of programmatic parties first and then distribute clientelistic opportunities to the more parochial elements of the legislature as needed.<sup>37</sup> In theory, if a president could put together a large enough coalition of programmatic parties in support of a compromise agenda, clientelism could be treated as only a complimentary strategy in the grand scheme of things. Presidents would set the agenda and legislatures could react to it seeking to force the executive to take their concerns into account at least in part. Yet, as Cox and Morgenstern point out, Brazilian and Argentine presidents have a particularly difficult life in this regard because the electoral system makes it hard for such programmatic parties to emerge in the first place. In their words 'the PT in Brazil, which currently has only eleven percent of the legislative seats, is the only significant class-based party'<sup>38</sup>

The framers of the 1988 constitution took the lessons of Brazil's history of political instability under weak presidents seriously enough to give the new executive the powers

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<sup>35</sup>Figueiredo and Limongi (1999), Chapter Two presents detailed descriptive statistics.

<sup>36</sup>Ames (2002).

<sup>37</sup>Cox and Morgenstern (2001).

<sup>38</sup>*Idem*, p. 175. Interestingly enough, in 2016 the Workers' Party still has 10% of the legislative seats in the lower house, where it is the second largest party.

to broadly shape the legislative agenda and the control over the discretionary resources coveted by legislators in order to help them build working coalitions in congress. But they also partially reverted the fiscal centralisation enacted by the military regime. Under the new constitution the federal government would continue to enjoy a monopoly of tax collection powers and local administrations would still be forbidden from creating new contributions. But with the new constitution mandatory transfers would increase dramatically in order to support more decentralised public healthcare, education, and antipoverty programmes that the new constitution created. States and municipalities also regained some power to issue their own debt and further leeway to manage regional state-owned banks that they could use to increase access to capital markets and thus decrease their dependency from the central government. In the next section I describe the negotiation process that led to presidents keeping significant formal powers under the 1988 constitution and what this new document meant in terms of social policy development. I also detail how the pressure to increase spending in both local and national redistributive programmes eventually contributed to an inflationary spiral that got out of control as the Latin American debt crisis deepened. As successive presidents struggled to get the economy back on track, they used the deep structural reforms of the mid-1990s to regain control over fiscal policy from local governments. With new regulations imposing fiscal responsibility, the resources available to municipalities and states dwindled and this eventually opened the door to a new generation of federal, rules-based social programmes.

## **Social Policies after 1988**

Like in many other Latin American countries, social policies in Brazil traditionally failed to benefit the poor. The efforts to build welfare institutions before 1988 described in the previous sections were to some extent inspired by developments in industrialised countries throughout the twentieth century.<sup>39</sup> However, those efforts were shaped by the tension between clientelistic interests that favoured social policy control by local governments and a high degree of discretionary powers on the one hand, and centralist forces that pushed for significant role for the federal government on the other. The overall result, as one analyst put it, is a set of ‘fragmented, uncoordinated, and intermittent initiatives’.<sup>40</sup> Local governments often run anti-poverty programmes targeted at key supporters and administered by trusted officials that enjoy vast discretionary powers. Popular programmes adopted by several municipalities throughout

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<sup>39</sup>Huber and Stephens (2012).

<sup>40</sup>Arretche (2000), p. 169.

the country include food handout initiatives, public works programmes, cash giveaways, or even partnerships to fund NGOs run by close political allies of some local boss. Similarly, patrons routinely intervene to help poorer voters have access to federal public services that on paper are universal, but which in practice are at the gift of local authorities due to long waiting lists or lack of appropriate regulation to clarify the powers of political appointees, including the power to schedule medical appointments or to find children a place in a public school.<sup>41</sup>

On the other hand, as I pointed out in the two previous sections, the federal government over time has created and expanded what experts have labelled a ‘truncated welfare state’, meaning that even though many services are theoretically accessible to anyone, they are either only available to wealthier workers in the formal sectors of the economy or somehow provide more generous benefits for historically powerful groups connected with the authoritarian governments that created such institutions, like the military. These can include access to one of a number of free colleges and universities that cater mainly to privately educated sons and daughters of urban middle classes,<sup>42</sup> generous rules for the social security system for the formal sector, the national land reform programme that favours organised, wealthier farmers over the unorganised poorer peasants, as well as a number of other, smaller policies.

As discussed in the previous chapter, presidents have for decades created a number of ‘decentralised’, highly discretionary social policies on top of the existing ‘truncated welfare state’ and control over funding for these programmes has become coveted by legislators in political bargains with the executive. The expansion of such policies has been consistent with the compromise reached in the 1960s and later reinforced in the 1980s that made clientelism at the local level more dependent on the financial support from the federal government. Numerous federal funds and initiatives provide additional resources for local governments from the federal purse that can be used on more discretionary social policies. In Chapter Three I discussed at length some of the largest and most politically relevant of such initiatives, including the National Social Assistance Fund (and the corresponding Social Assistance funds), the National Health Fund (and the corresponding Municipal Health funds), the Education Development Fund (and a set

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<sup>41</sup>Samuels and Mainwaring (2004), for example, discuss how the 1988 constitution budget rules gave mayors significant resources so that they no longer had to rely on *ad hoc* transfers from the central or state governments to start their own programmes.

<sup>42</sup>Indeed, as Gruber and Kosack (2014) point out, Brazil is one of the countries in which public spending on education is more skewed towards tertiary education, something that likely exacerbates income inequality in the long run. This is to a large extent a result of the prevalent political arrangement in which local governments have responsibility over primary and secondary education systems, while the role of the federal government is limited to the administration of professional colleges and universities.

of other smaller funds related to education, such as subsidies for school lunch and for to eliminate illiteracy), federal agencies to support irrigation works in dry areas of the northeast of the country, and Brazil's decades' old land reform programme.

The new constitution written after the military relinquished power in 1985 further reinforced local government's control over most of the federal government's anti-poverty spending. When this new constitution was being written, presidential power was at an all-time low as a result of Brazil's tumultuous transition to democracy. The first civilian president in decades was not elected by the people, but by the legislature in the form that had previously been established by the military to rubber-stamp their own chosen candidate.<sup>43</sup> A compromise had to be reached between listening to the voice of the streets that demanded a fast transition to democratic civilian rule and the concerns of the traditional groups that had worked with the military regime (oftentimes in the government-sanctioned opposition) that had historically been wary of too much centralisation under a powerful and popular head of state.

The first civilian president appointed by congress after the military left office was Tancredo Neves, a popular leader from the rich state of Minas Gerais that had been Prime Minister of Brazil during the 1961-1963 experiment with semi-presidentialism and who had established himself as a prominent name in the social-democratic opposition to the military dictatorship. Days after being appointed by congress, he passed away before even formally taking office. His unpopular vice-president was José Sarney, an oligarch that had dominated the political scene in Brazil's poorest state of Maranhão since the 1950s and who now unexpectedly rose to power. Sarney had been chosen for the ticket as part of a compromise to ensure the support of northern regional factions that had previously supported military rule. His original job was to lend credibility to Neves' promise of no abrupt break with the forces that had supported the previous regime. As Sarney's most eminent biographer put it, this was a man who had become president 'because of his flaws, not [because] of his qualities', whose original function was to serve as an intermediary between powerful local oligarchies entrenched in the poorest parts of the country and a newly established democratic presidency.<sup>44</sup>

Imposing a social policy agenda was not one of Sarney's priorities during the first half of his term in office (which lasted from 1985 to 1990). The constituent assembly

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<sup>43</sup>Formally, the generals that came to power during the military dictatorship were elected by an electoral college formed by all members of congress. In practice, however, only one name was submitted in each election, and choice was made by the armed forces. When the military decided to relinquish power these rules did not change immediately and the electoral college was free to elect a civilian of their own choosing. Popular sentiment against a continuation of the authoritarian regime ensured that the electoral college choose a candidate committed to a transition to democracy.

<sup>44</sup>Echeverria (2011), p. 7-8.

was openly hostile to the weak president and threatened even to shorten his term in office from five to four years. They not only denied his requests to limit public spending in order to curb a rising deficit and an inflation that reached 235% in 1985, but approved a budget for 1986 that included a tenfold increase on government spending on top of adjusting all government spending for inflation. In response, Sarney issued a number of emergency presidential decrees to freeze spending and to enforce price controls throughout the economy. With congress threatening not to ratify the emergency decrees after the mandatory 90 days and with local governments continuing to automatically adjust public sector salaries and contracts according to the preceding month's inflation, economic expectations undermined the price control measures and the system collapsed. Sarney quickly learned that, despite his enormous presidential powers, he would have to defer control over a large share of the executive in order to form alliances that would ensure that he could finish his term in office. He continued the time honoured practice invented by his military predecessors of buying support with political appointments in federal bureaucracies and state-owned enterprises that could be awarded to allies of governors and legislators. When criticised once by journalists about awarding all positions in the board of the state-owned mining monopoly Vale to former legislators with no previous experience in the sector, he stated that Vale was not a business, but a 'regional development agency for the Northern states'.<sup>45</sup>

Sarney ended up fighting to save what he could of his presidency, constantly under siege by a hostile constituent assembly and an unfriendly public. He convinced legislators to preserve a strong presidency so as to avoid political instability and he managed to keep his seat for five years, even though the new constitution reduced his successors' terms to four. To win these battles he had to give ground on most other important issues. The constitution forced the federal government to cede a large share of its revenue to state and municipal governments as well as to return their right to raise capital in domestic (but not international) financial markets. Most legislators in the new constituent assembly also anticipated the need to significantly expand social spending after the extension of voting rights to the poorest citizens of what was then the third most unequal country in the world.

And expand they did. With a weak president in charge, the new constitution transferred control over much of social policy spending to local levels of government, despite the fact that most of the spending would continue to come from the federal government.<sup>46</sup> The new constitution created a unified public health system that is entirely free at the point of delivery, modelled after the British National Health Service.

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<sup>45</sup>Affonso (2000), p. 133.

<sup>46</sup>Arretche (2000), p. 172-173.

The system is funded mostly by mandatory transfers from the federal government and administered by municipalities and, to a lesser extent, by state governments that run specialised hospitals responsible for more complex procedures. Another key reform introduced in 1988 was the unification of rules for pensions for rural workers. For the first time, a unified set of rules was created allowing women to retire as rural workers as well as men, and making sure that all rural workers would indeed be able to retire at the age of 65 regardless of their past contributions. The combination of local control with federal funding was designed to force the executive and the legislature to come together and support each other's interests. If legislators refused to give the president a large majority, he could cut spending to programmes that legislators needed in order to maintain the alliances they depended on in their home states. But if a president pushes legislators too hard, they deny him any support and work to undermine the executive's authority.

Since the enactment of the 1988 constitution, successive presidents have worked to use their powers to create rules-based programmes so that they could cater to their own large constituency, while at the same time using influence over discretionary spending to gain support for their broader political agenda in the legislature just as the framers of the new constitution intended. In 1989, Brazilians elected a president and a legislature for the first time since 1961. This was the first time in the country's history in which all adult Brazilians could go to the polls and choose their representatives. They saw the victory of Fernando Collor de Mello, the conservative governor from the small state of Alagoas, who received over 35 million votes, against 31 million received by his main opponent, the left of centre union leader Luiz Inácio Lula da Silva. The new president identified himself as a 'neoliberal' and proceeded to enact reforms that would open Brazil's economy and reduce government spending in an effort to control inflation, which had reached 1.476,56% in 1990. He attempted to delay the implementation of social policy reforms that the constitution required and to create national standards for all social spending, especially healthcare. His main concerns were to delay healthcare and pension expansion that were provided for in the new constitution and to impose productivity criteria for federal transfers to each municipality. In 1990 and 1991 he vetoed two healthcare bills that provided for the implementation of federal transfers with no strings attached. Without any specific rule to govern the implementation of the new healthcare system, Collor benefited from a certain strategic ambiguity. The federal government began setting up separate deals with different municipalities that would agree to abide by healthcare targets and therefore would receive a larger share of transfers, while others who did not agree to such deals earned only the legally minimum transfers defined by

the constitution and subsequent judicial decisions. Not only this enabled him to favour allies who would support him in congress but also he could push for the implementation of his electoral promise of nation-wide healthcare improvements.<sup>47</sup>

But Collor's hardline approach towards local leaders would soon lead to his political demise. As a presidential candidate, he presented himself as a modernising populist, fighting against privileges and corruption in public administration. When his economic stabilisation measures failed to bring down inflation – the main index reached 1.119,10% in 1992 – measures to cut costs and delay the implementation of social programmes were seen as contrary to the interests of the majority. Having made enemies in congress and in the majority of public opinion, while at the same time facing serious allegations of corruption, the president was impeached in 1992. Successive leaders took notice of his mistakes, as former president Fernando Henrique Cardoso (1995-2003) told me in an interview:

Collor made basically three mistakes that no president can make. First, he did not bring inflation under control. With inflation over a thousand percent there is no economic planning, no growth, the income of the poor evaporates. His second mistake was that he picked fights with everyone at the same time. He thought he could rule without making alliances in congress, cutting the kinds of spending that they need the most. And no one rules without congress! And with that comes the third mistake: he let corruption reach the presidential palace.<sup>48</sup>

With its first president elected by universal suffrage impeached from office after only two years in the job, Brazil could be headed for a period of deep political instability. But as the next section describes, his successors quickly realised that the enormous powers that the president maintained on paper did not allow the executive to ignore the will of congress.

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<sup>47</sup>On health policy under Collor de Mello, see Arretche (2005) and Rodrigues and Zauli (2002).

<sup>48</sup>Interview with F. H. Cardoso, 01 jul 2014. Original in Portuguese: O Collor cometeu pelo menos três erros que nenhum presidente pode cometer. O primeiro foi que ele não conseguiu controlar a inflação como ele tinha prometido na campanha. Com inflação de mil por cento e sem planejamento econômico, não tem crescimento, vai se corroendo o rendimento do mais pobre. O segundo foi que ele brigou com todo mundo o tempo todo. Achou que podia governar sem fazer alianças com o congresso, cortando o tipo de gasto que eles mais precisam. E ninguém governa sem o congresso! E com isso vem o terceiro erro: deixou a corrupção chegar no Planalto.

## **Structural Adjustment and the Consolidation Presidential Power**

Collor's demise highlighted that Brazilian presidents – and possibly Brazilian democracy – would only have success once hyperinflation could be brought under control.<sup>49</sup> This would happen under his vice-president, Itamar Franco, whose short term in office from 1992 to 1994 saw the enactment of a structural adjustment plan that greatly enhanced the president's effective control over the budgetary process.

The design and implementation of the *Plano Real* ('Real Plan') – as the adjustment strategy later came to be known – broke with a long tradition in the country of attempting to control inflation by forcing general price and wage freezes throughout the economy. According to the new plan's designers, Brazil's persistently high inflation was a result of massive public deficits run by the federal and local governments that were later eroded by seigniorage. To solve the problem, the new plan relied on the de-indexation of economic relations, which was accomplished in part by converting salaries and a number of other prices in the months preceding the implementation of the *Plano Real* into the a new currency – the Real – which was then linked to the United States dollar, but traded at a premium in the open market. The government created constitutional limits on the issuing of paper currency based on the Central Bank's foreign currency reserves. The Central Bank, in turn, was given significant autonomy and a low inflation target, so it proceeded to sharply increase interest rates to bring in capital that could support the strong currency. At the same time, the government radically reversed Brazil's barriers to external trade, lowering the average tariffs on imports from 33,3% to 12% overnight using the president's emergency decree powers. With an overvalued currency and a more open economy, the domestic market was flooded with foreign goods and the country ran successive trade deficits. To compensate, it had to attract massive amounts of foreign capital by increasing interest rates.

The plan succeeded in controlling inflation in the short run. The main index fell from 2.477,15% in 1993 – the last year before the Real – to 22% in 1995 and hit a low of 1,65% in 1998. On the back of this success, Franco's Finance Minister, Fernando Henrique Cardoso, was elected president in 1995. Once in power, he knew that this plan would not be sustainable without structural reforms to lower the country's dependency on short term capital flows and make the economy more competitive. At the same time, states and municipalities had accumulated massive debts which were unplayable with the high interest that were now in place. Cardoso used this opportunity and his unparalleled personal popularity to force local governments to agree to reforms that transferred control

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<sup>49</sup>On how the hyperinflation crisis played a role in the impeachment process, see Weyland (1993) and Landim (1998).



over fiscal policy back to the federal executive and imposed strict spending limits on all levels of government.

