

Collective Action, Political Parties and Pro-Development Public Policy

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Abstract

Broad consensus exists that the ability of political actors to make credible commitments is key to development. An important and little-explored determinant of the credibility of political commitments is the existence of organizations that facilitate citizen collective action to sanction political actors who renege. This paper focuses on one essential organization, the political party. Three measures of political parties are used to assess cross-country differences in the degree to which politicians facilitate the ability of citizens to act in their collective interest. Each of these measures is associated with

superior development outcomes, above and beyond the effects of competitive elections. These results have implications for understanding the extraordinary economic success of some East Asian countries and notable lags among others: East Asian non-democracies exhibit more institutionalized ruling parties than other non-democracies, while East Asian democracies exhibit equally or less institutionalized parties. The evidence suggests that greater research and policy emphasis be placed on the organizational characteristics of countries that allow citizens to hold leaders accountable.

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Collective Action, Political Parties and Pro-Development Public Policy

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Introduction

One of the longest-running debates in political economy concerns whether democracy promotes development. Critics of this thesis are quick to point to counter-examples in East Asia. The very fast growing non-democratic countries of the region – and the slowest-growing democracies – signal that democratic institutions are essential neither to persuade political decision makers to pursue growth nor to convince investors that governments will not expropriate them. What allows unelected politicians to make credible commitments to investors? Why are elections insufficient to persuade democratic politicians to pursue growth? This paper extends a growing body of research that addresses these questions by examining the ability of citizens to act collectively in defense of their joint interests. In countries where citizens have this ability, governments have greater incentives to pursue public policies in the public interest and face greater costs if they expropriate private investors. In particular, the paper offers preliminary evidence that political parties have a large effect on citizen collective action; that these effects can emerge in both non-democracies and democracies; and underlines a seldom-remarked facet of East Asian exceptionalism: non-democracies in East Asia are much more likely to exhibit institutionalized ruling parties, independent of their leaders, than non-democracies elsewhere in the world. Democracies in East Asia, though, are not exceptional: they are no more likely – and perhaps less likely – to exhibit these arrangements than other democracies.

The first part of the paper reviews the literature on political economy and development through the lens of collective action. The organization of collective action has a modest profile in this literature. Research on more macro political economy issues generally abstracts altogether from collective action problems and assumes that citizens are organized into cohesive blocs. At the other end of the spectrum, a large, micro development

literature focuses on collective action issues in the context of the common resource management or community governance; it is less concerned with the conditions under which large groups of people can be mobilized to pursue their collective interests. Both more macro and more micro research, therefore, abstracts from the organizational arrangements that are essential to facilitate this collective action by large groups of citizens.

Among the possible institutions that might mitigate collective action problems, competitive elections have received by far the most attention. The next section therefore reviews evidence highlighting the democracy puzzle and, in particular, the uneven impact of elections on development. Across all country-years, the presence of competitive elections is associated with two key inputs into growth, education and non-arbitrary government, but these effects disappear among poor countries. Moreover, and at the heart of debates about regime type and economic development, private investment is no higher in democracies than non-democracies.

The remainder of the paper focuses on political parties as organizations that can mitigate citizens' collective action problems. Parties are "institutionalized" if they can maintain the party's reputation for favoring a particular policy program, facilitating the election of party candidates; or if they oblige leaders and members to systematically pursue the collective economic interests of party members. In either case, a central feature of institutionalized parties is that members can discipline leaders who fail to pursue member interests and leaders can discipline members who undermine party goals. Preliminary evidence indicates that parties able to convey a programmatic policy stance or to discipline party leaders are associated with significantly different policy choices across countries, in both democracies and non-democracies.

Collective action in political economy and development

While credible commitment problems lie at the heart of the political economy of development, the capacity for collective action is a fundamental guarantor of credibility. First, collective action is key to curbing political rent-seeking. Citizens' ability to replace non-performing incumbents who shirk depends on the degree to which they can act collectively. If challengers represent the interests of well-organized citizens, capable of collectively holding them accountable for their commitments, challengers can credibly commit to follow better policies than the non-performing incumbent. When this is not the case, however, Ferejohn (1986) and Persson and Tabellini (2000) show that voters can limit incumbent shirking only if they can coordinate on a performance threshold such that, if the incumbent fails to meet it, they expel the incumbent no matter who the challenger is. The level of accountability is low because the incumbent has the option of taking all the available rents and foregoing re-election. When citizens lack even the ability to coordinate implicitly on such a performance threshold, incumbents have almost unlimited ability to shirk on their obligations to citizens.

Second, political incentives to provide public goods are weak when citizens cannot act collectively to hold them accountable for promises to provide them. In this setting, incentives to provide public goods that benefit all citizens are low relative to political incentives to pursue policies that target benefits to narrow groups of citizens (Keefer and Vlaicu 2008). Though Keefer and Vlaicu (2008) do not address collective action explicitly, a natural extension of their argument is that precisely when broader groups of citizens can act jointly to hold politicians accountable for promises related to public good provision, politicians can credibly commit to the provision of public goods. Keefer (2007) argues that young democracies pursue exactly these types of policies, consistent with the hypothesis that

political competitors in younger democracies are less able to make credible commitments to broad groups of citizens. He interprets the years of continuous competitive elections as capturing the ability of politicians to make credible commitments to citizens. The analysis here examines mechanisms through which citizens might be able to act collectively to enforce such commitments, making them credible.