This process first started with an ambitious privatisation programme that eliminated many of the opportunities for patronage that existed in federal, state, and municipal state-owned companies.<sup>50</sup> Crucially, Cardoso also forced state governments to restructure or sell the heavily indebted state-owned banks that local governments controlled and used to raise capital for the state treasuries'. He also criminalised the usual practice of local governments creating anti-poverty policies that would be payed to beneficiaries through local state-owned banks but later failing to transfer money from the state or municipal treasury to cover the cost of the programme. In effect, these practices used state-owned banks to fund clientelistic policies. Cardoso imposed limits on how much local governments could spend on salaries – once again curtailing their power to dispense patronage – and created laws allowing for the prosecution of politicians who, after their terms ended, left office passing on too much debt to their successors.

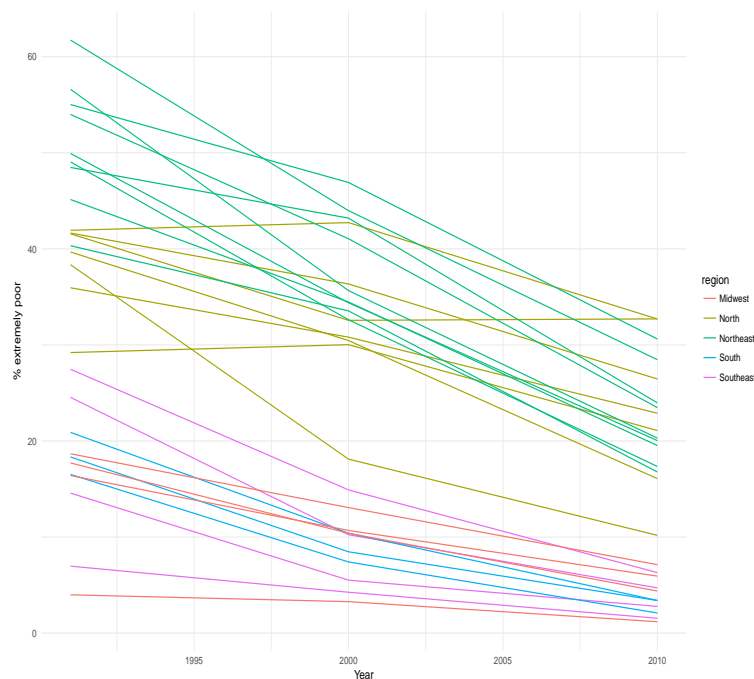
Reforms enacted under Cardoso were largely successful in controlling public spending and adjusting public finances to an environment of high interest rates.<sup>51</sup> The nominal public deficit for all levels of government combined went from 43,7% of the GDP in 1994 to 7,2% of GDP in 1995. Much of this reduction was achieved by reductions in spending that was later directly or indirectly channelled to clientelism. Once popular make-work programmes in northern states quickly became a thing of the past. Social centres controlled by politicians became rarer as their patrons lacked funding from the National Social Assistance Fund to sustain them. Food handout programmes practically ground to a halt in the poorest parts of the country, and so did the federal government's land reform programme. Universal services suffered too, as funding for public health and education by local authorities declined as a share of GDP in the first four years of the *Plano Real*.

In effect, the economic strategy adopted by Franco and later intensified by Cardoso further exposed the divide that existed between the executive and the legislature since the enactment of the new constitution. On the one hand, legislators wrote a charter that provided for a massive expansion of government social spending at all levels. The reasoning behind this position is not difficult to understand: Brazil was then – as it still is – one of the most unequal countries in the world. And for the first time the poorest

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<sup>50</sup>Freed from obligations to spend on patronage many of these companies went from being a drain in the public purse to becoming successful private enterprises, like aircraft manufacturer Embraer and mining giant Vale.

<sup>51</sup>It is worth noting that since 1995 Brazil has consistently had one of the highest interest rates in the world.



**Fig. 8:** Proportion of population classified as ‘extremely poor’ per state, 1991-2010.

citizens were made part of the electoral process. Indeed, not only they were given the right to vote, but are now also obliged to do so. On the other hand, presidents after 1988 inherited a country in deep economic crisis. Annual inflation reached four digits in the 1980s and the government – having defaulted on its debt in 1987 – could only remain solvent by printing more and more currency.

On the face of tragic levels of poverty and inequality, it would be reasonable, in principle, to think that presidents would not only be worried about structural adjustment, but would also be eager to push for more income redistribution (see figure 8).<sup>52</sup> But the evidence presented in the previous chapter makes it clear why all three post-1988 presidents resisted congressional appeals for more social spending: the clientelistic schemes that existed could not drive presidential elections in the same way that they did with legislative and local votes.

By clever use of their presidential powers, Franco and Cardoso imposed their own agenda of adjustment and used the structural reforms of the 1990s to force rigid controls on local government spending. As Franco’s chosen successor and perceived mastermind behind the plan that put an end to Brazil’s decades’ long inflation problem, Cardoso clearly benefited from this choice. But he was also under pressure to address issues of poverty and inequality once the consequences of the plan became apparent. To his left,

<sup>52</sup>Meltzer and Richard (1981).

the Workers' Party proposed a number of initiatives during the 1990s designed to capitalise on the policy vacuum in the issue of income redistribution left by the *Plano Real*. Eduardo Suplicy, a moderate Workers' Party senator from the state of São Paulo began a campaign to push for a universal minimum income scheme. Defeated presidential candidate Lula da Silva travelled the country to raise awareness of hunger amongst Brazil's poor and calling on the government not to cut local food handout programmes, but to regulate them as well as to develop initiatives to support family agriculture and to reignite land reform. More conservative groups in the legislature that depended on the distribution of benefits to help elect allies in their home states pushed back against the reforms as well.

Both Franco and Cardoso worked to pass regulation on social policy in order to dispel criticism that their policies were anti-poor. But with limited resources, Franco limited himself to attempts to issue regulation to cut some of the discretionary power of local authorities and Cardoso had to adopt the same posture for the first years of his term in office. Franco's most noteworthy accomplishment here was a Law of Social Assistance, issued in December 1993 – his last month in office – to regulate disability benefits and non-contributory rural pensions created in the 1960s by João Goulart but never implemented. Franco also revoked regulation issued by his predecessor creating productivity targets for municipalities to receive healthcare grants from the federal government as part of his grand bargain to approve the *Plano Real's* most urgent measures.

Unlike his predecessor, Cardoso enjoyed the legitimacy of an elected president and the popularity brought on by his role in drafting *Plano Real*. But during his entire period in office he was under pressure to deliver more social spending to compensate for the austerity measures imposed to control inflation. As the cycle of big structural reforms and privatisations ended and the economic situation stabilised in the late 1990s, Cardoso began to turn his attention to welfare reform. In 1996 he created a new tax on financial transactions and in the next year he used the revenue from the new levy to fund a new federal primary healthcare programme, *Programa Saúde da Família* (Family's Health Programme or PSF). The new policy sought to address the chronic lack of public hospitals in the poorest parts of the country by training health agents to provide basic, preventive care in poor neighbourhoods.

To a large extent, PSF was a response to pressure from civil society groups and activists that had been pushing the government to shift investment towards preventive medicine and to define rules for a myriad of health outreach programmes that existed throughout the country. The implementation of PSF followed a model that would be

repeated in many other future rules-based policies: it started by looking at both national and international low-cost social policy experiments that had a proven track record of results. Here, the inspiration was a similar programme adopted in Cuba to reduce pressure on emergency rooms and specialist doctors' surgeries by empowering trained health professionals that were not full fledged medical doctors to dispense health advice and the most basic level of care to the poor. And because infrastructure is often lacking in poorer areas and patients in zero-hour informal contracts often only seek medical care as a last resort to avoid missing work, health agents would go to them instead of waiting for patients to come to them.

Some comparable initiatives also existed in Brazil. In 1996, the mayor of São Paulo had adopted a similar programme in his city after hearing about the Cuban experience in a conference. One year later the mayor of Rio de Janeiro did the same, emulating his counterpart. Some smaller municipalities also followed this example. According to one former official from the Ministry of Health that had a prominent role in designing the federal version of PSF, the government saw an opportunity in these local experiences. These were, according to him, very good policies, but the implementation happened at the pleasure of the mayor or his health secretary. Specific neighbourhoods would often be targeted to be visited by health agents because of political considerations. The hiring process for health agents was fraught with political considerations. He describes one municipality where journalists found that health agents would punch the time clock at City Hall in the morning and then go run errands for members of the municipal assembly. According to him, only a minority of agents actually worked on healthcare related issues and the rest were political brokers.<sup>53</sup>

The federal programme, however, had to be different. A new bureaucracy would be established within the Ministry of Health to oversee recruiting and training standards for health agents. Objective rules based on each neighbourhood's human development index measures were to be established to avoid political favouritism when determining which area had priority in the assignment of health agents. Independent audits would be regularly conducted by the Office of the Comptroller General and by the Federal Court of Audits. And because the federal government could not set national rules on this topic of healthcare policy, states and municipalities were invited to accept the programme's rules-based characteristics in order to receive extra funding.

But limited initiatives to expand existing programmes and to reform them to take away politicians' discretionary powers did not placate demands for more welfare spending. Cardoso ended up being reelected for a second term in office in 1998, again defeating

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<sup>53</sup>Interview with Hésio Cordeiro, 22 May 2016.

the Workers' Party candidate Luiz Inácio Lula da Silva on the back of his track record stabilising the economy. But both the president and his allies in congress worried about the effects that the Asian financial crisis in that same year would have in popular support in the short run. After securing his second term, Cardoso ended the real's peg with the US dollar that had been a cornerstone of his government's anti-inflation strategy and that provided much support from those that benefited from cheap imports. As the currency devalued in the wake of the financial crisis, the government had to adopt further austerity measures to keep inflation under control. While campaigning, Cardoso had told voters he would keep the peg, and so his popularity began to decline sharply after that promise was broken. His approval ratings went from 54% just after the beginning of his second term to 25% three months after the floating of the currency was announced.<sup>54</sup>

In 2000 the government decided to bring forward plans to set up a national income support scheme targeted at the poorest citizens of the country. Again, the inspiration came from international experiences. In 1997, the Mexican government had set up a conditional cash transfer (CCT) programme called *Progresa*, some years after that country had faced its own financial crisis and implemented a package of long-term austerity measures. Because *Progresa* had been adopted using a method in which some municipalities were randomly chosen to be included in the programme first, the Mexican government and a number of independent experts and international organisations were able to credibly assess the policy's significant impact on the levels of poverty.

This success first inspired a number of political entrepreneurs in local governments in Brazil willing to adopt the same policy. The most important such case happened in the capital, Brasília. The governor of the capital was Cristovam Buarque, a development economist that had made a name for himself as the rector of the University of Brasília and that had ties with the social democratic left and hopes of one day running for president. Buarque set up a CCT programme in 1995 called *Bolsa Escola* (School Stipend) with only a few hundred families in one neighborhood, awarding 15 reais a month to each family if they agreed to send their children to school. The rationale here was simple: experts estimated that 15 reais was more than a child could get begging in the streets of Brasília, and so parents would stop sending their children to beg for money and instead keep them enrolled in a school. As a member of the Workers' Party, Buarque had hoped that this scheme would be a first step towards a universal income scheme, which at that time was that party's moderate wing's platform.<sup>55</sup> One must see these efforts in light of the internal politics of the Workers' Party at the time. Party leader Luiz Inácio Lula da Silva was a

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<sup>54</sup>IBOPE's Survey data taken from *Veja*, 4 April 2001.

<sup>55</sup>Interview with Cristovam Buarque 23 May 2014.

presidential candidate in every election since the enactment of the 1988 constitution and had lost every time. After the enactment of the *Plano Real*, he pushed his party to the fringes by denouncing the plan and proposing instead a radical distributive agenda only to suffer the biggest defeat ever in 1993. Moderates like Buarque hoped they could defeat Lula in a party primary and push the party to the centre, embracing the adjustment policies adopted in the previous years. While he ended up defeated in the primary, he later left the Workers' Party and indeed ran for president as a member of the Democratic Labour Party.

While the Brasília *sui generis* experience was the result of the presidential ambitions of a relative outsider, it was not the only such programme created in Brazil during the Cardoso years. Cities such as Campinas, Belo Horizonte, Salvador, Rio de Janeiro and hundreds of other smaller municipalities adopted their own versions of *Bolsa Escola* at some point between 1996 and 2001. Some lasted for a few years, others – like the one created in Rio – appeared only in election years and quickly disappeared afterwards. Few survived the administration of more than one mayor. Even Brasília's pilot programme was dismantled after Buarque left office in 1998 and his successor Joaquim Roriz branded *Bolsa Escola* as a programme designed to enable laziness. 'Many use the *Bolsa Escola* money to buy liquor', he declared after winning the election. The programme was later replaced with a food and clothes distribution programme for schoolchildren that scrapped targeting formulas in favour of self-enrolment waiting lists.<sup>56</sup>

But thinking of all these policies as precursors to the now-famous rules-based federal CCTs that exist in Brazil is misleading. First of all, labelling a policy as a CCT programme does not mean that it cannot be manipulated for clientelistic purposes. In Chapter One, for example, I briefly describe an attempt by mayoral candidate in the municipality of Campos dos Goytacazes to create a CCT policy in that city that had led to her impeachment amid allegations of vote buying. The case involved Rosinha Garotinho, wife of Anthony Garotinho, former governor of the state of Rio de Janeiro that had created a CCT programme in that state that was later scrapped by judicial authorities amid allegations of corruption. At the time, auditors looking at the programme in the state of Rio spotted several irregularities, including the distribution of membership cards only through churches where pastors had connections with the Garotinho family and social centres supported by the governor and his political allies. Similar cases involving manipulation of membership in CCTs have been reported in municipal programmes throughout Brazil. Some resulted in criminal prosecution, but more resourceful policy designers escaped such fate by writing rules that enabled them

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<sup>56</sup>Mônica Bergamo, Fim do Bolsa-Escola Ameaça Frequência, *Folha de São Paulo*, 22 Nov. 1999.

to manipulate programme waiting lists for their political advantage.<sup>57</sup>

Like any type of policy, CCTs are amenable to political manipulation if they are not carefully designed to prevent abuse. The creation of a federal initiative would have to involve creating instruments to get around opportunities for political manipulation that were known to exist in municipal programmes.<sup>58</sup> To set up a federal *Bolsa Escola*, Cardoso had to create an entire new bureaucracy within the Ministry of Education and insulate it from the political bargaining process. These bureaucrats in turn had to create several rules to take away the discretionary powers that implementing authorities on the ground had in most municipalities that had implemented CCTs in previous years. They had to make sure politicians could not make it difficult for potential beneficiaries in certain areas to enrol in the programme for purely political reasons. To estimate a family's income in the absence of formal labour contracts and bank accounts, objective techniques were developed based on regular visits to the households and an evaluation of their possessions by social workers who would have to undergo specific training to accomplish this task. To eliminate waiting lists – one of the most traditional discretionary powers that politicians use to control enrolment – a system whereby in years when there was not enough budget allocation to pay *Bolsa Escola* to every eligible beneficiary the income threshold for eligibility would automatically go up, ensuring that resources would always be preferentially allocated to the poorest individuals.

Yet complex legislation is only effective if officials on the ground actually follow the rules when implementing the programme. To make sure they would not be tempted to provide favours to local clientelistic networks, a special auditing unit was set up in the Federal Court of Accounts to make sure municipalities actually followed the rules. Mayors that used *Bolsa Escola* funds in other activities could be convicted of malpractice in court and become ineligible for public office for up to eight years. An unprecedented (for Brazil's standards) transparency initiative put all statistical data and yearly audit reports online so anyone could see. Regulations also specified who would be responsible for implementing the policy on the ground. To this day only career civil servants – and not their politically appointed bosses – can certify a request for inclusion in the federal conditional cash transfer programme. If city hall officials somehow denied someone the right to become a beneficiary, they could now turn to local bank branches or even to the local post office to enrol and these officials would send the documents straight to Brasília for assessment. By implementing all these measures, officials in

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<sup>57</sup>Polêmica na Cesta do Cidadão. *O Globo*, 20 Dec 1999. Corrupção da área social é nojenta. *Folha de São Paulo*, 13 Feb 2001. Bolsa Escola só para quem precisa, *Folha de São Paulo*, 01 Oct 2001. Cheque cidadão em troca de votos em Campos gera rombo de R\$ 3,5 milhões, *O Dia*, 15 Set 2016.

<sup>58</sup>Interview with Wanda Engel, 10 Set 2014.

Brasília in effect bypassed local authorities and insulated the programme from clientelistic practices.

Passing the *Bolsa Escola* bill through congress proved to be difficult. Legislators insisted on more traditional forms of income distribution and many resisted cash transfers with the now familiar idea that it would be an incentive for people to leave the job market. While Cardoso pushed for his federal CCT, prominent members of Cardoso's ruling coalition in congress started to pressure for more devolution of social policy funding to municipalities. President of the Senate Antonio Carlos Magalhães, a powerful leader of the more conservative faction in the legislature lead the charge, proposing the Poverty Eradication Fund, an initiative to earmark up to 10% of the federal government's revenue with the Industrial Products Tax for poverty reduction. Magalhães proposed that the new initiative should provide funding to projects developed by local governments and NGOs and would be managed by a board composed of representatives of all levels of government and civil society that would select which proposals would merit funding. The bill creating the fund was approved by the legislature in 2000, as Magalhães used his influence to put together a coalition of legislators concerned with the long-term effects of the government's adjustment policies and that still resented the government for its use of fiscal reforms to curb the spending powers of local administrations.

Meanwhile, Cardoso was facing tough resistance from legislators that were suspicious of funding his new federal *Bolsa Escola* programme. His solution was to partner up with international organisations, which could both offer part of the funding for an experimental expansion of *Bolsa Escola* in the form of development aid and at the same time provide technical assistance that was independent from the traditional clientelistic machines to see the programme through. For two years the federal *Bolsa Escola* was partially funded and managed by Unicef, Unesco, and the World Bank. The president's break came in 2001, when Magalhães was forced to resign his seat following allegations that he had used his position as president of the senate to manipulate that house's electronic voting system. Using the opportunity afforded by the disorganisation within the coalition that resisted his social policy proposal, Cardoso forged an alliance with the biggest opposition group in congress, the Workers' Party, in order to amend the regulation creating the Poverty Eradication Fund to shift its resources to fund the federal *Bolsa Escola* until the end of his term in office.



## **The Consolidation of Rules-Based Distribution under the Workers' Party**

The federal *Bolsa Escola* ended up supplanting all existing municipal cash transfers and becoming one of the major issues of the 2002 presidential campaign. The number of beneficiaries jumped from 1 million in 2001 to an estimated 6.07 million in 2002.<sup>59</sup> As the government continued its adjustment agenda, eliminating subsidies that existed in the economy even in an electoral year, it created add-on benefits to *Bolsa Escola* to compensate the poorest. Only some months before the election, the government created *Auxílio Gás* (Gas Aid) to compensate *Bolsa Escola* beneficiaries for the end of government subsidies to liquified petroleum gas bottles that are widely used in rural Brazil for cooking.

Cardoso's chosen successor José Serra experienced a significant boost in his share of votes in places where a large number of families were beneficiaries of the programme.<sup>60</sup> Despite the incumbent's support, Serra lost the runoff ballot to Luiz Inácio Lula da Silva, the Workers' Party candidate. Lula had attempted to win the presidency thrice before and had always come second. After decades proposing radical shifts to the left and vigorously opposing Cardoso's adjustment programme, Lula embraced a moderate platform, expunging more radical elements of his party from key positions and promoting moderates who had opposed him for years, such as *Bolsa Escola* creator Cristovam Buarque and longtime advocate for a national minimum income Eduardo Suplicy. To consolidate his new image he invited José Alencar, a multimillionaire owner of a textile conglomerate that had in the past expressed some progressive views, to become his vice-presidential candidate. Lula was the first self-identified leftist and the first person without a university degree to ever win the presidency in Brazil and he had a mandate for a moderate expansion of income distribution under an atmosphere of fiscal responsibility.<sup>61</sup>

Interestingly enough, this mandate was not secured with an overwhelming vote of the poorest, but by a combination of support of lower and middle classes (see Table 4.1). After winning the election, Lula made an expansion of pro-poor social policies a cornerstone of his presidency. In his first day in office, he created the Ministry for the Fight Against Hunger and soon after launched what he intended would be the cornerstone of his new social agenda: the *Fome Zero* (Zero Hunger) Programme. *Fome Zero* was intended as a food handout programme in which the government would buy foodstuffs from small farmers – mainly from those that had benefited from a land reform grant – and distribute

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<sup>59</sup>The numbers are from the database used in Chapter Three.

<sup>60</sup>See Chapter Three.

<sup>61</sup>Boas (2009); Hunter and Power (2007).

**Table 11:** Vote Share in 2002 Presidential Election by Income

<b>Family Monthly Income</b>	<b>Share of the Electorate</b>	<b>Lula (% of votes)</b>	<b>Serra (% of votes)</b>
Up to 1 minimum wage	18	60	18
1-2 minimum wages	27.2	59	24
2-5 minimum wages	39.9	61	24
5-10 minimum wages	13	54	31
10+ minimum wages	4.2	46	40

Source: IBOPE pool n. PP172.

them to beneficiaries. The stated goal was that no Brazilian would ever go without at least three meals a day. This kind of policy appealed to powerful sectors of the Workers' Party, especially those that had connections with the Christian left and rural cooperatives, both of which had overwhelmingly supported Lula in his internal party struggles against his primary contenders who had favoured some kind of universal minimum income scheme.<sup>62</sup>

The implementation of *Fome Zero* was fraught with problems from the start. In part this happened because of accusations that the intended design would favour clientelism. For decades, food handouts have been synonymous with vote buying and corruption in poorer parts of Brazil and virtually every municipality has had one such programme in place at one time or another. Many within the Workers' Party representing urban constituencies as well as technocrats within the government and in academia that had collaborated with the creation of *Bolsa Escola* resisted the idea that food handouts would be an efficient way to bring people out of poverty. Instead of naming a team of technocrats to run the new ministry in charge of designing the programme, Lula appointed political activists from his party to design the new programme. After a few months the team was disbanded as the president feared that they failed to come up with measures to address the criticism that *Fome Zero* would be plagued with problems of clientelism. The Ministry was also accused of overestimating how much food they could buy from small – mostly subsistence farmers in poorer regions and for not at first taking into account that most of these farmers operated only in the informal economy and could not present the documents necessary to sell their surplus to a government agency.

But the main problem to many in the executive was the oversized role the programme appeared to give to grassroots organisations on the ground. Because social activists had such a prominent role in drafting the first *Fome Zero* proposals, it reflected their desire to serve as intermediaries between beneficiaries and the government. This suited many in the Workers' Party who desired to expand their grassroots organisational advantage in

<sup>62</sup>Rocha (2004).

poorer regions which they considered as natural supporters of their agenda but that had not decisively voted for their presidential or local-level candidates. It did not, however, suit the president himself and his closest advisors. This was because giving social movements such discretionary powers would also mean that the programme could be an asset in the hands of faithful party activists but a hindrance in the hands of not-so-faithful clientelistic brokers.

Faced with a potential failure of his flagship initiative, Lula abandoned *Fome Zero* after 6 months in office. At that time, the government had brought in a number of left-leaning experts who had worked to create *Bolsa Escola* and were willing to support an expansion of the model under the new government. A team was put together to revise *Bolsa Escola*, this time under the auspices of the Ministry of Finance.<sup>63</sup> The result was a drastic expansion of the conditional cash transfers scheme, with add-on benefits created under Cardoso to replace market subsidies now incorporated into the main benefit to further curb discretion and choice at the local level. New conditionalities were created: now all beneficiaries would be required not only to send their children to school but also to schedule yearly medical check-ups and to participate in all federal vaccination programmes. The new scheme was named *Bolsa Família* (Family Stipend), to reflect the shift in focus from education alone as well as to create a brand that could be associated with the new administration. When Cardoso left office the number of *Bolsa Escola* beneficiaries was a little over 6 million people. The new *Bolsa Família* would reach 12 million people after its first year of operation.<sup>64</sup> Instead of dismantling *Fome Zero*, the government argued that *Bolsa Família* would be the flagship programme in a broader effort to eliminate hunger. Over time, however, the former brand ceased to be used. Early *Fome Zero* initiatives designed by social movements to increase grassroots participation through local ‘social assistance councils’ were scrapped in favour of a top-down, rules-based system.

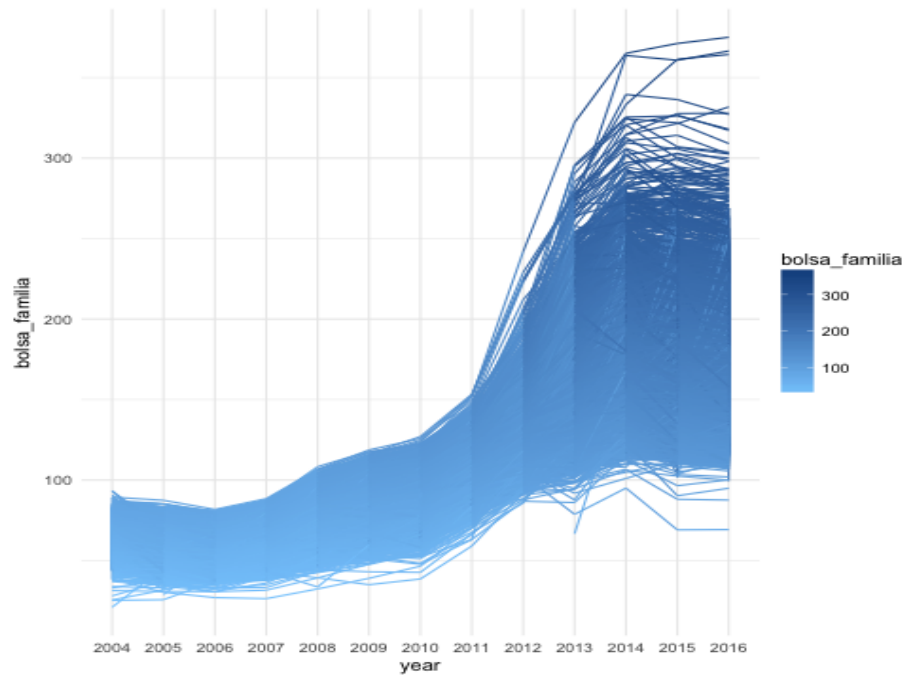
*Bolsa Família* quickly expanded to become the most important and well-known anti-poverty programme in the country. The result, as I detailed in the previous chapter, was a major boost in Lula’s vote share among the poor when he ran for reelection in 2006.

After experiencing the electoral payoffs from *Bolsa Família* and with government revenues on the rise at the height of the commodities boom of the 2000s, Lula dedicated much of his second term to expand rules-based income redistribution programmes

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<sup>63</sup>It is worth mentioning that, by the time Lula takes office, the Ministry of Finance had become the bureaucracy more closely controlled by the executive. This was mainly a result of the need that successive presidents had to form a bureaucracy capable of designing and implementing anti-inflation plans during the 1990s.

<sup>64</sup>CB 10/20/2003



**Fig. 9:** Bolsa Família disbursements. Means by month over time, 2004-2016 (each line one municipality).

targeted at the poor. His administration created electricity subsidy schemes to benefit the poorest half of *Bolsa Família* beneficiaries, reaching over 11 million people in 2010.<sup>65</sup> In that same year, the government prepared a list of essential medications that would be provided for free for those above the age of 65 and who received a conditional cash transfer benefit. And, fulfilling a longtime party promise, Lula enacted regulation expanding non-contributory rural pensions to virtually anyone who could prove at least twenty years working in agriculture and were over 65 years of age, a decades-long issue that had been raised in the 1960s and for years had remained unresolved. At the end of his second term in office, 10 million people were recipients of one of three kinds of such non-contributory rural benefits.

Yet Lula's government was also marked by a marked expansion of highly discretionary social spending. This happened particularly after a massive corruption scandal erupted in 2005 involving key figures in the president's inner circle. At the time, the press found out that the powerful Chief of Staff to the President José Dirceu had been paying monthly stipends to over a hundred members of congress so that they would support the government. The scandal became known as the *Mensalão*, or 'Big Monthly Stipend' case. After that, Lula lost support from many in the left and in the middle classes that had embraced his new image as a moderate progressive politician. A splinter

<sup>65</sup>See Chapter Three for sources.

outfit to the left of the Workers' Party was created by those who were either disgruntled after the *Mensalão* case or with Lula's shift to the centre. Key figures who had helped design and run *Bolsa Família* left the administration to save their reputations.

Over time, Lula became more dependent on alliances with clientelistic groups in congress and the support of the poor. The Workers' Party lost space in the Cabinet to make room for regional leaders who now demanded a steeper price for their support to a fragile president. In order to pay the cost, the government in 2006 more than doubled expenditure on the three key decentralised social policy funds that represent the bulk of federal discretionary social spending: the Social Assistance Fund, the Educational Development Fund and the National Health Fund, providing mayors with more resources to conduct their own programmes with fewer legal controls attached. Eventually, Lula escaped an impeachment trial as his closest advisors took the blame for the scheme. Taking advantage of fast rising government revenues and sustained economic growth at the height of the commodities boom, Lula worked to please both his new allies in the traditional elites and his own presidential constituency formed by the poorest.

### **Alternative Explanations**

My theory of the emergence and consolidation of rules-based redistribution emphasises the importance of presidential power in the design, funding, and implementation of social programmes. I have argued that successive presidents on the left and on the right used the powers granted to them by a new constitution enacted in 1988 to create policies designed specifically to cater to their large constituencies. Because Brazilian presidents have to cater to such a large and diverse constituency, they have rejected traditional forms of income redistribution through clientelism which require the formation of expensive networks of brokers.

This chapter has shown that potential alternative explanations linking the emergence of rules-based income redistribution to the rise of the left, to changes in the economic conditions of voters, or even to the rise of democracy fail to explain much of the existing evidence about how these programmes came to be designed and implemented in Brazil or even to give a reason for why clientelism continues to thrive at the local level.

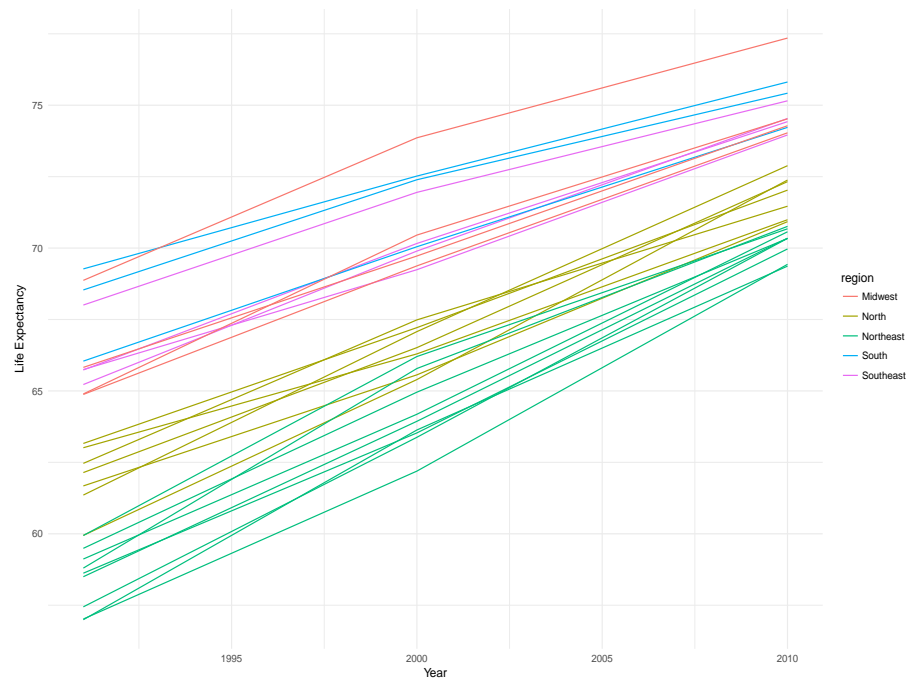
Policies such as conditional cash transfers or community healthcare in Brazil have had little to do with which party happened to occupy the presidency or hold a majority in congress. As I discussed in this chapter, these benefits have been launched as pilot programmes by ambitious governors wishing to run for president and were later turned into more traditional, clientelistic schemes to favour incumbents' supporters. Large scale rules-based policies, however, started to appear under a centre-right administration, with

little support from the left in congress at first. Indeed, attempts by presidents to curb the discretionary powers that politicians enjoyed when implementing social programmes at the local level existed under all presidential administrations. For example, under Fernando Collor de Mello – possibly the most right-wing person elected to the presidency in Brazil’s modern history – significant progress was made in attempting to regulate healthcare spending, a sector where clientelism is rampant. The government at that time also attempted to curb the discretionary powers of political appointees in granting non-contributory pensions and disability benefits. Fernando Henrique Cardoso, who became well-known by adopting harsh austerity policies in order to curb inflation and was supported by a decidedly right-wing coalition in congress, was instrumental in the creation of key policies such as *Bolsa Escola* and *Saúde da Família*. On the other hand, the left-wing Workers’ Party came to power supported by activists who first wished to transfer discretionary powers from local governments to social movements, not to expand rules-based policies. It was only through presidential intervention that the administration shifted course to expand and consolidate the reforms undertaken under Cardoso.