Third, private investment is less when private investors are not confident that government efforts to expropriate any one of them will be met by collective action by all of them to repel these efforts. The problem of credible commitment and investment has been the subject of extensive study, though researchers have tended to abstract from the role of collective action. Acemoglu and Robinson (2002) explore the consequences for political and economic development when elites (in non-democracies) and non-elites (in democracies) cannot credibly commit not to expropriate each other when they are in power. When the threat of revolution by non-elites is sufficiently high, for example, and inequality sufficiently low, elites extend the franchise to non-elites. This argument assumes that both elites and non-elites can act collectively. For example, it requires that elite and non-elite leaders can make credible commitments to members of their respective groups to pursue policies preferred by group members. The degree to which this is the case varies substantially across countries. To the extent that elites and non-elites cannot act collectively, or that elites under democratization can disrupt collective action by non-elites, as in Baland and Robinson's (2008) analysis of Chilean politics prior to the secret ballot, it is no longer clear that democratization protects non-elites from expropriation.

Gehlbach and Keefer (2009, 2010) directly analyze the ability of investors to act collectively to prevent expropriation in a non-democratic setting. In their (2009) model, the key barrier to collective action is incomplete information: individual investors do observe

only their own expropriation, not the expropriation of others. Dictators can increase investment by allowing some in society to belong to an institutionalized ruling party, characterized by favored access to information on the dictator's expropriation decisions. They show, in Gehlbach and Keefer (2010), that private investment is significantly higher in non-democracies that have more institutionalized ruling parties.

Finally, even the process of governing requires collective action: leaders must rely on a large group (the public administration and other politicians) to approve and implement public policies. Gehlbach and Keefer (2009) extend their model to bureaucracies to highlight the importance of credible commitment to public sector performance. Rulers seeking to persuade public officials to exert greater unobserved effort can use bonuses in exchange for the achievement of (observable) outcomes. If those bonuses are not credible, however, rulers cannot easily elicit effort and public sector performance drops.

In each of these cases, the ability to act collectively serves to cement the credibility of commitments: citizens who can act collectively can more easily hold challengers accountable for promises to pursue different policies than badly-performing incumbents, to provide public goods, to refrain from expropriation, or to reward civil servants for conscientiously implementing policies in the public interest.

The foregoing ignores a large literature on collective action that focuses on issues other than credible commitment. In the literature pioneered by Mancur Olson (1965), scholars explain special interest influence as a consequence of special interests' greater ability to solve collective action problems compared to the general public. Work in this tradition points to characteristics of special interests that favor or disadvantage their ability to influence public policy. It does not ask why the general public is more vulnerable to special interests in some countries than in others. It points to one set of hypotheses about political

economy (the degree to which the ability of special interests to organize affects their influence on policy) but not another (related to the ability of the general public to organize). In development, the classic application of this logic is Bates (1983), who shows that well-organized large agricultural and industrial interests were able to extract advantages at the expense of poorly organized, though far more numerous, peasant farmers.

Another literature examines collective action in the context of maintaining common pool resources. It is not generally aimed at the collective action problem of replacing poor-performing incumbents, however, and focuses instead on differences across communities in their ability to manage common property. This work pays close attention to the organizational arrangements through which communities address this challenge, but largely abstracts from the characteristics of political competition through which leaders of the organizations, or of the communities, are selected. Libecap (1993), for example, links the special interest and common pool literature by exploring how the solution to common pool problems (in fisheries, oil wells, or land management) depends not only on the characteristics of the common pool and the limits to organizing a response to them (particularly when the users number in the thousands, or the common resource is hard to monitor), but also on the constellation of special interests surrounding the resource, which influences the arrangements that societies can make to avoid waste.

Research on more local level common resource problems and the actions of smaller communities is more typical of the development literature. However, particular solutions that emerge from this literature, as described in Ostrom (1998), such as face-to-face interactions and norms of reciprocity among group members, are less relevant determinants of the collective action problem of expelling a non-performing incumbent or persuading politicians to provide public goods across a large jurisdiction. Face-to-face solutions to the

expropriation threat are typically labeled “cronyism”, and are considered second-best ways to attract private investment. In fact, an explicit conclusion of this research is that, since common property is more difficult to manage in large jurisdictions, management should be pushed to the smallest jurisdiction possible (Ostrom 2000). However, a large set of important public policies cannot be easily removed from the domain of large jurisdictions.

Consistent with Ostrom’s (2000) advice, interventions to promote economic development have increasingly focused on community-based or –driven development, constituting seven billion dollars of World Bank lending in 2003 (Mansuri and Rao 2004). Mansuri and Rao (2004), based on their review of empirical assessments of these programs, including Rao and Ibáñez (2005 and Araujo, et al. (forthcoming), conclude that local elites generally drive program decision making. Success (e.g., in targeting resources to the poor) depends largely on the degree to which elites act benevolently or to which their own interests are served by targeting. This suggests that the institutional arrangements introduced by community-centered development projects to ensure targeted populations benefit are generally insufficient to ensure collective action sufficient to offset elite influence.