Similarly, the movement towards rules-based policies had little to do with the economic growth that Brazil experienced in the late 1990s and throughout the 2000s. Under Sarney and Collor, successive economic stabilisation plans had only short term success. It was after the 1994 *Plano Real* that inflation was brought under control and growth started to pick up. However, the Cardoso administration, which began in 1995, only seriously invested in the creation of large-scale rules-based social programmes in the late 1990s and early 2000s. At the same time, this variable does not explain why clientelistic policies have remained a consistent feature of the social policy landscape despite significant economic development in recent decades.

The connection between declining poverty and inequality and the rise of non-clientelistic policies also needs to be assessed carefully. Brazil has historically been an unequal society, with large segments of the population living below the poverty line. Most indicators show that levels of poverty began to decline fast in the mid 1995s, with crucial indicators such as life expectancy showing significant improvements throughout the period as a result of economic stabilisation. This happened many years before the large scale expansion of programmatic social policies.

The same could be said about the connection between this new generation of social programmes and the transition to democratic rule. Democracy, indeed, appears to have been a necessary condition for the interests of the poorest Brazilians to be taken into account by policy makers. But limited experiences with democracy in the 1950s and



**Fig. 10:** Life Expectancy per state in Brazil, 1991-2010.

1960s did not result in a significant expansion of rules-based social programmes. Nor did the post-1988 democratic regime in Brazil ensure that all politicians favour programmatic policies. Instead, what we have seen is a consistent alliance between a majority of legislators and local leaders who prefer to design policies that give politicians significant discretionary powers under the guise of decentralisation.

Social movements that emerged as key political in the new democratic regime have also played only a limited role in shaping the emergence of such policies. Key organisations representing the poor, such as the landless workers movements and unions strongly advocated for other types of policies, such as land reform and food distribution. In most cases, their favoured design was not a rules-based policy, but a replacement of discretionary powers awarded to local politicians and their brokers with similar prerogatives to be given to participatory councils formed by their own representatives. Nevertheless, when a government supported by these movements came to power, such ambitions were quickly quashed in favour of a continued expansion of policies based on more objective rules.

## Conclusion

In this chapter I described the process by which presidents gradually secured the powers to design social policies that favoured their own electoral priorities. The result has been a

gradual expansion of the number of beneficiaries of rules-based social policies designed to target the poor, regardless of which party happened to occupy the presidential palace.

The key to understanding why presidents that held office since the 1990s have managed to create policies that favour their own electoral interests, while their predecessors failed systematically lies in two key reforms. First, a new democratic constitution enacted in 1988 dramatically increased the powers of the presidency as well as the number people eligible to vote. The new charter gave successive presidents control over the key tools that local politicians need in order to make clientelism work: access to the public budget and control over appointments to the government bureaucracy. By cleverly using these powers, presidents managed to force legislators to support their agendas in a number of areas, including social policy. As one analyst put it, the post-1988 system is one where local politics is all about ‘the dispute for the privilege of supporting the central government’.<sup>66</sup> With their new toolkit, presidents are now able to cater to their large, national constituency and have been doing so by gradually expanding rules-based social programmes targeted at the poor.

While many have tried to explain how these rules-based policies came to exist,<sup>67</sup> a much less-studied phenomenon has been the continued relevance of clientelism. If presidents have incentives and the power to create rules-based policies, why is it that they did not work to extinguish clientelistic schemes in order to further increment funding for their programmatic policies? The answer is quite simple: while the reforms mentioned here did indeed create a powerful presidency with a stake in programmatic distribution, they did not change the fact that local politics remains dominated by clientelistic networks. And because in this new arrangement presidential power is heavily dependent on the executive’s ability to co-opt legislative support through the distribution of opportunities for clientelism and corruption – discretionary politics continues to take up a large share of the government’s budget.

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<sup>66</sup>Marcus André Melo, Disrepresentação Política e Reforma, *O Estado de São Paulo*, 14 Nov 2016.

<sup>67</sup>See previous section and Chapter One.



## Chapter 5

### Conclusion

Politicians in much Latin America have historically engaged in clientelistic redistribution, using government resources to reward loyal supporters and punish detractors. This thesis has recounted how – under the right circumstances – democratically-elected presidents may have the incentives to create programmatic distributive policies that depart from the traditional logic patron-client relationships. It has done so by looking in detail at the case of Brazil, a country where a succession of presidents from across the political spectrum have worked to strengthen the federal executive and thus create the conditions for the rise of a new generation of social policies that are based on objective rules, not personal connections.

The question of why societies transition from clientelistic distribution to rights-based social policies is one of the most important puzzles in political economy. Where politicians and their agents have discretionary powers to reward their loyal supporters with preferential access to social protection, democratic accountability suffers. Democratic governance rests on the principle that voters can reward or punish politicians based on their performance while in office. Clientelistic relationships turn the logic on its head: in patron-client relations, it is the politician who makes the decision to reward or punish the voter based on the latter's behaviour.<sup>1</sup> But this is not just a matter of principles. The lack of proper accountability means that politicians no longer have incentives to work to create public goods or to effectively fight the root causes of poverty and inequality. In extreme cases, the lack of proper accountability can become a threat to democracy itself.<sup>2</sup>

But how can countries remedy these problems? My theory is that presidents have every incentive to abandon clientelism and invest their political capital in programmatic income distribution. Presidents tend to design universalistic distributive policies. Their position as the only elected official in the country that is accountable to a large and heterogeneous constituency forces them to think in terms of national goals. The policy design most likely to favour presidents' political goals are rules-based social programmes.

But it is not just that presidents are the elected officials most likely to benefit from a transition from clientelism to programmatic redistribution. Presidents also pay much

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<sup>1</sup>Stokes (2005) aptly named this degeneration of democratic principles *perverse accountability*.

<sup>2</sup>Diaz-Cayeros and Magaloni (2009).

higher cost than legislators and local officials when they engage in clientelistic networks. The reason for this is that clientelism's personalistic nature makes it an inefficient strategy for politicians who must cater to very large numbers of voters in national elections. It is in essence a political exchange: politicians who exercise control over public funds or services promise voters in their districts that, in exchange for their support in the next election, they will receive preferential access to public resources. Voters for their part evaluate if they prefer to choose a candidate who better represents their policy preferences or to abdicate from making a programmatic choice in order to gain the special treatment that a patron can offer.

The problem is that politicians who desire to make clientelistic promises must find ways to make their commitments credible to potential clients. After all, potential clients know that the bargain is only possible because politicians have enormous discretionary powers and can decide to withdraw access to public resources from clients at any moment. Politicians are also wary of cheating by clients who take benefits from the clientelistic network and use the secrecy of the ballot box to vote for someone else. For this reason, patrons must hire brokers, who manage clientelistic networks, but also create inefficiencies in the process. Broker-based clientelism is a costly strategy that does not scale well, and presidents' large constituency makes the cost of engaging in such activities prohibitively high.

As we have seen in this dissertation, the emergence of rules-based policies is not the result of deep-seated ideological commitment held by the individuals who occupy the office of the president. Nor is it a consequence of some deep structural transformation in Brazilian society or of its economy. Rather, it is a product of institutional changes that have been building up since the late 1980s and early 1990s, changes that have significantly strengthened the hand of presidents vis-à-vis legislators and local officials. For the first time in Brazilian history, presidents are democratically elected by all adult citizens and thus have to cater to a large electorate. For them, clientelism is not a realistic option. As I discussed in Chapter Four, voting became compulsory for Brazilians over the age of 18 and under the age of 70 in 1988. Massive efforts to register citizens and to enforce compulsory voting throughout the country by the judiciary made the usual strategies of stopping voters from going to the polls essentially useless. Coercing voters is also much less common. The illiterate were given voting rights for the first time in the country's history and presidential and gubernatorial elections would now be decided in a runoff system, which forces candidates to broaden their appeal despite the significant party fragmentation that the country has traditionally experienced. The combination of these reforms means a lot more votes are required to elect a president than it was

previously the case. The closest presidential election to date saw Dilma Rousseff beat opposition candidate Aécio Neves by 3.28% of the popular vote. Although a slim margin, that difference represented 3.4 million votes, highlighting how presidential candidates must always deal in thousands or even millions of votes.

Having to cater to such a large and diverse constituency, successive presidents have seized each and every opportunity – from constitutional reforms to corruption scandals to global financial crises – to assert control over the design and the implementation of social policies in Brazil. Instead of building networks of party brokers and give them discretionary powers to award clients with preferential access to public resources, presidents will prefer to tie their own hands in order to make credible commitments to millions of people all at once. When presidents have done this, the results have been positive – not only for them, politically, but also for the poor. Investments in a rules-based system of social protection have benefited millions of families in Brazil over the last decade. The positive effects of the new wave of social policies are real. Studies on *Bolsa Família* indicated that the programme helped keep 5 million people out of extreme poverty and reduce the overall poverty rate in the country by 8 percentage points<sup>3</sup> Other works have shown it has increased school enrolment by 5.5 percentage points in grades 1 to 4 and by 6.5 percentage points in grades 5 to 8.<sup>4</sup>

But clientelism has not disappeared. Although weakened, it remains a potent force throughout the country and now exists alongside rules-based social policies. This is because – despite the dramatic changes in the electoral incentives faced by presidents – the logic of legislative elections has not changed significantly since the 1940s. Brazilians continue to choose their legislators in an open-list proportional representation system with very large districts and with generous public funding for small parties. This strongly favours fragmentation. In such a system, a few hundred votes can significantly improve a candidate’s position in the party list. Clientelism thus becomes an important part of each politician’s toolbox. In search of extra votes, members of Congress work to create the kinds of discretionary social policies that empower party brokers at the local level to reward loyal clients and punish dissenters. And for the same reason, legislators pass laws that give individual members of congress and local officials the discretionary powers they need to make clientelism work.

At the same, the fragmented system with weak parties makes presidents’ connection with party leaderships much weaker. Presidents cannot rely on a centralised party

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<sup>3</sup>Fultz and Francis (2013). On the effects of *Bolsa Família* on poverty in Brazil, see also Soares, Ribas and Osório (2010) and Campello and Neri (2014).

<sup>4</sup>Glewwe and Kassouf (2012). For more on *Bolsa Família* and education, see Cacciamali et al. (2010) and Melo and Duarte (2010).

structure to make alliances in order to take advantage of clientelistic network. This further strengthens their commitment towards universalistic policies.

In the rest of this concluding chapter I shall briefly explore how my ideas about the expansion of rules-based social policies can be applied to a number of other presidential democracies in Latin America. I am interested here in learning whether similar initiatives have existed in these countries and whether the argument in this study can help us account for such transformations. I then revisit a few alternative explanations that other analysts have put forth to explain these innovations. Finally, the last section of the chapter discusses some implications of this study for the scholarly debates about the political economy of clientelism and outline questions raised in this dissertation that require further work.

## **Extending the Argument**

The main contribution of this thesis is to highlight two key features of clientelistic bargains that make them attractive to legislators and local officials, but not to presidents. First, politicians wishing to strike clientelistic deals with voters face a time inconsistency problem. Therefore, clientelistic networks depend on personal connection between brokers and voters in order for credible commitments to be possible.<sup>5</sup> Second, presidents national and heterogeneous constituencies makes them uniquely averse to particularistic designs such as clientelism and drives them towards universalistic policy designs that strengthen their profiles as national leaders capable of delivering effective solutions to national issues such as poverty and inequality.

A critical question is whether the specific argument I have developed to make sense of Brazil's experience might also characterise and explain programmatic social policy expansion in other countries. In Chapter One I reviewed the broader literature on clientelism and its demise in developed and developing countries. Most historical analysis suggest gradual abandonment of broker-based clientelism by politicians as mass democracy consolidated. These works in general deal with transformations that happened (or that started) much before the creation of national welfare states. The literature also touches on cases of developed countries with deep histories of clientelism, such as Italy and Greece, where consistent growth, industrialisation, and urbanisation over the past decades have not brought about the end of traditional forms of redistribution. All these cases suggest that the rise of rules-based policies does not

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<sup>5</sup>Although the idea that politicians relinquish their discretionary powers and adopt rules-based policies to solve time inconsistency problems is not new – see Kydland and Prescott (1977) for example – my work is the first to apply this insight to the study of clientelism.

follow a predetermined path. Some countries gain significant wealth and consolidate democratic institutions before doing away with clientelism. Others appear to have done away with the practice very early in their democratic histories.

As my theory predicts, institutional incentives appear to play a significant role in each case. My analysis helps distinguish two important elements of clientelistic networks – their personalistic nature and the problem of dynamic inconsistency faced by their leaders. This in turn suggests possible solutions to deeply entrenched patron-client relationships: institutional designers must find creative ways to make credible clientelistic commitments difficult or impossible. In Brazil the framers of the 1988 constitution did this – inadvertently, it should be said – by giving unprecedented powers to the office of the president and at the same time by dramatically expanding the size and the diversity of presidential candidates’ constituency. The job of creating an institutional system that would be incompatible with clientelism remains incomplete because legislators and politicians in most local-level offices do not face the same difficulties that presidents do.

In this dissertation I have also pointed out that Brazil’s weak party structure, open-list electoral system, and unique rules about campaign finance that empower individual candidates over party leadership serve as a further incentive for presidents to push for universalistic policies that they can control from the top, instead of getting entangled in thousands of complicated alliances with local leaders.

As we see in other cases, where the rules provide for a much more powerful and centralised party oligarchy, presidents can become more dependent on their connections with their parties. Yet, even in such cases, presidentialism fundamentally drives presidents to seek independence from their own parties in the electoral arena.<sup>6</sup>

Although my study focused on Brazil’s experience, that country’s partial transition towards programmatic social policies is not in any way unique. A preliminary analysis suggests other middle income countries such as Argentina and Mexico have been going through similar processes. Below, I briefly analyse each of these cases as a way of probing my theory’s broader empirical reach.

## **Argentina**

Like Brazil, Argentina has a deep history of clientelism and vote buying that has shaped how governments design income redistribution. Argentine presidents, however, have been historically much weaker and dependent on powerful governors of provinces to

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<sup>6</sup>See, especially, Samuels and Shugart (2010), as well as my discussion of their argument in Chapter Two.

stay in power. The centralised party structure created by the Argentine electoral rules has historically made presidents' ability to push for universalistic policies much more limited. Presidents in Buenos Aires have also been vulnerable to coups and have struggled to finish their terms in office for most of the country's turbulent history.

Social policies in Argentina were first created for workers in the formal sector – those that had labour contracts and were unionised. For most formal sectors of the economy, benefits such as old age pensions and health insurance were first created in the 1920s and were consolidated in the 1940s. The rise of urban-based populist movements under the presidency of General Juan Perón (1946-1955), who sought to build a large popular base to support his regime, created strong incentives for formalisation and unionisation of workers and a modest expansion of social welfare beyond the formal sectors as the president attempted to use popular pressure to discourage coup plotters.<sup>7</sup>

The government shifted from a free trade policy orientation that favoured rural elites in the provinces to support import substitution industrialisation. Perón also encouraged migration from rural to urban areas and full employment policies. Social security was expanded and legislation extended rights of access to the self-employed and rural workers if they could afford to pay the contributions out of their own pockets. In practice, however, few could and so access to pension benefits was restricted to roughly half of the adult population in 1954.<sup>8</sup>

To those left outside, Perón organised limited anti-poverty policies at the national level for the first time by setting up the Eva Perón Foundation (named after his wife). This was in no way an attempt at creating rules-based policies, but instead to build a clientelistic base for the president that mirrored the kinds of initiatives that existed in the provinces and that were routinely used by governors. The Eva Perón Foundation embraced the model of social policy as charity, encouraging business owners receiving subsidies from the government to donate to the Foundation, which in turn would give away foodstuffs, clothing and provide basic services to voters. There were rampant allegations of corruption in the press.<sup>9</sup>

Attempts by Perón and many that came after him to build a clientelistic following mirrored what happened in Brazil under Vargas between 1930 and 1945. As in Brazil, Perón could engage in attempts to build his own clientelistic networks because he did not preside over a democracy. Checks on executive power by an independent judiciary or the legislature were all but absent. Voting rights were restricted and the use of violence to coerce voters and even outright fraud were commonplace. Perón's real goal was not

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<sup>7</sup>Horowitz (1990); Di Tella (2003); Doyon (2006).

<sup>8</sup>Feldman, Golbert and Isuani (1988).

<sup>9</sup>Horowitz (1999).

to establish clientelistic networks to win an open election, but instead to build a loyal following that would strengthen his position within the electorate that could overthrow him, especially the military and provincial governors.<sup>10</sup>

The Argentine centralised system of powerful parties controlled by regional leaders, however, created a situation that was different from that of Brazil. Unlike Perón, Vargas managed to greatly weaken Brazilian regional bosses by adopting an open-list proportional representation system. As a result, party oligarchies became much more fragmented and this weakened their influence over the president. As I show in the previous chapter, Vargas' electoral reforms greatly contributed to strengthening presidents' independent position in Brazil. Unable to rely on alliances with a myriad of local bosses, all presidents that came after Vargas used their powers to establish an independent position vis-à-vis legislators and impose rules-based distributive policies.

In Argentina, however, clientelistic networks have remained dependent on a centralised party structure for resources, and this in turn created a much closer relationship of mutual dependency between presidents and regional oligarchies. Presidents, therefore, have been largely unable to solve their ambiguous position as both the only national elected officials that must develop universalistic and effective policies to establish themselves in a position of leadership and as agents of a constellation of parochial forces that sustain their parties on the ground.

Perón was overthrown by a military coup in 1955. Few social policy reforms were undertaken between 1955 and the establishment of democracy in 1983. The military closed down the Foundation set up by Perón to run charitable programmes and focused its efforts on the expansion of benefits for workers in the formal sector. Purchasing private health insurance was made mandatory for all formal workers and pension benefit rules were standardised across different sectors of the economy. Elections were held in 1958 and the elected president Arturo Frondizi, was ousted by a military coup in 1962. A new election was called in 1963 in which Peronists were not allowed to run for office. Arturo Umberto Illia, a member of the centre-right Radical Party was elected and duly became president on that same year, only to be overthrown by a military coup in 1966 after promising modest increases in social protection targeted at the poor. There was a brief opening in 1973 that saw Perón returning to the presidency and dying in office. He was succeeded by his wife (and vice-president) Isabel, who was in turn ousted by a fresh military coup in 1976. The military would stay in power until 1983, making this the longest period of uninterrupted military rule in modern Argentine history.<sup>11</sup>

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<sup>10</sup>On the comparison between Perón and Vargas, see Groppo (2013).

<sup>11</sup>On the causes of political instability in Argentina during this period, see Portantiero and Mora y Araujo (1989).

The end of the military regime in 1983 after the country's defeat of the Falklands/Malvinas War brought hopes of true democracy in Argentina without military intervention. Presidents, however, remained weak and overly dependent on the support of regional leaders, who in turn maintained their influence in the legislature. In a sense, Argentine democratisation is the counterpoint to that of Brazil: while Brazilians decided to rewrite their constitution to strengthen the presidency in order to avoid the kinds of political instability that most countries experienced throughout the second half of the 20<sup>th</sup> century, the Argentine transition saw a return to the order established in the 1853 Constitution, which strongly favours decentralisation and limits the powers of presidents.

It is not surprising that most social programmes created in the immediate period after democratisation gave significant discretionary powers to politicians and put local officials – especially governors – firmly in control. Raul Alfonsín (1983-1989) was the first president elected after the end of the dictatorship. During his tenure in office the federal government returned to the traditional practice of funding food handout programmes run by provincial governments. The policy was first called *Programa Alimentario Nacional* (National Food Programme, or PAN) and was put in place in 1983. It was first a presidential initiative designed by Alfonsín's team and modelled after the US Food Stamps system. The law that created PAN provided for the collection of data by the central government to produce a 'map of poverty' in order to locate eligible families.

The PAN's rules-based nature was a political gamble by Alfonsín. A member of the centre-right Radical Party, he sought to reach out to the poorest Argentines that traditionally supported the many Peronist parties. Yet the implementation of the programme was marked by clientelism and PAN was quickly taken over by political appointees in the local bureaucracies. When the programme was announced it was met with severe criticism by provincial officials who condemned it as a violation of their constitutional autonomy and an overreach by the federal government. Facing pressure from the senators – who were at the time appointed by governors, not directly elected – Alfonsín allowed changes in the PAN's rules that effectively took the federal government out of the programme's management. Specifically, the changes imposed by the Senate allowed governors to appoint PAN agents in each municipality and gave them discretionary powers to nominate beneficiaries when data from the 'map of poverty' was deemed 'incomplete or incoherent'. Because the information necessary to complete the 'map of poverty' had to come from provincial statistical agencies and the federal government could only collect limited data through the decennial census, this gave PAN agents – in effect, clientelistic brokers – immense power.<sup>12</sup>

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<sup>12</sup>On the difficulties of creating a 'map of poverty' and the conflict between governors and the president



As a result of the political pressure exerted by the Senate, the federal government was limited to funding the acquisition of food boxes that would immediately be shipped to each provincial office and, from there, to agents in each municipality. Alfonsín's attempt to use this as a way to appeal to his own national constituency failed as the opposition seized on the opportunity to denounce PAN as a clientelistic manoeuvre by the president. Alfonsín's party lost the 1987 midterm election and the Peronist candidate Carlos Menem won the 1989 presidential elections.

Menem scrapped PAN in 1990, intending to replace it with his own programme: *Bono Solidario* (Solidarity Bonus, BS). Again, Menem faced resistance from the Senate, which blocked BS and challenged the government to send a bill for a decentralised social programme. Unable to force his own social policy agenda through Congress, Menem effectively left the issue at the hands of governors as he focused his political capital on an unprecedented liberalisation and privatisation programme that was happening in the country at the time.<sup>13</sup>

Menem finished his term in office in the midst of a deep financial crisis. One of the important outcomes of the crisis, however, was a constitutional reform enacted in 1994. While this reform is usually interpreted as having weakened Argentine presidents because of a provision that reduced their terms from six years to only four, it in fact strengthened their hands and paved the way for a moderate expansion of the role of the federal government in social policy. The Senate – a longtime bastion of governors that worked to block federal social policies under Alfonsín and Menem – would be directly elected instead of appointed by provincial governors. Most importantly, however, presidents gained the authority to issue emergency decrees (officially *Decretos de Necesidad y Urgencia*, or Necessity and Urgency Decree) that would come into force immediately after promulgated and remain valid while they were debated in Congress. The instrument is similar – and based on – Brazil's *medidas provisórias*, which presidents in that country used effectively to force through many important social policy reforms. The reader will recall, for example, that *Bolsa Família*, Brazil's signature rules-based conditional cash transfer, was created by President Lula in 2003 using his emergency decree powers. That decree was only approved by Congress in 2004, months after beneficiaries started receiving their cards. The same is true of its predecessor, *Bolsa Escola*, that was created by an emergency decree in 2001, but ratified by Congress on that same year.<sup>14</sup>

Menem's successor, Fernando de la Rúa (1990-2001) had to implement unpopular

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for the control of PAN, see Garay (2010) p. 45-49.

<sup>13</sup>Levitsky (2003).

<sup>14</sup>See previous chapter.

austerity measures that meant cuts in all forms of government spending to deal with the acute financial crises that that Argentina experienced at the time. Following what was happening in Brazil and Mexico, the Argentine government considered creating a conditional cash transfer programme in 2001 as part of a broad strategy to deal with social unrest and rising poverty that resulted from the successive financial crises that happened in Argentina between the early 1990s and early 2000s. Under De la Rúa, the government finally decided on a programme called *Jefes de Hogar* (Heads of Household), which did not follow the traditional CCT model, but instead provided income support for the unemployed. A pilot was launched by the government with 3.000 beneficiaries in 2001. Politically weak and faced with dismal approval ratings, De la Rúa did not follow through with his *Jefes de Hogar* design but instead issued an emergency decree in 2001 setting up what he called the ‘Argentine Plan’ to significantly boost social spending and fight poverty. It consisted primarily of a series of initiatives to extend family allowances, school grants and other benefits payed to formal sector workers to the unemployed and to those in the informal economy and would mean a significant boost in social spending reaching the poorest in Argentine society.

The emergency decree was quashed by the courts in months and De la Rúa resigned the presidency in December 2001, unable to transform the role of the federal government in anti-poverty programmes as he intended. After the next three men in the presidential line of succession declined to take office, Eduardo Duhalde, governor of Buenos Aires, was elected by Congress to finish De la Rúa’s term.

Duhalde would govern until 2002 and one of his first measures was to issue an emergency decree extending *Jefes de Hogar* to the entire country. Under this programme the government would provide a cash transfer of 150 pesos a month to each eligible individual, which at the time represented about half of the mean household income per capita in Argentina in 2002. Those deemed eligible to participate were unemployed household heads with children under age 18 or with people with disabilities. Unlike his predecessors, Duhalde managed to use his emergency powers to resist appeals by Congress to decentralise the programme. For the most part, his proposed design was accepted by the legislature and the programme remained under the federal government’s control.<sup>15</sup> Still, weakened by the ongoing financial crisis and by his unpopular decision to revoke the longstanding peg between the Argentine peso and the US dollar, Duhalde resigned in 2003, paving way for early elections that saw Nestor Kirchner, the Peronist governor of the province of Santa Cruz, chosen as president.

When Kirchner took office, Argentina was undergoing a period of great political

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<sup>15</sup>Garay (2010), pp. 69-70.

instability. Brazil had already consolidated stable democratic institutions at that point, and the presidents in Brasília had accumulated great power. In Buenos Aires, by contrast, presidents were weak and their hold on what little power they enjoyed was tenuous. Several presidents were forced to resign amidst social protests, unable to make structural reforms. Of the seven presidents that preceded Kirchner, only two had finished their terms in office (namely Alfonsín and Menem). On the one hand, these presidents faced strong pressure from organised groups that resisted economic reforms. On the other, they faced pressure from regional leaders that confronted presidents when they attempted to strengthen their political position in order to cater to their national constituencies. Their ambiguous position as national leaders that were at the same time dependent on parochial interests of strong parties worked to further undermine their political position.

Kirchner, however, was much more successful in appeasing his opposition by giving it exactly what it wanted: resources for clientelistic deals. Taking advantage of the first years of the commodities boom and the fiscal adjustment already undertaken by Duhalde, Kirchner shifted from confronting regional leaders to appeasing them. He greatly expanded public sector jobs in the federal government and used them to give patronage to leaders of social movements that had organised mass protests against his predecessors. Provincial governors were allowed to do the same with resources from increased federal transfers.

With increased revenue from the commodities boom, Kirchner worked to please both the powerful groups that demanded patronage and clientelism spending as well as to boost policies that favoured his own political goals. *Jefes de Hogar* was greatly expanded to become the largest anti-poverty programme of the federal government and the federal government invested heavily on universal subsidies. The process of social spending increases continued after Kirchner's death in 2010, when his wife Cristina took over the office.<sup>16</sup>

Argentina's story shows how the evolution of rules-based policies can be much more difficult with weaker presidents. Unlike in the case of Brazil's transition to democracy, Argentine reformers chose not to give the presidents the power to cater to their large, national constituency. Instead, they created a political system that was a return to the past, one that put provincial governors back in a position to effectively block any initiatives by the federal government they disliked. Both the economic crises of the 1990s and the commodities boom of the 2000s helped create the conditions for presidents to appease demands for clientelistic spending and patronage and for a limited expansion of rules-

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<sup>16</sup>For in-depth analysis of *Jefes de Hogar* and its effectiveness, see Kostzer (2008) and Rabi (2011).

based income redistribution.

As stated above, the case of Argentina is particularly relevant to my argument because of its electoral system. In Argentina, the political system is in many ways similar to that of Brazil – a presidential federation with proportional representation. Unlike Brazil, however, Argentina uses a closed-list proportional representation system. This voting method greatly empowers parties and thus allows us to examine to what extent strong party brands can change legislators' incentives.

Unfortunately, closed-list proportional representation appears to do little to dissuade clientelistic behaviour. Argentine legislators are greatly dependent on local politics dynamics to gain a good position on the party list in their home districts. To gain favour with their local parties, legislators must work with governors and other local officials to secure resources for clientelistic arrangements.<sup>17</sup> The main difference is just that Brazilian legislators must do much of the work individually, while their counterparts to the south have stronger incentives to work together to build and maintain the same clientelistic networks.

## Mexico

Like Brazil and Argentina, Mexico only first developed welfare programmes for some politically important groups. Some powerful labour unions managed to secure government subsidised pensions in the 1930s<sup>18</sup> Other industrial workers were later contemplated with pension and healthcare services with the creation of the Mexican Institute of Social Security in 1943. Civil Servants gained the same benefits in the 1960s.

But just like in the rest of Latin America, the rural sector represented the vast majority of the population and was not covered by existing welfare schemes. Mexico was an exceptional case in the region in the sense that it created a vast land reform programme in the 1930s.<sup>19</sup> In fact, the Mexican constitution of 1917 – a document designed to mark the end of a civil war and to consolidate Mexico's one-party oligarchy – established that all land belonged to the state and that the government would be in charge of redistributing it. Land grants were made in the form of *ejidos* – communal land tenure arrangement. When the land reform programme ended in 1991, 52% of the territory of Mexico had been redistributed.<sup>20</sup>

Mexico's land reform was famously clientelistic and played a key role in the regime

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<sup>17</sup>See Spiller and Tommasi (2009) on the importance of alliances between governors and legislators.

<sup>18</sup>Mesa-Lago (1989).

<sup>19</sup>Uruguay, Colombia, Chile, and the Dominican Republic had some land reform in the early decades of the 20th century, but not in the same scale as Mexico. See Albertus (2015).

<sup>20</sup>Binder (2015).

established around the *Partido Revolucionario Institucional*, or PRI, which ruled the country uninterruptedly from 1929 to 2000. Kevin Middlebrook describes the enormous discretionary powers that politicians had and how they used the programme as a tool to maintain political control of peasant organisations:

Federal regulation of land tenure arrangements (including the promise/threat of land expropriation and distribution under the terms of post-revolutionary agrarian reform legislation), management of extensive credit and marketing facilities, and the hierarchical organization of rural producers (especially agrarian reform beneficiaries) through ‘official’ party-affiliated associations [...] all provided governing elites with strong political controls –and for several decades a reservoir of real popular support in the countryside.<sup>21</sup>

Clientelistic distribution of land happened mainly through local governments. Those wishing to be allocated to a communal plot had to petition their local governments, who in turn submitted the paperwork to the federal government in Mexico City. Local governments had significant discretion over which requests they would recommend to the federal government and when, while the central authorities had their own discretionary power to grant the requests they wanted and deny those they did not.

Mexico’s land reform programme was part of a broader system of rural clientelism that itself was an integral part of the ruling party’s strategy to remain in power. Local and national governments also exercised great discretion over agricultural credit<sup>22</sup> or irrigation projects. While the oligarchic political systems of Brazil, Argentina, and Chile in the early decades of the 20th century allowed the political elite to exercise control of the countryside through a mixture of violence, voter fraud, and distribution of patronage to the landed elites, in Mexico, clientelism played a much more important role.<sup>23</sup>

Similar to what happened in Brazil, Chile, and Argentina during periods of authoritarian government, distribution in Mexico under the PRI system tended to privilege powerful interest groups. Depending on the nature of the regime, different sectors tend to be privileged by autocracies: public sector employees, labour unions, the military, and other powerful groups have historically gained access to resources that were not available to the mass of poor citizens in Latin American autocracies. Shifts in social spending towards the poor tended to use highly discretionary policy designs and

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<sup>21</sup>Middlebrook (2004) *apud* Diaz-Cayeros, Estevez and Magaloni (2012), p. 51.