These arrangements generally take the form of procedures that allow citizens to participate in selecting projects, in assemblies or consultative groups or through actual elections (local plebiscites). It is, however, well-known that such mechanisms may be insufficient at both the local and national levels. The literature, and the cross-country comparisons reviewed below, offer mixed evidence that simply allowing citizens to vote in competitive elections reduces collective action costs sufficiently to yield better outcomes in most policy areas. At the local level, Platteau and co-authors argue in a series of contributions that the ability of local communities to act collectively *vis à vis* local leaders has a large effect on the benefits they can extract from grants made by donors to communities,

but that the arrangements in CDD-type projects are often insufficient to improve this ability (see, e.g., Platteau 2004 and Gaspart and Platteau 2007). Findings such as those of Olken (2007) are therefore unsurprising: the ability of villagers to interrogate elites about the quality of road construction has little effect on elite corruption, and that the only institutional arrangement with a significant effect is performance audits by higher level governments. The theoretical and empirical literature offers little reason to expect that a forum to interrogate elites is necessary or sufficient to offset the collective action problems that prevent citizens from holding elites accountable.

The remainder of the paper focuses on citizens' ability to replace non-performing leaders at the national level, but the lessons are relevant to efforts to structure community-based development programs. First, competitive elections are, by themselves, insufficient. Second, organizational solutions to this collective action problem – particularly political parties – are important. Third, preliminary evidence suggests that public policies differ significantly in the presence of political parties that can solve citizens' collective action problems.

Empirical approach

Many scholars have attempted to infer the causal effect of democracy on outcomes. The variety of approaches they have used underlines the difficulty of reaching causal conclusions. Most research has relied either on specifications that look only at over-time changes, using lagged dependent variables or fixed effects, or at cross-sectional estimations that use instrumental variables. Since most of the variation in institutional variables is cross-sectional, since regime change itself is endogenous, and since time-varying instruments are scarce and rarely used, the interpretation of fixed effects estimates is uncertain. On the other hand, arguments about the excludability of geographic or historical instruments from cross-

sectional regressions are not always plausible. At the same time, previous studies have generally focused on democratization, interpreted broadly and typically using Polity indicators of democratization that reflect a range of *de facto* performance characteristics of countries (e.g., are executives constrained in fact, if not *de jure*?).

Given the fairly unsatisfactory state of the art in identifying the causal effects of institutional arrangements in cross-country comparisons, this paper is far less ambitious regarding documenting causal inference. However, it is more ambitious in its effort to disaggregate the specific attributes of countries that favor development-friendly outcomes. Rather than looking at broad and subjective indicators of democracy, such as those in Polity, it focuses on narrowly-defined and objectively-measured institutional arrangements.

The analysis is based on estimates of $y_{it} = \beta_0 + \beta_1 * (\text{collective action}_{it}) + \mathbf{X}_{it}\beta_2 + \varepsilon_{it}$, where *it* indexes country-years; *y* represents various development-relevant outcomes; *collective action* represents a number of collective action variables, including competitive elections; and **X** a range of controls that might affect the costs to citizens of engaging in collective action independent of the particular collective action variable that is the focus here. Yearly observations exaggerate statistical significance, since most estimated effects are driven by cross-country differences that change little over time. To counter this effect, clustered standard errors, which assume errors across observations within countries are not independent, are reported. However, estimated effects from data averaged over country-years are similar to those based on country-year observations.

The standard strategy to minimize omitted variable bias in the estimates β_1 of institutional effects on development outcomes relies on instrumental variables. The strategy is not viable in the current setting for two reasons. First, if one accepts the premise of much of the empirical research on democracy and development, that particular geographic and

historical characteristics of countries are valid instruments for the Polity measures of democracy, then they are almost surely invalid instruments for identifying the causal effects of precise organizational and institutional features that capture only one potential determinant of the Polity measures. That is, if the instruments identify the overall functioning of democracy, then their effects on development outcomes are unlikely to operate only through specific institutional arrangements that facilitate collective action by citizens. But this implies that the instruments cannot be excluded from the main estimation.

Second, and simply, research examining multiple institutional determinants of development outcomes requires multiple, independent instruments. There are simply not enough of these to go around; no instruments allow for the separate and simultaneous identification of the independent effects of competitive elections and organizations that promote citizen collective action.

Another standard response to endogeneity issues is to exploit within-country variation over time using country fixed effects. Apart from the fact that within-country changes in institutional arrangements are themselves endogenous, this approach requires that within-country variation be representative of overall variation. This is more likely when within-country variation is a large fraction of overall variation in the phenomenon of interest. This is unlikely to be true for either the dependent or independent variables of interest here. Country fixed effects explain 70 to 80 percent of the variation in the policy variables examined here. They also account for 75 percent of the variation in the age of the government party and 69 percent of the variation in whether the average party is programmatic or not.

While the estimation procedures themselves cannot support causal interpretations of β_1 , the correlations documented in the analysis nevertheless advance our understanding of

institutions and development in two ways. First, they demonstrate a previously unidentified relationship, between citizens' ability to act collectively and development outcomes, for which theory provides a causal explanation. Second, they demonstrate that other measures of collective action are more strongly associated with development outcomes than competitive elections. The results of this "horse race" are less likely to be the spurious outcome of omitted variable bias to the extent that omitted variables have a similar influence on both variables, though this assumption is evidently not testable.