<sup>22</sup>It is important to note here that land could not be used as collateral, as it was not owned by the peasants themselves.

<sup>23</sup>Albertus et al. (2016).

be a result of the elite's fear of revolt. Mexico's land reform programme is possibly the best example of this phenomenon.<sup>24</sup>

The single-party clientelistic system began to break up in rural areas in the 1980s and 1990s.<sup>25</sup> By then, Mexico was mostly an urban nation and a smaller proportion of the population depended on the networks created by the regime in the rural areas. After nearly losing two elections, the PRI shifted its distributive strategy. President Carlos Salinas (1988-1994) created the *Programa Nacional de Solidaridad* (National Solidarity Programme, or Pronasol) with the stated goal of fighting poverty. Yet, Pronasol's real goal was to strengthen the PRI's clientelistic hold over poor voters.

Pronasol was a highly decentralised programme. The federal government sought to provide funds directly to municipalities based on proposals submitted by local governments and civil society organisations. In practice, both at the local and the national levels, politicians enjoyed a lot of discretionary power to choose which projects would receive funding and which would not.<sup>26</sup> But Pronasol was only the last grasp of the single party system set up by PRI. After nearly losing the election, President Salinas struck a deal with the main opposition party, PAN, to enact electoral reforms that would boost transparency and curb widespread voter fraud.<sup>27</sup>

The creation of Pronasol illustrates how the emergence of rules-based social policies depends on presidents being able to cater to their national electorates independently of party structures dominated by local political leaders. In Mexico, presidents were able to focus on large-scale clientelistic programmes when they could focus on winning competitive elections, instead of devoting their energies to quashing revolt and keeping their selectorates satisfied. The evidence from Brazil laid out in the previous chapter shows that a similar reality existed in that country as well. Brazilian rulers between 1889 and 1964 embraced patronage and clientelism because their concern was not with winning elections, but with preserving the integrity of the machines that held real power in the country. In these systems, the president's most important job is not to cater to a national constituency, but rather to maintain stability by balancing the often conflicting demands of the powerful corporations and regional bosses that are part of the selectorate.

The combination of electoral reforms and economic crisis in the 1990s dramatically changed the incentives faced by Mexican presidents. Salinas' successor as head of state was Ernesto Zedillo (1994-2000). Zedillo knew that the PRI system was unsustainable

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<sup>24</sup>Albertus (2015).

<sup>25</sup>Bruhn (1997); Magaloni (2006).

<sup>26</sup>Diaz-Cayeros, Estévez and Magaloni (2016), Chapter Four.

<sup>27</sup>Most significantly, the reforms guaranteed the independence of the Electoral Federal Institute. See Magaloni (2006), esp. Chapter 9.

after the reforms enacted by his predecessor. The PRI had lost regional elections in the more populous states and did not have a majority in the lower house of Congress anymore. Faced for the first time with real electoral competition, Zedillo dismantled the clientelistic Pronasol and created the *Programa de Educación, Salud y Alimentación* (Programme for Education, Health and Feeding), or Progresa), the first large-scale conditional cash transfer programme in the world. Progresa was fundamentally a rules-based anti-poverty programme that changed the logic of poverty alleviation in Mexico and created an example that would be emulated in many other countries, including Brazil.<sup>28</sup>

To open the way to the creation of rules-based redistribution, Mexico did not need to award more formal powers to presidents. Instead, it required a transformation in the political system to make them more independent of parties' localistic leaderships. Once Zedillo was forced to choose between doing what was best for the PRI leadership at the local level and his own political position as a national leader, he chose the latter. Likewise, his successors continued to reform and expand this system even after the PRI was defeated in the ballot box and succeeded by the centre-left PAN. This change marked the dissociation between the political future of presidents and that of local leaders. Once only available to those living in rural areas, Progresa was later expanded into a nationwide programme and renamed *Oportunidades* by Zedillo's successor, Vicente Fox (2000-2006) and later again had its name changed to *Prospera* after the PRI returned to power democratically with the election of Enrique Peña in 2012.<sup>29</sup>

## **Assessing alternative explanations**

The expansion of rules-based social policies is not just a hallmark of Brazil. The same historical dynamic can be found in countries throughout Latin America and indeed in the rest of the developing world. My theory is that what is driving much of this innovation is presidential power. Powerful national leaders, lacking the ability to enter into individualised clientelistic bargains, have an incentive to adopt programmatic distributive programmes based on objective rules, not personal connections. Democratisation and economic growth are important factors as well, but they tell us only part of the story. Furthermore, I have not found any evidence to support the view that left-wing parties are the driving force in this process. In what follows, I will discuss each of these arguments and explain why previous theories are insufficient to fully explain recent transformations

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<sup>28</sup>De La O (2015) provides the most comprehensive analysis of Progresa and how it evolved into a national programme under the name *Oportunidades*.

<sup>29</sup>The name of the programme changed only in 2014.

in social policy.

### **Clientelism as a legacy of authoritarianism**

The argument that the transition towards democracy forces countries abandon clientelistic practices in favour of programmatic policies is simple. The proponents of this theory have argued that clientelism is so prevalent in Latin America and in other parts of the developing world because these countries have a strong institutional legacy of authoritarianism. Authoritarian leaders do not have the need or the inclination to tie their own hands with rules-based distributive policies. In fact, discretionary social programmes can be a powerful tool that autocrats use to gain the support of key actors that sustain the regime: the military, regional leaders, religious groups, and so on. After all, dictators are not subject to elections – or, at least not to the kind that is free and fair.<sup>30</sup> Once democratic institutions are created and take root, politicians will depend on the support of the mass of (mostly poor) voters to remain in office. Democratic accountability will diminish the power of groups and eventually force leaders to replace wasteful clientelistic spending with either rules-based targeted programmes designed to reach the poor or with universalistic systems that create public goods.

My argument in this dissertation is not that this democracy is irrelevant to explain the creation of rules-based social policies, but rather that it is not sufficient. Many countries of Latin America began a slow transition towards democracy in the 1980s and the 1990s, yet clientelism continues to be a persistent phenomenon throughout the region. Indeed, the same is true of other regions of the world that have experienced a shift towards democracy in recent decades, such as Eastern Europe. We have seen in previous chapters how clientelism remains an important tool for Brazilian politicians and how it has shaped most political institutions in that country.

Those elected to the Brazilian Congress and for many local offices in the country will quickly find out that they have discretionary powers over a significant share of social spending and that they can use those resources to build a loyal following of voters. In the previous chapters we saw evidence of how effective this can be for legislators in Brazil and of how these networks function in practice. I have shown that in Brazil – as in many other similar political systems – institutions are designed in such a way that there is only one elected official in the country that cannot directly take advantage of clientelism: presidents. While a small number of loyal voters will make a difference in legislative and local elections, they are not worth the effort for presidents.

Competitive elections are a necessary condition for countries to move away from

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<sup>30</sup>Blaydes (2011).



clientelistic policies, but they are not sufficient. For rules-based policies to emerge the political system must create the right incentives for politicians to get rid of these remnants of authoritarianism, instead of continuing to take advantage of patron-client relations under a democratic system. We have seen how the framers of Brazil's post-1988 political system created rules that turned presidents into agents of transformation and the main opponents of clientelistic systems. However, this system also ensured that presidents remain dependent on legislators who are often rewarded for effectively channelling discretionary spending through their own clientelistic networks. The result is what we see here: an incomplete transition towards programmatic social policies.

### **Economic growth as a solution to clientelism**

Another theory attributes the decline of clientelism to rising prosperity and economic growth. Here, too, however, I find little support for this alternative explanation. Fuelled by an unprecedented commodities boom, Brazil experienced one of the most impressive periods of economic growth in its history between 2002 and 2014. Yet, the statistical models in Chapter 3 do not show any evidence that clientelistic policies are losing their electoral appeal. Despite their increased wealth, Brazilians are not defecting en masse from patron-client arrangements and, not surprisingly, legislators have continued to fund them. The qualitative evidence collected primarily during the 2014 elections largely corroborates these findings.

There are many possible interpretations for this. First, it could be that voters do not demand clientelism because they are poor and have no choice, but rather because it is personally advantageous for them to gain the privileged access to state resources that a relationship with a patron can provide. It may be that it is more expensive for patrons to cater to clients as they become wealthier, but if the government funding available for clientelism rises in the same proportion, voters' affluence never becomes a problem. Or, it could be that there is a tipping point at which clients are wealthy enough to rebel against patrons and it has not yet been reached in Brazil or even in wealthier Latin American nations, such as Argentina and Uruguay. Another alternative still is that clientelistic institutions are resilient and, even if they are more likely to appear in poorer societies, it takes more than economic growth to cause institutional change.

## **The rise of leftist parties breaks clientelistic links**

Finally, I also found little support for a third alternative theory – the theory that puts left-wing parties in the driver’s seat, giving them credit for the turn away from clientelistic policies and towards programmatic redistribution. In fact, there is ample evidence that centre-right presidents invested their political capital in rules-based policies *and* that centre-left parties benefited systematically from clientelistic policies.

As I discuss in Chapter One, it is well-known that the rise of the left had a strong impact on European welfare institutions. These parties helped mobilise poor voters, turning them into a political force that could no longer be ignored by conservatives and liberals. Arguably, one of the consequences of this process was the creation of the modern European welfare state.<sup>31</sup> In Latin America, however, left wing parties were either outlawed or had a strong populist and sometimes authoritarian base. It was only after the end of the Cold War and when the military dictatorships fell in many key countries that one sees a fertile ground for the rise of a left based on bottom-up mobilisation of the poor around a political platform. The Workers’ Party in Brazil is the clear example that is pertinent to this dissertation, but others exist in the region. The *Frente Amplio* in Uruguay and the *Concertación* in Chile are instances of the post-Cold War left groups that are at the same time democratic and non-populist.

Yet it makes sense that left-wing parties will – like all others – behave in ways that are consistent with the existing institutions of the country. Modern research on clientelism acknowledges that the link between the rise of the left in Europe and the shift away from patron-client arrangements is more complex than previously thought.<sup>32</sup> In Brazil and throughout much of Latin America, left-wing parties had strong incentives to replicate clientelistic practices adopted by other political groups and clientelistic networks.

Recent judicial investigations in Brazil exemplify how left wing parties have reason to follow the same patterns set by their centrist or right-wing competitors. The so-called Operation Car Wash started out in March 2014 as a routine investigation into a group of businessmen who used gas stations with car wash services in the southern state of Paraná to launder money. But investigators bumped into operators who turned out to be also involved in a massive corruption scheme inside Petrobrás, the government’s oil monopoly. As the enquiry progressed, prosecutors began to unearth a trove of evidence implicating not only high-tiered people inside the oil company, but also construction sector giants with government contracts and political parties across the board. As detailed in the previous chapter, their goal was a mixture of personal gain and securing

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<sup>31</sup>See literature review in Chapter One.

<sup>32</sup>Hopkin and Mastropaolo (2001).

funds for politicians' electoral strategies, including maintaining clientelistic networks. These arrangements brought together Brazil's most powerful left-wing outfit – the Workers' Party – and traditional centrist and even right wing groups that support the government in congress. The evidence collected by investigators are a strong indication that the incentives faced by left- and right-wing parties is more similar than they may appear at first.<sup>33</sup>

## **Implications for the study of Latin American politics and future work**

I have just explained why my theory does a better job of accounting for the decline of clientelism than the main alternative theories that exist in the literature. But how does the argument advanced in this study relate to the broader literature on the politics of social protection in developing countries? My argument builds on theories of clientelism and institutional design that have highlighted the role of income redistribution as a tool that politicians have to gain electoral support. In Latin America, high levels of poverty and inequality have long been major policy concerns and political elites have often failed to provide effective answers. This unfortunate reality has often been associated with phenomena such as populism, violent revolts, lack of popular support for democracy. Below I point out some implications for the academic literature and for the political debate that emerge from the findings reported here.

### **The dangers of decentralisation**

Proponents of political decentralisation have often claimed that local solutions can be more effective because politicians at the local level have better knowledge of the reality of their constituents and are thus better positioned to create effective solutions.<sup>34</sup> The findings in this dissertation serve as a note of caution, not because I question the ability of local political entrepreneurs to identify what their communities want. Political entrepreneurs at the local level are exceptionally skilled at finding out what citizens want. The problem is when they use that knowledge – their intimate familiarity with local demands and interests – for their own purposes, and for the purposes of their patrons as well. Rather than encouraging democratic accountability, decentralisation can end up preventing it.

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<sup>33</sup>Much of the evidence connecting the Car Wash investigations and clientelism has been leaked to the press. See, for example, Raquel Landim, A Odebrecht e o desmonte do Estado clientelista, *Folha de São Paulo*, 16 Jun 2016; Mino Carta and Rodrigo Martins, Um governo socialista não pode se submeter à lógica clientelista, *Carta Capital*, 19 Ago 2016; João Fellet, Política brasileira precisa da corrupção para funcionar, diz pesquisador, *BBC Brasil*, 18 May 2016.

<sup>34</sup>Bird and Smart (2002); Faguet (2004), *inter alia*.

The advice here is simple: those in charge of designing social programmes must be accountable to a large section of the electorate, not to small groups that can easily be coopted with clientelism. The framers of Brazil's post-dictatorship political system chose to balance a weak and fragmented party system with strong presidents. As a result, instead of delegating the choices about how to use social spending to local communities as the advocates of decentralisation propose, these presidents effectively centralised these programmes as much as they could, tying the hands of local officials with complex rules so as to give them only minimum discretion. Local politics, however, remains fertile ground for clientelistic arrangements.

The challenge to those proposing more decentralisation in the developing world is to take account of the long history of clientelism that most developing societies have endured and of how strong patron-client ties shape local politics. This is not to say that decentralisation will always result in more clientelism. Some developed nations managed to do away with large-scale clientelism a long time ago despite having highly decentralised political systems.<sup>35</sup> It is also true that there are drawbacks to centralised programmes. Following the advice of the technocrats in Brasília, presidents designed rulebooks that have to be applied uniformly in an incredibly diverse country of 210 million people, taking virtually no account of local specificities. This may not be the most effective way of addressing issues of poverty and inequality, but it is preferable to widespread clientelism.

### **The nature of 'coalition presidentialism'**

One of the fundamental ideas that underpins analyses of contemporary Latin American political systems is the concept of 'coalition presidentialism'. According to these theories, presidentialism can work well with fragmented parliaments in many countries in the region because these presidents have a diverse set of tools that they can use to build majorities, much as prime ministers do in parliamentary systems. Much of my own analysis has been influenced by this idea: Brazilian presidents are indeed powerful and capable of creating political stability by coopting members of the nation's 'reactive' legislature.<sup>36</sup>

Missing from the story, however, is any meaningful debate about what are the costs of

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<sup>35</sup>Indeed, the history of countries such as Switzerland, Spain, and Germany suggests that it is possible for a rules-based welfare state to emerge in environments where local authorities are powerful and enjoy significant autonomy. But in cases such as these I suggest that there are strong institutions linking the electoral fortunes of local leaders to outcomes at the national level.

<sup>36</sup>On reactive legislatures, see Cox and Morgenstern (2001) The most prominent statement of the 'coalition presidentialism' hypothesis is Figueiredo and Limongi (1999).

presidents giving legislators what they want. After all, coalition presidentialism assumes that any programmatic agenda that legislators might have will largely be subsumed under the president's broader political platform. And because legislators know that they are too weak to deliver on any substantial policy issue, they will have to find other ways to differentiate themselves from their many competitors. Clientelistic redistribution is one of the many things that legislators may demand, but there are potentially many other situations in which the use by presidents of their tools of coalition formation may have contributed to sub-optimal policy outcomes. Recent work by Aldo Musacchio and Sergio Lazzarini, for example, discusses the relevance of state subsidies to firms for presidents' strategies of coalition building and how this practice has undermined long-term economic growth in Brazil.<sup>37</sup>

The quality of governance under 'coalition presidentialism' remains understudied and the literature too narrowly focused on discussing under what conditions such systems are stable and how effective they can be in delivering governance without gridlock. Further work on coalition presidentialism could examine, for example, if presidential systems face a trade-off between having a reactive assembly where legislators easily relinquish their political agendas in favour of the president's and focus all their energy on sub-optimal personalistic pursuits (like clientelism), and a traditional presidential system where legislators fear compromising and joining the president's majoritarian agenda because they have their own party's national platform to follow and thus the country faces constant gridlock.