The uneven impact of elections on development

Though competitive elections could be viewed simply as a vehicle for reducing individuals' costs of influencing politician behavior, they are more accurately seen as lowering the costs to the general public of acting collectively to remove poorly performing incumbents. State-sponsored competitive elections solve the coordination problem of when and how citizens should act collectively, while subsidizing the machinery of collective action (elections themselves). The evidence presented in this section points to generally favorable policy effects of competitive elections, though among poor countries these effects disappear, and competitive elections appear to have no association with private investment.

Tables 1 and 2 identify the association between competitive elections and various development-relevant outcomes, holding constant income per capita (real, purchasing power parity-adjusted), and exogenous country features that might influence the public policy or the ability of citizens to organize collectively, independent of the presence of competitive elections: the land area of the country, its total population, and the fraction of the population that is rural or under the age of 15. Five development-related outcomes are considered: gross secondary and primary school enrollment from *World Development Indicators*, capturing whether government policies towards education, including school

funding and the monitoring of school quality, persuade families to send their children to school; private investment/GDP from *World Development Indicators*, testing whether elections are sufficient to persuade governments to encourage private investment, including governments incentives to treat private investors opportunistically; and measures of bureaucratic quality and corruption taken from Political Risk Services' *International Country Risk Guide*, to test whether elections discourage governments from acting arbitrarily towards citizens.

The measure of competitive elections is based on two variables in the Database of Political Institutions (Beck, et al. 2001), the legislative and executive indices of electoral competitiveness. These two indices are highest (equal to seven) when elections have multiple competitors, none of whom receives more than 75 percent of the vote. When both indices are equal to seven, the competitive elections variable is equal to one. Otherwise, it is zero. The regressions are estimated with ordinary least squares; standard errors are robust and clustered.

The all-country results in Table 1 indicate countries with competitive elections exhibit gross secondary school enrollment approximately 3 percentage points higher than countries without them, though the effect is not significant. Primary school enrollment is significantly larger, 5.6 percentage points, in countries with competitive elections. In contrast, private investment is no different in countries with competitive elections. The association between elections and bureaucratic quality and corruption is statistically significant: they are approximately one-third of a standard deviation higher (better) in countries with competitive elections.

Table 1: Competitive Elections and Public Policy
(*p*-values in parentheses, standard errors clustered by country)

| Dependent variables: | Gross Secondary School Enrollment | Gross Primary School Enrollment | Private Investment/GDP | Bureaucratic Quality (ICRG) | Corruption (ICRG) |
|--|-----------------------------------|---------------------------------|------------------------|-----------------------------|-------------------|
| Competitive elections, 0-1 | 2.97 (0.15) | 5.60 (0.04) | -0.02 (0.98) | 0.47 (0.00) | 0.43 (0.00) |
| Income/capita, real, ppp-adjusted, in \$10,000 | 1.30 (0.31) | -1.62 (0.25) | 0.69 (0.66) | 0.63 (0.00) | 0.38 (0.00) |
| Fraction population rural | -31.14 (0.00) | -18.39 (0.08) | 0.32 (0.92) | 0.27 (0.50) | -0.11 (0.81) |
| Fraction population young | -211.47 (0.00) | -33.17 (0.07) | -31.17 (0.00) | -4.76 (0.00) | -2.53 (0.02) |
| Land Area, 1,000,000 sq. km. | 1.11 (0.31) | -0.13 (0.87) | -0.32 (0.18) | 0.02 (0.72) | 0.00 (0.46) |
| Total population, 10 millions | -0.18 (0.04) | 0.12 (0.09) | -0.00 (0.87) | 0.01 (0.29) | -0.00 (0.22) |
| Observations | 2,243 | 2,491 | 2,374 | 3,036 | 3,036 |
| R-squared | 0.8 | 0.1 | 0.1 | 0.6 | 0.3 |

Note: Results of ordinary least squares regressions of public policy and investment variables.

The proportion of poorer countries with competitive elections is significantly lower than that of richer countries (approximately 40 percent versus 70 percent in the case of the education samples; approximately 30 versus 59 percent in the case of the private investment sample). This could lead to upwardly-biased estimates of the elections variable in the Table 1 estimations, since rich democracies (as the next sections show) are more likely to exhibit omitted arrangements that facilitate citizens' collective action. Table 2 therefore reports the same regressions, but in a sample confined to countries with incomes less than the median country's per capita income in each year.

Table 2: Competitive Elections and Public Policy in Poor Countries
(*p*-values in parentheses, standard errors clustered by country)

| Dependent Variables: | Gross Secondary School Enrollment | Gross Primary School Enrollment | Private Investment/GDP | Bureaucratic Quality (ICRG) | Corruption (ICRG) |
|--|-----------------------------------|---------------------------------|------------------------|-----------------------------|-------------------|
| Competitive elections, 0-1 | 2.51 (0.34) | 4.82 (0.19) | 0.07 (0.94) | 0.01 (0.95) | 0.05 (0.76) |
| Income/capita, real, ppp-adjusted, in \$10,000 | 48.58 (0.00) | 61.00 (0.00) | 10.64 (0.03) | 2.77 (0.01) | 0.55 (0.40) |
| Fraction population rural | -14.36 (0.40) | 16.74 (0.40) | 2.30 (0.58) | 1.96 (0.03) | 0.17 (0.81) |
| Fraction population young | -238.92 (0.00) | -81.96 (0.01) | -35.81 (0.00) | -1.58 (0.30) | 1.04 (0.45) |
| Land Area, 1,000,000 sq. km. | -1.90 (0.24) | -5.22 (0.16) | -1.41 (0.04) | -0.26 (0.00) | -0.10 (0.52) |
| Total population, 10 millions | -0.03 (0.80) | 0.33 (0.16) | 0.04 (0.24) | 0.02 (0.00) | 0.01 (0.34) |
| Observations | 1,067 | 1,251 | 1,611 | 1,365 | 1,365 |
| R-squared | 0.6 | 0.2 | 0.1 | 0.2 | 0.010 |

Note: Results of ordinary least squares regressions of public policy and investment variables in country-years where per capita income of the observation is less than the median country per capita income that year.

Among poor countries, elections have no association with development outcomes. The estimated coefficients for education are similar to those in Table 1, but standard errors are dramatically higher; poor countries with competitive elections do not exhibit significantly greater school enrollment than poor countries without. Competitive elections are again not associated with any differences in private investment. The estimated association of competitive elections on corruption and bureaucratic quality is near zero among poor

countries. The weak empirical contrasts between countries with and without competitive elections suggest that citizens' collective action problems persist even in the presence of competitive elections and especially in poorer countries. These ambiguities are not resolved by taking into account differences with respect to the details of voting rules (e.g., proportional representation versus plurality electoral systems).

The results in Tables 1 and 2 appear to differ from those of Baum and Lake (2003), who show a positive relationship between school enrollment and democracy, and of Stasavage (2005), who demonstrates that in Africa, multi-party democracy is associated with higher spending on primary education. The difference can be explained in several ways. First, Baum and Lake consider only female secondary school enrollment rather than total, and find that democratization only matters in richer countries (above real per capita income of \$2,500), consistent with Tables 1 and 2. In contrast to the results in Stasavage (2005), the results here focus on a stricter definition of democracy (not only must elections be contested by multiple parties, as in his estimations, but no party should get more than 75% of the seats in the legislature or votes in the presidential election. Over the period in question (1980 – 1996), for those African countries with data, 214 country-year observations met the more lax criterion, but only 101 the more stringent. More importantly (since Stasavage 2005 shows the robustness of his results to dropping less “democratic” elections), there is no necessary link between school spending and school quality; spending may therefore not increase enrollment, the variable in question in Tables 1 and 2.

Table 1 also allows East Asian exceptionalism to be examined, using a dummy variable for East Asia and an interaction term that equals one if a country is an East Asian democracy and zero otherwise. Neither East Asia, in general, nor East Asian democracies and non-democracies, are significantly different, except with respect to primary school

enrollment: this is 18 percentage points lower than average in East Asian democracies, though no different, on average, in East Asian non-democracies.

Political parties and collective action

Tables 1 and 2 raise the question of why competitive elections, by themselves, have little systematic effect on policy outcomes. The explanation explored here is that countries vary widely in the degree to which organizations exist that facilitate collective action by citizens. As is well-known, at least since Olson 1965, individuals are less likely to act jointly with others if they can free-ride on the efforts of others, or if they believe others will free-ride on the actions of the rest of the group. Free-riding is therefore more likely if groups cannot impose sanctions on those who free-ride, or cannot observe whether others free-ride.

In general, organizations are needed to solve these problems. These organizations have two characteristics. The solutions almost always involve delegating enforcement authority to a group's leaders, to avoid the problem of infinite regress (group members free-ride on enforcement efforts to sanction members who free-ride). The first characteristic of such organizations is that members delegate to leaders the ability to discipline group members who free-ride. However, leaders can shirk on their responsibilities. To prevent this, organizational arrangements make it easy for members to observe leader actions and to replace them if they fail to pursue member interests (e.g., by failing to sanction free-riding or by allowing members into the group who do not share group goals).

The capacity to make credible commitments is an immediate consequence of such organizations. First, leaders of such groups can make credible commitments to members, since members can remove them if they renege. Second, members of the group can make credible commitments to outsiders to pursue goals that are in the group's interests, since the group is organized to discipline members who fail to do this. Third, and for the same

reason, members of the group can make credible commitments to outsiders that they will work together to pursue group interests.

Political parties that exhibit these organizational characteristics should therefore have different effects on political incentives than those that do not. In non-democratic settings, ruling parties can be organized to give members the possibility of removing leaders who renege on agreements with them, making it possible for leaders to make credible commitments to members. In their analysis of ruling-party institutionalization, Gehlbach and Keefer (2009) argue that even allowing higher information flows about leader behavior among ruling party members than among non-members is sufficient to increase credibility, with two effects. First, non-democracies in which leaders allow institutionalized ruling parties are able to attract greater private investment, from members who do not fear expropriation. Gehlbach and Keefer (2010) find extensive evidence that non-democracies that exhibit ruling-party institutionalization attract more private investment than those that do not.

Second, they argue that non-democracies in which rulers encourage collective action by some groups in society are better able to provide public services. Rulers in non-democracies who aim to provide public goods or to limit corruption must provide incentives to civil servants to do this. Their ability to do this with non-coercive strategies requires that they be able to reward administrators who pursue these goals successfully. Gehlbach and Keefer (2009) show that, in non-democracies where autocrats can make credible commitments to ruling party members, they can also extract greater bureaucratic effort from party members. In non-democracies with more established ruling parties, leaders can therefore better (more credibly promise to) reward high bureaucratic quality and the effective provision of public goods.