## **Future Work**

There are many questions raised here that deserve further study. In my view, the most important one is about the extent to which the theory outlined here can be applied to other presidential democracies. While the the dissertation has provided an in-depth look at one country, this chapter has also presented shorter case studies of Argentina and Mexico. As I explained earlier, the evidence from these two additional countries provided an encouraging robustness check of the main findings presented here. These outlines only scratch the surface, however, and do not constitute a definitive test of the theory. Further quantitative and qualitative work needs to be done to determine if presidential power has been the key driver of the creation of rules-based income redistribution in these and in other developing presidential democracies.

In-depth study of other presidential democracies would be particularly helpful in refining the role that different party systems may play in encouraging either clientelistic

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<sup>37</sup>Musacchio and Lazzarini (2014).

or programmatic distribution. In the case of Brazil, the weak party system provides incentives for personalistic relations of which clientelism is just one prominent example. I have argued in this dissertation that stronger national parties and a different electoral system can make presidents' role as a champion of universalistic policies more ambiguous. However, I have also argued here that presidents are never perfect agents of their parties, and have independent incentives to push for rules-based policies in order to cater to their national constituencies.

It is also necessary to study whether the tension between politicians who have a national constituency and those that have their political future tied to local politics also shapes the dynamics of anti-poverty spending in parliamentary systems. In theory, by fusing together the executive and legislative branches, parliamentary systems can either put a weak executive at the mercy of a parliament dominated by political entrepreneurs whose priorities are rooted to the dynamics of local politics or force legislators to abandon their parochial agendas to work towards the national priorities of a strong cabinet. This work would be relevant because many developing countries in places such as Eastern Europe and Asia have embraced parliamentary democracies and still face the challenges of curtailing clientelistic distribution. In the case of Brazil, the political turmoil that has engulfed the country since the impeachment of President Dilma Rousseff has inspired some proponents of electoral reform to advocate for a return to a parliamentary system, where heads of government would be able to threaten parliamentarians with a general elections if too many of them strayed from the government's majoritarian mandate.<sup>38</sup> Without further study of clientelistic incentives in parliamentary democracies there is no way to say if this reform could indeed help Brazil address clientelism and other related issues, like corruption.

I am eager to further explore the role of variables that may affect the likelihood of voters joining – or rebelling against – clientelistic networks in order to build an even more complete theory of patron-client dynamics. The model outlined in Chapter Two does not address this issue directly, stating only that voters make a judgement of whether or not they value their vote more than they do the offer of privileged access of state resources that membership in a clientelistic network entails. One could consider, for example, the role of strong and independent civil society organisations that help voters organise outside clientelistic networks and thus increase the benefits of remaining outside patron-client arrangements.

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<sup>38</sup>Isabela Bonfim, Senador tucano apresenta PEC que institui parlamentarismo no Brasil, *O Estado de São Paulo*, 09 Mar 2016; Erich Decat, Documento do PSDB a Temer propõe implantação do parlamentarismo, *O Estado de São Paulo*, 02 May 2016; Michel Temer não descarta propor implantação do parlamentarismo a partir de 2018, *Zero Hora*, 03 May 2016.

# Appendices

## Appendix A List of Presidents of Brazil, 1889-2016

Years	Name	Party	Votes	Main Challenger's Votes
1889-1891	M. Deodoro da Fonseca	none (military)	none ( <i>coup d'etat</i> )	none
1891-1894	Floriano Peixoto	none (military)	none (predecessor resigned)	none
1894-1898	Prudente de Morais	Republican	290.883 (88,38%)	38.291 (11,32%)
1898-1902	M. de Campos Salles	São Paulo Republican	420.286 (91,52%)	38.929 (8,48%)
1902-1906	F. Rodrigues Alves	São Paulo Republican	592.039 (93,30%)	42.542 (6,70%)
1906-1909	Afonso Pena	Minas Gerais Republican	288.285 (97,92%)	4.865 (1,65%)
1909-1910	Nilo Peçanha	São Paulo Republican	none (predecessor died)	none
1910-1914	Hermes da Fonseca	Republican Conservative	403.867 (64,36%)	222.822 (35,51%)
1914-1918	Venceslau Brás	Minas Gerais Republican	532.107 (91,58%)	47.782 (8,22%)
did not take office	F. Rodrigues Alves	São Paulo Republican	386.467 (99%)	1.258 (0,45%)
1918-1919	Delfim Moreira	Minas Gerais Republican	none (predecessor died)	none
1919-1922	Epitácio Pessoa	Minas Gerais Republican	286.373 (70,96%)	116.414 (28,85%)
1922-1926	Artur Bernardes	Minas Gerais Republican	466.877 (59,46%)	317.714 (40,49%)
1926-1930	W. Luiz	São Paulo Republican	688.528 (99,70%)	1.116 (0,16%)
1930-1945	Getulio Vargas	Liberal Alliance	none ( <i>coup d'etat</i> )	none
1946-1951	Eurico G. Dutra	Social Democrat	3.251.507 (55,39%)	2.039.341 (34,74%)
1951-1954	Getulio Vargas	Labour	3.849.040 (48,73%)	2.342.384 (29,66%)
1954-1955	J. F. Café Filho	Progressive	none (predecessor died)	none
1955	Carlos Luz	Social Democrat	none (predecessor resigned)	none
1955-1956	Nereu Ramos	Social Democrat	none ( <i>coup d'etat</i> )	none
1956-1961	Jucelino Kubitschek	Social Democrat	3.077.411 (35,68%)	2.610.462 (30,27%)
1961	Janio Quadros	Christian Democrat	5.636.623 (48,26%)	3.846.825 (32,94%)
1961-1964	João Goulart	Labour	none (predecessor resigned)	none
1964	Ranieri Mazzilli	Social Democrat	none ( <i>coup d'etat</i> )	none
1964-1967	H. A. Castello Branco	none (military)	none ( <i>coup d'etat</i> )	none
1967-1969	A. da Costa e Silva	none (military)	none (military dictatorship)	none
1969	none (Military Junta)	none (military)	none (military dictatorship)	none
1969-1974	E. Garrastazu Medici	none (military)	none (military dictatorship)	none
1974-1979	Ernesto Geisel	none (military)	none (military dictatorship)	none
1979-1985	João Figueiredo	none (military)	none (military dictatorship)	none
did not take office	Tancredo Neves	Democratic Movement	none (appointed by Congress)	none
1985-1990	José Sarney	Democratic Movement	none (predecessor died)	none
1990-1992	F. Collor de Mello	National Reconstruction	35.089.998 (53,03%)	31.076.364 (46,97%)
1992-1995	Itamar Franco	Democratic Movement	none (predecessor impeached)	none
1995-1999	F. H. Cardoso	Social Democrat	34.350.217 (54,28%)	17.112.255 (27,04%)
1999-2003	F. H. Cardoso	Social Democrat	35.936.540 (53,06%)	21.475.218 (31,27%)
2003-2007	L. I. Lula da Silva	Workers'	52.793.364 (61,27%)	33.370.739 (38,73%)
2007-2011	L. I. Lula da Silva	Workers'	58.295.042 (60,83%)	37.543.178 (39,17%)
2011-2015	Dilma Rousseff	Workers'	55.752.529 (56,05%)	43.711.388 (43,95%)
2015-2016	Dilma Rousseff	Workers'	54.501.118 (51,64%)	51.041.155 (48,36%)
2016-present	Michel Temer	Democratic Movement	none (predecessor impeached)	none

## Appendix B Variables used in Chapter Three

Variable	Variable Name	Source
codeibge	Official municipality identifier code	IBGE
mun	Municipality name	IBGE
state	State	IBGE
region	Macro region	IBGE
spentHYEARcct	Expenditures per head in CCTs in YEAR	MDS
spentHYEARsdf	Expenditures per head in <i>Saúde da Família</i> in YEAR	STN
spentHYEARfnas	Expenditures per head in FNAS in YEAR	STN
spentHYEARpnra	Expenditures per head in Land Reform Programme in YEAR	STN
dgdph1YEAR	GDP Growth per head relative to preceding year	IPEA
fhcvs1998	F. H. Cardoso's vote share in 1998 election	TSE
lulavs1998	Lula's vote share in 1998 presidential election	TSE
serravs2002	Serra's vote share in first round 2002 election	TSE
lulavs2002	Lula's vote share in first round 2002 election	TSE
serravs20022	Serra's vote share in second round 2002 election	TSE
lulavs20022	Lula's vote share in second round 2002 election	TSE
lulavs2006	Lula's vote share in first round 2006 election	TSE
lulavs20062	Lula's vote share in second round 2006 election	TSE
dilmavs2010	GDP Rouseff's vote share in first round 2010 election	TSE
dilmavs20102	GDP Rouseff's vote share in runoff 2010 election	TSE
distcap	Distance from capital	IBGE
giniYEAR	GINI coefficient in YEAR	IBGE
hdiYEAR	Human Development Index in YEAR	IBGE
incgovYEAR	Party of incumbent governor in YEAR	IBGE
hdiYEAR	Human Development Index in YEAR	IBGE
totfamYEAR	Estimated number of families in the municipality in YEAR	IBGE
validYEAR	Total valid votes for in presidential election in YEAR	TSE
valid.depfedYEAR	Total valid votes for election to the Chamber of Deputies in YEAR	TSE
settlement	Distance to nearest slave settlement	FP & IBGE
distport	Distance to Lisbon, Portugal	IBGE
latitude	Distance to the Equator line	IBGE



## Appendix C List of Open Interviews

For this project I relied on information collected in a total of 38 interviews in Brazil between 2014 and 2017, many of them informal. The majority were conducted with brokers and clients, who shall remain anonymous.

Below is a list of open interviews used in this dissertation.

- Cristovam Buarque, Senator, former governor of the Federal District. 23 May 2014. Brasília.
- Ana Peliano, Economist, IPEA. 21 November 2014. Brasília.
- Luiz Inácio Lula da Silva, former President of Brazil. 30 May 2015. São Paulo.
- Fernando Henrique Cardoso, former President of Brazil. 11 November 2015. São Paulo.
- Luiz Dulci, Workers' Party strategist and former Secretary General of the Presidency of Brazil. 28 November 2014. São Paulo.
- Patrus Ananias, former Minister for Social Development. 29 November 2016. Belo Horizonte.
- Wanda Engel, former Minister for Social Assistance. 2 December 2016, São Paulo.
- Ceres Prates, former official at the Ministry of Planning. 21 November 2014. São Paulo.
- Milton Seligman, former chairman of *Comunidade Solidária*. 21 November 2016. São Paulo.
- Carlos Alberto Libânio Christo, former advisor to President Lula. 1 October 2016. Rio de Janeiro.
- Márcia Lopes, former official at the Ministry of Social Development. 12 March 2014. Brasília.
- Lucio Castro, former research officer at the Brazilian Senate. 11 March 2014. Brasília.
- Márcio Pochman, former president of IPEA. 28 May 2015. São Paulo.
- Afra Suassuna, former official at the Ministry of Health. 15 March 2014. Brasília.
- Eduardo Suplicy, former Senator. 23 November 2014. Brasília.

## Appendix D Programmes' Legislation

### Bolsa Família

- Law 10.836 of 9 January 2004.
- Decree 5.209 of 17 September 2004.
- *Portaria* 1, of 3 September 2004
- *Portaria* 660 of 11 November 2004
- *Portaria* 660 of 11 November 2004
- *Portaria interministerial* 3.789 of 17 November 2004
- *Portaria interministerial* 2.509 of 18 November 2004
- *Portaria* 737 of 15 December 2004
- *Portaria* 551 of 09 November 2005
- *Portaria* 555 of 11 November 2005
- *Portaria* 344 of 21 October 2009
- *Portaria* 666 of 28 December 2005
- *Portaria* 672 of 29 December 2005
- *Portaria* 148 of 27 April 2006
- *Portaria* 232 of 29 June 2006
- *Portaria* 380 of 12 December 2006
- *Portaria* 40 of 25 January 2007
- *Portaria* 176 of 18 May 2007
- *Portaria* 350 of 3 October 2007
- *Portaria* 416 of 14 November 2007
- *Portaria* 66 of 3 March 2008
- *Portaria* 76 of 6 March 2008
- *Portaria* 87 of 12 March 2008
- *Portaria* 220 of 25 June 2008

- Resolution 3 of 3 June 2008
- *Portaria* 321 of 29 September 2008
- *Portaria* 376 of 16 October 2008
- *Portaria interministerial* 2 of 16 September 2009
- *Portaria* 344 of 21 October 2009
- *Portaria* 625 of 10 August 2010
- *Portaria* 617 of 11 August 2010
- *Portaria* 177 of 16 June 2011
- *Portaria* 204 of 8 July 2011
- *Portaria* 271 of 04 October 2011
- *Portaria* 319 of 29 November 2011
- *Portaria* 10 of 30 January 2012
- *Portaria* 251 of 12 December 2012
- *Portaria* 04 of 24 September 2013
- *Portaria* 103 of 30 September 2013
- *Portaria* 360 of 12 July 2005.
- *Portaria* 454 of 6 September 2005

### **Saúde da Família**

- *Portaria* 2.488 of 21 October 2011
- *Portaria* 703 of 21 October 2011
- *Portaria* 978 of 16 May 2012
- *Portaria* 2.355 of 10 October 2013
- *Portaria* 154 of 24 January 2008
- *Portaria* 648 of 28 March 2006
- *Portaria* 2.527 of 19 October 2006
- *Portaria* 750 of 10 October 2006

- *Portaria* 822/gm of 17 April 2006
- *Portaria* 650 of 28 March 2006
- *Portaria* 1.072 of 04 July 2005
- *Portaria* 2.513 of 23 November 2004
- *Portaria* 1.433 of 14 July 2004
- *Portaria* 1.043 of 01 June 2004

### **Cheque Cidadão**

- Law 7.956/2007 (Campos dos Goytacazes)

### **Minha Casa, Minha Vida**

- Law 11.124 of 16 June de 2005
- Decree 5.796 of 6 June de 2006
- *Portaria* 595 of 18 December 2013
- *Portaria* 412 of 06 August 2015
- *Portaria* 146 of 26 April 2016

### **PRONAF**

- Decree 1.946 of 28 June 1996
- Decree 3.200 of 6 October 1999
- *Portaria* 38 of 4 July 2014
- *Portaria* 75 of 8 September 2008
- *Portaria* 55 of 26 October 2007
- *Portaria* 60 of 01 July 2008
- *Portaria* 70 of 4 August 2008

### **Fundo Nacional de Saúde**

- Decree 907 of 31 August 1993
- Decree 1.232 of 30 August 1994

- Decree 3.964 of 10 October 2001
- *Portaria interministerial* 432 of 13 November 2014
- *Portaria interministerial* 495 of 6 December 2013
- *Portaria* 2.617 of 1 November 2013
- *Portaria* 2.135 of 25 September 2013
- *Portaria* 1.958 of 6 September 2013
- *Portaria interministerial* 274 of 1 August 2013
- *Portaria* 412 of 15 March 2013
- *Portaria* 1.580 of 19 July 2012
- *Portaria* 2.979 of 15 December 2011
- *Portaria* 2.707 of 17 November 2011
- *Portaria* 1.601 of 7 July 2011
- *Portaria* 1.645 of 24 July 2010

## **PNAE**

- Resolution 6 of 13 May 1998
- *Portaria* 251 of 03 March 2000
- Provisional decree 2.100-30 of 23 March 2001
- Resolution 29 of 6 July 2001
- Resolution 35 of 1 October 2003
- Resolution 35 of 1 September 2005
- *Portaria interministerial* 1.010 of 8 May 2006
- Resolution 33 of 24 August 2006
- Resolution 25 of 14 June 2007
- Law 11.947 of 16 June 2009
- Resolution 42 of 10 August 2009
- Decree 7.507 of 27 June 2011

- Resolution 44 of 25 August 2011
- Resolution 25 of 4 July 2012

#### **FNAS**

- Law 8.742 of 7 December 1993
- Law 9.720 of 30 November 1998.
- Law 9.604 of 5 February 1998
- Decree 7788 of 15 August 2012
- Resolution 33 of 12 December 2012

#### **PNRA**

- Law 8.629 of 25 February 1993.
- Law 13.001 of 20 June 2014
- Decree 8.738 of 3 May 2016

## **Appendix E Full specifications of OLS regressions**

The tables starting on the next page provide the full specifications of the OLS regression models discussed in Chapter Three.