In democracies, party institutionalization – parties organized so that leaders can discipline free-riding and members can discipline leaders – has the additional effect of allowing politicians to make credible promises to pursue policies in the broad public interest. Individually, politicians who require only a small subset of citizens to support them in order to take office have little interest in the provision of public goods that benefit many citizens. In addition, broad public policies, including those regarding public goods, require the approval of many politicians, which no single politician can promise. The organization of politicians into institutionalized parties relieves these restraints. Politicians who run under the banner of an institutionalized political party are subject to the discipline of that party and face costs if they free-ride on the party's commitment to pursue particular public policies, or if they pursue policies benefiting their narrow constituency at the expense of the party more generally. Because politicians are organized collectively, voters can punish them for policy failures – including expropriatory behavior by government that discourages private investment – for which no single politician can be held accountable.

Party institutionalization is self-enforcing. Cox (1997) argues that parties serve a crucial coordination function that is difficult for individual candidates to pursue on their own. In non-democracies, membership in institutionalized ruling parties confers greater ability to earn rents from private investment. In democracies, membership in institutionalized parties can do the same thing, in the event that a party is organized around the maintenance of a party machine; it also confers electoral advantage that is lost for individuals who leave the party. Moreover, to the degree that party institutionalization is dedicated to the establishment of a programmatic reputation, it entails organizational arrangements to ensure that candidate preferences coincide with the party's. Members who

are expelled from a party lose the ability to demonstrate to voters at low cost that they share these policy preferences (see, e.g., Snyder and Ting 2002).

Political organizations need not and often do not have the two characteristics of institutionalization: group delegation to leaders to discipline free-riding and easy oversight by group members of leaders. Typically, it is the second characteristic that is missing: leaders do not make it easy for members to monitor their performance and replace them in the event of malfeasance. For example, many parties are organized by a charismatic leader or by a leader with a large client base, including clients who themselves are patrons with large numbers of clients. These leaders are not easily disciplined by party members. They have strong incentives to select party members and candidates based on loyalty to the leader and not on the basis of their adherence to particular programmatic objectives. Because the leader's charisma has "coattail" effects – all party candidates benefit from it – candidates have an incentive to be loyal: their expulsion from the party exacts an electoral price.

Even if the leaders are reform-minded and interested in pursuing development-oriented policies, they may resist organizational arrangements that allow party members to hold them to account. From the point of view of leaders, the advantages of such an organization (greater investment, greater ability to make credible commitments to the population as a whole) are lower than the losses they incur from trying to maintain their position at the head of the organization (e.g., such as offering a larger share of organization rents to members, as in Gehlbach and Keefer 2009).

Moreover, parties may be well-organized, with strict control of free-riding and member control of leader shirking, but along clientelist lines – to deliver private rather than programmatic benefits to members. These are "machine" parties. Candidates nominated by these parties do not have the ability to make credible commitments to citizens outside of the

party, since the party does not attract members with similar programmatic preferences who have an incentive to enforce these commitments. Machine parties still allow citizens to hold politicians collectively responsible, unlike patron-client parties, where individual candidates control access to targeted benefits. However, they are less likely than parties organized around programmatic positions to pursue public policies that promote development.

This discussion points to a testable proposition: governments are more likely to pursue and implement policies in the broad public interest – policies that promote development – in the presence of institutionalized political parties, those that facilitate collective action by citizens. If parties mitigate the collective action problems of citizens, public policies should shift towards better serving the interests of citizens. That is, empirical indicators of institutionalized parties should be associated with higher primary and secondary school enrollment, greater private investment, less corruption, and higher bureaucratic quality. The discussion in the next section presents wide-ranging evidence of the extent to which organizational – party – solutions to citizens’ collective action problems are associated with these development outcomes.

Political parties and collective action by citizens

The discussion so far indicates that, even among countries that exhibit competitive elections, policies may not be in citizen interests because of the lack of organizations that facilitate the mobilization of citizens on behalf of policy measures or political candidates. Direct measures of these organizations and their internal characteristics are not available. One can, however, point to two characteristics of countries that plausibly capture the degree to which citizens can organize, or be organized, to advocate collectively for their political positions.

First, the extent to which parties convey a credible programmatic policy stance to voters depends on their ability to impose penalties on members who stray from the policy and to choose candidates who adhere to it, making the policy stance credible. Non-democracies that seek to mobilize support with ideological and not merely coercive appeals might also exhibit a programmatic stance; such a stance would not be credible, however, if leaders did not give scope to members of the ruling party to act collectively in the event that the leader reneged on this commitment, since in this case the leader could not make credible commitments to party members to pursue the programmatic goal. The Database of Political Institutions has variables recording whether the three largest government parties in a country and the largest opposition party can be recognized as espousing economic policies that are left (more redistributionist), right, or centrist; or whether instead the party has no stance on these issues and, instead, seems to exist to further the ambitions of the party leader. The coding is based on descriptions of party policy stances in source documents (political handbooks and yearbooks).

The analysis below captures the degree to which parties have programmatic stances in two ways. One is a variable that equals the fraction of all parties (up to four in the database) that have a programmatic stance. The other focuses more directly on the largest government and opposition parties: while the capacity to make credible commitments to pursue policies in the broad public interest are a function of whether a party is programmatic, the incentives to do so are strongest when both incumbent and challenger parties are programmatic. The analysis therefore estimates the effects of a dummy variable, which equals one if both the largest government and largest opposition party are programmatic and zero otherwise.

The underlying assumption in this coding is that if observers *cannot* detect efforts by political parties to project a programmatic stance, it is unlikely that the parties are able to do so or that they invest resources in doing so. In fact, the coding rule is generous. The largest governing parties meet the criteria for a programmatic stance in 83 percent of country-year observations that exhibit competitive elections; in 70 percent of these, both the largest government and largest opposition party meet the criteria. However, among poorer countries, in only 45 percent of country-year observations with competitive elections are both the largest government and opposition parties coded as having a programmatic stance.

The coding rules suggest that some countries may be credited with having programmatic parties that, in fact, do not. It is unlikely, though, that the coding procedures miscode as non-programmatic those parties that do succeed in conveying a programmatic stance to the electorate. This potential bias in the coding of programmatic parties makes it more difficult to detect significant effects of programmaticism on outcomes. In addition, parties can organize programmatically around other issues (from nationalism to economic occupation), which is not captured by the left-right emphasis of these variables. Nevertheless, Keefer (2008), using a similar logic to explain why countries with programmatic parties are less likely to experience civil war: (leaders who are able to make credible commitments to supporters are better able to mount a counter-insurgency effort) finds that these programmatic party variables are associated with a significantly lower risk of violence.

The second characteristic of countries that can plausibly capture the degree to which citizens can organize for collective action is the age of the governing party relative to the years in office of the leader. Gehlbach and Keefer (2009) argue that the ability of rulers in non-democracies to commit credibly not to expropriate private investors depends on

investor ability to act collectively to sanction rulers who attempt this. They argue that the ability of the ruling party to survive leadership transitions indicates that party members can undertake collective action independent of the party leader. Members of ruling parties who can act collectively are more likely to invest than in the case of ruling parties where the ruler bars collective action by party members. Consistent with this, private investment is substantially higher in non-democracies with ruling parties that are older than the ruler's years in office.

Though Gehlbach and Keefer (2010) do not examine this, the effect of party age less leader years in office should be attenuated among democracies. In non-democracies, options for collective action outside the ruling party are scarce. The variable *ruling party age – years in office* therefore distinguishes non-democracies in which collective action is possible from those where it is not. The distinction among countries that exhibit competitive elections is much weaker. In these countries, even if the ruling party is not institutionalized, other parties may be; citizens still have the possibility of acting collectively to pursue their political interests.

Following Gehlbach and Keefer (2010), the analysis below uses variables from the Database of Political Institutions to test the prediction that *ruling party age – years in office* is significantly associated with development outcomes in non-democracies, but not in democracies. The variable *gov1age* in the DPI captures ruling party age – the age of the largest government party. The variable *yrsoffic* is the number of years that the country's executive has been in office. The DPI offers ample evidence that countries with competitive elections offer ample alternatives to ruling party organization: the average age of the second and third largest government and the largest opposition parties is 20.6 years in countries with competitive elections; it is only 2.5 in countries lacking competitive elections, a difference of

more than one standard deviation. In 70 percent of the country-years lacking competitive elections, the average is zero; this is true in less than 1 percent of the country-years with competitive elections.

Table 3 compares countries with respect to these variables in 2010: the average of a programmatic dummy variable (whether parties express any programmatic stance or not) over all parties in a country-year; a dummy variable equal to one if both the largest governing party and the largest opposition party are programmatic, as in Keefer (2008); and (in three samples – all countries, non-democracies only, and democracies only), the age of the largest governing party at the time the current leader took power (as in Gehlbach and Keefer 2010).

Countries exhibit significant heterogeneity with respect to all of these characteristics. Among countries lacking competitive elections, the group of countries located from one-half a standard deviation below to one-half above the mean had ruling party ages between five and 25 years greater than the leader's years in office. Among democracies, also within one-half of a standard deviation of their mean values, the fraction of parties with programmatic stances ranges from .45 to .79.

A comparison of East Asian averages with those in Table 3 highlights previously unremarked areas of East Asian exceptionalism. First, East Asian countries that lack competitive elections exhibit far more institutionalized parties than the average of such countries in Table 3. At the onset of a leader's rule, the ruling party was 34 years old, on average, among nine East Asian non-democracies, compared to 15.3 years in Table 3. East Asian parties were significantly more likely to exhibit a programmatic identity (57 percent compared to 33 percent in Table 3). Second, though, those East Asian countries with competitive elections exhibited *fewer* of the ancillary institutions for promoting collective action. In Table 3, both the largest government and opposition parties were programmatic

in 46 percent of countries with competitive elections, compared to 27 percent of East Asian countries with competitive elections.