**Table 12:** Effects of CCT spending on incumbent party's presidential and legislative vote share (2002)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2002 CCT spending p.p.	0.201*** (0.020)	0.009 (0.033)
HDI	-0.152*** (0.034)	-0.006 (0.054)
log(population)	-0.007*** (0.001)	-0.009*** (0.002)
Cardoso vote share 1998	0.523*** (0.010)	
PSDB vote share 1998		0.393*** (0.012)
Distance from capital	0.004*** (0.001)	-0.001 (0.001)
Non white population	-0.001*** (0.0001)	-0.0004** (0.0002)
log(per capita GDP)	0.017*** (0.006)	-0.034*** (0.010)
PSDB mayor	0.009*** (0.003)	0.034*** (0.005)
PSDB governor	-0.006* (0.004)	0.002 (0.006)
PT mayor	-0.001 (0.004)	-0.005 (0.007)
PT governor	0.006 (0.006)	-0.025** (0.010)
Constant	0.102*** (0.034)	0.159*** (0.052)
Observations	5,402	5,399
R <sup>2</sup>	0.619	0.439
Adjusted R <sup>2</sup>	0.616	0.436
Residual Std. Error	0.081 (df = 5364)	0.137 (df = 5361)
F Statistic	235.284*** (df = 37; 5364)	113.568*** (df = 37; 5361)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01



**Table 13:** Effects of CCT spending on incumbent party's presidential and legislative vote share (2006)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2006 CCT spending p.p.	0.079*** (0.006)	-0.005 (0.006)
HDI	-0.271*** (0.043)	-0.071* (0.040)
log(population)	0.0002 (0.001)	0.003** (0.001)
Lula vote share 1998	0.313*** (0.014)	
PT vote share 1998		0.437*** (0.020)
Distance from capital	0.002** (0.001)	0.002*** (0.001)
Non white population	0.002*** (0.0001)	0.001*** (0.0001)
log(per capita GDP)	0.001 (0.001)	-0.001 (0.001)
PSDB mayor	-0.005 (0.004)	0.001 (0.004)
PSDB governor	0.008* (0.004)	0.007* (0.004)
PT mayor	-0.014*** (0.005)	0.075*** (0.005)
PT governor	-0.013* (0.007)	0.003 (0.007)
Constant	0.310*** (0.041)	0.134*** (0.039)
Observations	3,721	3,712
R <sup>2</sup>	0.795	0.367
Adjusted R <sup>2</sup>	0.793	0.360
Residual Std. Error	0.083 (df = 3683)	0.079 (df = 3674)
F Statistic	385.121*** (df = 37; 3683)	57.464*** (df = 37; 3674)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 14:** Effects of CCT spending on incumbent party's presidential and legislative vote share (2010)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2010 CCT spending p.p.	0.084*** (0.005)	0.007 (0.006)
HDI	-0.465*** (0.040)	-0.030 (0.045)
log(population)	-0.011*** (0.001)	-0.001 (0.001)
Lula vote share 1998	0.203*** (0.012)	
PT vote share 1998		0.376*** (0.020)
Distance from capital	0.009*** (0.001)	0.004*** (0.001)
Non white population	0.001*** (0.0001)	0.0001 (0.0001)
log(per capita GDP)	0.013* (0.007)	0.018** (0.008)
I(PSDB mayor)	-0.008** (0.003)	0.008** (0.004)
I(PSDB governor)	0.001 (0.003)	-0.005 (0.004)
I(PT mayor)	-0.018*** (0.004)	0.078*** (0.005)
I(PT governor)	-0.002 (0.005)	-0.002 (0.005)
Constant	0.466*** (0.036)	0.172*** (0.041)
Observations	5,400	5,380
R <sup>2</sup>	0.726	0.344
Adjusted R <sup>2</sup>	0.724	0.340
Residual Std. Error	0.083 (df = 5362)	0.097 (df = 5342)
F Statistic	383.199*** (df = 37; 5362)	75.732*** (df = 37; 5342)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 15:** Effects of CCT spending on incumbent party's presidential and legislative vote share (2014)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2014 CCT spending p.p.	0.001*** (0.0004)	0.034 (0.042)
HDI	-1.180*** (0.039)	-27.792*** (4.210)
log(population)	-0.030*** (0.001)	-0.361** (0.165)
Lula vote share 1998	0.135*** (0.014)	
PT vote share 1998		33.313*** (2.341)
Distance from capital	0.014*** (0.001)	0.327*** (0.102)
Non white population	0.002*** (0.0001)	0.004 (0.015)
log(per capita GDP)	0.009 (0.008)	0.010 (0.905)
PSDB mayor	-0.003 (0.004)	0.545 (0.444)
PSDB governor	-0.180*** (0.031)	6.262* (3.370)
PT mayor	-0.012** (0.005)	8.998*** (0.515)
PT governor	-0.005 (0.047)	5.935 (5.126)
Constant	1.222*** (0.059)	25.111*** (6.399)
Observations	5,051	5,030
R <sup>2</sup>	0.766	0.317
Adjusted R <sup>2</sup>	0.764	0.312
Residual Std. Error	0.097 (df = 5014)	10.594 (df = 4993)
F Statistic	455.502*** (df = 36; 5014)	64.246*** (df = 36; 4993)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 16:** Effects of Saúde da Família spending on incumbent party's presidential and legislative vote share (2002)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2002 Saúde da Família spending p.p.	7.103e-02* (3.681e-02)	0.0283 (0.0612)
HDI	-0.285*** (0.032)	-0.014 (0.051)
log(population)	-0.009*** (0.001)	-0.009*** (0.002)
Cardoso 1998 vote share	0.521*** (0.010)	
PSDB 1998 vote share		0.395*** (0.012)
Distance from capital	0.005*** (0.001)	-0.0005 (0.001)
Non white population	-0.001*** (0.0001)	-0.0004** (0.0002)
log(per capita GDP)	0.019*** (0.006)	-0.033*** (0.010)
PSDB mayor	0.010*** (0.003)	0.032*** (0.005)
PSDB governor	-0.007* (0.004)	0.003 (0.006)
PT mayor	-0.002 (0.004)	-0.007 (0.007)
PT governor	0.003 (0.006)	-0.029*** (0.010)
Constant	0.257*** (0.032)	0.169*** (0.048)
Observations	5,229	5,226
R <sup>2</sup>	0.612	0.441
Adjusted R <sup>2</sup>	0.609	0.437
Residual Std. Error	0.082 (df = 5192)	0.136 (df = 5189)
F Statistic	227.326*** (df = 36; 5192)	113.596*** (df = 36; 5189)

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 17:** Effects of Saúde da Família spending on incumbent party's presidential and legislative vote share (2006)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2006 Saúde da Família spending p.p.	0.0097 (0.0234)	0.0098 (0.0220)
HDI	-0.567*** (0.033)	-0.059* (0.030)
log(population)	-0.001 (0.001)	0.004*** (0.001)
Lula vote share 1998	0.337*** (0.012)	
PT vote share 1998		0.440*** (0.016)
Distance from capital	0.003*** (0.001)	0.004*** (0.001)
Non white population	0.003*** (0.0001)	0.0004*** (0.0001)
log(per capita GDP)	0.025*** (0.007)	0.001 (0.007)
PSDB mayor	-0.005 (0.003)	-0.0003 (0.003)
PSDB governor	0.006 (0.003)	0.006* (0.003)
PT mayor	-0.010** (0.005)	0.066*** (0.004)
PT governor	-0.008 (0.006)	0.011* (0.006)
Constant	0.544*** (0.031)	0.100*** (0.029)
Observations	5,383	5,364
R <sup>2</sup>	0.776	0.354
Adjusted R <sup>2</sup>	0.775	0.349
Residual Std. Error	0.085 (df = 5346)	0.080 (df = 5327)
F Statistic	515.795*** (df = 36; 5346)	80.911*** (df = 36; 5327)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 18:** Effects of Saúde da Família spending on incumbent party's presidential and legislative vote share (2010)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2010 Saúde da Família spending p.p.	0.0298** (0.0136)	0.0193 (0.0155)
HDI	-0.844*** (0.033)	-0.053 (0.037)
log(population)	-0.013*** (0.001)	-0.002 (0.002)
Lula 1998 vote share	0.216*** (0.012)	
PT 1998 vote share		0.369*** (0.020)
Distance from capital	0.011*** (0.001)	0.004*** (0.001)
Non white population	0.001*** (0.0001)	0.0002 (0.0001)
log(per capita GDP)	0.020*** (0.007)	0.019** (0.008)
PSDB mayor	-0.009*** (0.003)	0.008** (0.004)
PSDB governor	-0.001 (0.004)	-0.006 (0.004)
PT mayor	-0.018*** (0.004)	0.079*** (0.005)
PT governor	-0.003 (0.005)	-0.002 (0.005)
Constant	0.797*** (0.031)	0.198*** (0.035)
Observations	5,335	5,313
R <sup>2</sup>	0.713	0.341
Adjusted R <sup>2</sup>	0.711	0.337
Residual Std. Error	0.085 (df = 5298)	0.097 (df = 5276)
F Statistic	365.683*** (df = 36; 5298)	75.902*** (df = 36; 5276)

Note:

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 19:** Effects of Saúde da Família spending on incumbent party's presidential and legislative vote share (2014)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2014 Saúde da Família spending p.p.	0.040*** (0.015)	0.640 (1.254)
HDI	-0.982*** (0.041)	-22.068*** (4.271)
log(population)	0.010*** (0.004)	-0.459*** (0.178)
Lula 1998 vote share	0.188*** (0.014)	
PT 1998 vote share		28.865*** (2.305)
Distance from capital	0.014*** (0.001)	0.476*** (0.106)
Non white population	0.002*** (0.0001)	0.036** (0.015)
log(per capita GDP)	-0.029*** (0.003)	1.045 (0.934)
PSDB mayor	-0.002 (0.004)	0.521 (0.457)
PSDB governor	-0.203*** (0.024)	5.149* (2.823)
PT mayor	-0.011** (0.005)	9.224*** (0.525)
PT governor	-0.0003 (0.045)	6.170 (5.166)
Constant	1.088*** (0.058)	19.113*** (6.656)
Observations	4,886	4,872
R <sup>2</sup>	0.788	0.301
Adjusted R <sup>2</sup>	0.786	0.296
Residual Std. Error	0.092 (df = 4847)	10.687 (df = 4835)
F Statistic	474.160*** (df = 38; 4847)	57.801*** (df = 36; 4835)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 20:** Effects of FNAS spending on incumbent party's presidential and legislative vote share (2006)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2006 FNAS spending p.p.	0.1173 (0.1993)	0.11070 (0.2121)
HDI	-0.567*** (0.033)	-0.059* (0.030)
log(population)	-0.001 (0.001)	0.004*** (0.001)
Lula 1998 vote share	0.337*** (0.012)	
PT 1998 vote share		0.440*** (0.016)
Distance from capital	0.003*** (0.001)	0.004*** (0.001)
Non white population	0.003*** (0.0001)	0.0004*** (0.0001)
log(per capita GDP)	0.025*** (0.007)	0.001 (0.007)
PSDB mayor	-0.005 (0.003)	-0.0003 (0.003)
PSDB governor	0.006 (0.003)	0.006* (0.003)
PT mayor	-0.010** (0.005)	0.066*** (0.004)
PT governor	-0.008 (0.006)	0.011* (0.006)
Constant	0.544*** (0.031)	0.101*** (0.029)
Observations	5,383	5,364
R <sup>2</sup>	0.776	0.354
Adjusted R <sup>2</sup>	0.775	0.349
Residual Std. Error	0.085 (df = 5346)	0.080 (df = 5327)
F Statistic	515.807*** (df = 36; 5346)	80.917*** (df = 36; 5327)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01



**Table 21:** Effects of FNAS spending on incumbent party's presidential and legislative vote share (2010)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2010 FNAS spending p.p.	0.1100 (0.1215)	0.2445** (0.1070)
HDI	-0.052 (0.037)	-0.843*** (0.033)
log(population)	-0.002 (0.002)	-0.013*** (0.001)
PT 1998 vote share	0.370*** (0.020)	
Lula 1998 vote share		0.216*** (0.012)
Distance from capital	0.004*** (0.001)	0.011*** (0.001)
Non white population	0.0002 (0.0001)	0.001*** (0.0001)
log(per capita GDP)	0.019** (0.008)	0.020*** (0.007)
PSDB mayor	0.008** (0.004)	-0.009*** (0.003)
PSDB governor	-0.006 (0.004)	-0.001 (0.004)
PT mayor	0.079*** (0.005)	-0.018*** (0.004)
PT governor	-0.002 (0.005)	-0.003 (0.005)
Constant	0.196*** (0.035)	0.796*** (0.031)
Observations	5,313	5,335
R <sup>2</sup>	0.341	0.713
Adjusted R <sup>2</sup>	0.337	0.711
Residual Std. Error	0.097 (df = 5276)	0.085 (df = 5298)
F Statistic	75.871*** (df = 36; 5276)	365.724*** (df = 36; 5298)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 22:** Effects of FNAS spending on incumbent party's presidential and legislative vote share (2014)

	<i>Dependent variable:</i>	
	Presidential vote share	Legislative vote share
	(1)	(2)
2014 FNAS spending p.p.	0.569 (1.0106)	0.3197** (0.082)
HDI	-22.127*** (4.271)	-1.196*** (0.039)
log(population)	-0.458*** (0.175)	-0.030*** (0.002)
PT 1998 vote share	28.853*** (2.305)	
Lula 1998 vote share		0.166*** (0.014)
Distance from capital	0.475*** (0.106)	0.015*** (0.001)
Non white population	0.036** (0.015)	0.002*** (0.0001)
log(per capita GDP)	1.042 (0.934)	0.013 (0.008)
PSDB mayor	0.522 (0.458)	-0.003 (0.004)
PSDB governor	5.154* (2.824)	-0.207*** (0.025)
PT mayor	9.241*** (0.526)	-0.010** (0.005)
PT governor	6.177 (5.167)	0.0002 (0.047)
Constant	19.125*** (6.642)	1.234*** (0.060)
Observations	4,869	4,891
R <sup>2</sup>	0.301	0.771
Adjusted R <sup>2</sup>	0.296	0.769
Residual Std. Error	10.689 (df = 4832)	0.096 (df = 4854)
F Statistic	57.797*** (df = 36; 4832)	452.728*** (df = 36; 4854)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

**Table 23:** Effects of Land Reform spending on incumbent party's presidential and legislative vote share (2006)

	<i>Dependent variable:</i>	
	lulavs2006	ptvs2006
	(1)	(2)
2006 land reform spending p.p.	0.557 (0.708)	1.522** (0.668)
HDI	-0.586*** (0.033)	-0.067** (0.031)
log(population)	-0.0003 (0.001)	0.004*** (0.001)
PT 1998 vote share	0.341*** (0.012)	
Lula 1998 vote share		0.433*** (0.016)
Distance from capital	0.003*** (0.001)	0.004*** (0.001)
Non white population	0.002*** (0.0001)	0.0003*** (0.0001)
log(per capita GDP)	0.025*** (0.007)	0.003 (0.007)
PSDB mayor	-0.006* (0.003)	-0.0001 (0.003)
PSDB governor	0.005 (0.003)	0.006* (0.003)
PT mayor	-0.011** (0.005)	0.067*** (0.004)
PT governor	-0.008 (0.006)	0.010 (0.006)
Constant	0.548*** (0.031)	0.103*** (0.030)
Observations	5,236	5,218
R <sup>2</sup>	0.775	0.355
Adjusted R <sup>2</sup>	0.774	0.350
Residual Std. Error	0.085 (df = 5199)	0.080 (df = 5179)
F Statistic	498.093*** (df = 36; 5199)	74.960*** (df = 38; 5179)

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

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