Table 3: Intra-regime variation in the organization of citizens for collective action (2010)

| | N | Mean | Standard Deviation | Minimum | Maximum |
|---|-----|------|--------------------|---------|---------|
| <i>No competitive elections</i> | | | | | |
| Age of largest governing party when leader took power | 61 | 15.3 | 21.1 | 0 | 82 |
| Average of programmatic dummy variables over all parties | 60 | .33 | .40 | 0 | 1 |
| Both largest government and largest opposition party are programmatic | 50 | .1 | .30 | 0 | 1 |
| <i>Competitive elections</i> | | | | | |
| Age of largest governing party when leader took power | 113 | 32.7 | 38.1 | 0 | 160 |
| Average of programmatic dummy variables over all parties | 114 | .62 | .35 | 0 | 1 |
| Both largest government and largest opposition party are programmatic | 114 | .46 | .50 | 0 | 1 |
| <i>All countries</i> | | | | | |
| Age of largest governing party when leader took power | 174 | 26.6 | 34.1 | 0 | 160 |
| Average of programmatic dummy variables over all parties | 174 | .52 | .39 | 0 | 1 |
| Both largest government and largest opposition party are programmatic | 164 | .35 | .48 | 0 | 1 |

Does this apparent cross-country variation in the ability of citizens to act collectively also explain differences in policy choices across countries? That is, do countries exhibit better development outcomes when their parties are better organized to solve citizen collective action problems? Table 4 reports results that begin to answer these questions. The estimates are based on the same specifications and samples as in Table 1, modified by the addition (one by one) of the measures of obstacles to collective action by citizens. The

regressions control for whether countries have competitive elections, highlighting the complementary nature of additional institutional arrangements that facilitate collective action by citizens. Table 4 reports only the coefficients from the competitive elections and collective action variable from each regression.

The first panel of Table 4 indicates that when the fraction of parties that are programmatic in a country goes from zero to one, both gross primary and secondary school enrollment rise by approximately 6 percentage points; bureaucratic quality rises by .64 (approximately one-half of a standard deviation); and corruption rises by one point (more than two-thirds of a standard deviation). Private investment rises more modestly, by 1.5 percentage points, or 18 percent of a standard deviation, an effect that is not quite statistically significant.

The second panel examines programmatic parties from a different perspective, using a dummy variable that equals one if the main government and opposition parties are programmatic. If a country has a programmatic ruling party, but no opposition party or a non-programmatic opposition, it is coded as zero for the dummy variable, though it receives a positive score for the average programmatic variable. The effects are nearly the same, except that private investment is significantly higher, while the magnitude of the corruption effect is somewhat lower.

The theory predicts that the age of the largest government party at the time the leader takes office (party age less leader years in office) should only have an effect in non-democracies; in democracies, citizens have the opportunity to act collectively through other vehicles, including parties other than the largest government party. The last three panels document that this is the case. The first of these looks at all country-years, both those with and without competitive elections. Ruling party age matters only for bureaucratic quality and

governance: a one standard deviation increase in the party age variable is associated with approximately one-fourth of a standard deviation improvement in bureaucratic quality and corruption ratings.

Table 4: Citizen organization, competitive elections and public policy
(Table reports only election and organization coefficients)
(*p*-values in parentheses, standard errors clustered by country)

| | Gross Secondary School Enrollment | Gross Primary School Enrollment | Private Investment/ GDP | Bureaucratic Quality (ICRG) | Corruption (ICRG) |
|---|--|--|-------------------------------|-----------------------------------|----------------------|
| Competitive elections, 0-1 | 1.13 (.55) | 4.0 (.15) | -.41 (0.62) | .29 (0.103) | 0.17 (0.17) |
| Average of programmatic dummy variables over all parties | 6.22 (.01) | 6.03 (.08) | 1.51 (0.12) | .64 (0.00) | 1.01 (0.00) |
| Competitive elections, 0-1 | .94 (.67) | 4.65 (.13) | -1.05 (.20) | .13 (.34) | .05 (.69) |
| Largest gov't. and opposition parties programmatic | 6.74 (.00) | 6.3 (0.01) | 1.54 (.05) | .55 (.00) | .65 (0.00) |
| Competitive elections, 0-1 | 2.76 (.21) | 5.72 (.05) | .21 (.81) | .35 (.01) | .26 (.00) |
| Age of government party – leader years in office | .03 (.19) | .02 (0.44) | -.002 (.91) | .01 (.002) | .01 (0.002) |
| AGE OF PARTY: ONLY COUNTRY-YEARS WITHOUT COMPETITIVE ELECTIONS | | | | | |
| Age of government party – leader years in office | .13 (.08) | .28 (0.004) | .06 (.04) | .02 (.001) | .02 (0.00) |
| AGE OF PARTY: ONLY COUNTRY-YEARS WITH COMPETITIVE ELECTIONS | | | | | |
| Age of government party – leader years in office | .02 (.40) | .02 (0.46) | -.01 (.43) | .003 (.15) | .003 (0.10) |

Note: Results of ordinary least squares regressions of public policy and investment variables, using the corresponding specifications in Table 1, adding the indicated variable to capture citizen organization. Only the competitive elections and citizen organization coefficients are reported. Number of observations and R^2 statistics similar to Table 1.

The penultimate panel shows much higher effects in non-democracies. A one standard deviation increase in the party age variable is associated with an increase in primary school enrollment of nearly 5 percentage points; and about 2 percentages points in the case of secondary school. A one standard deviation increase in party age is associated with a 1 percentage point higher rate of private investment, consistent with Gehlbach and Keefer (2010); and twice the improvement in corruption and bureaucratic quality as in the estimation using the whole sample. In contrast, in the last panel, among countries with competitive elections, the only marginally significant effect of ruling party age is with respect to corruption.

Table 5: Citizen organization and public policy, democracies vs. non-democracies

| | Gross Secondary School Enrollment | Gross Primary School Enrollment | Private Investment/ GDP | Bureaucratic Quality (ICRG) | Corruption (ICRG) |
|--|--|--|-------------------------------|-----------------------------------|----------------------|
| Coefficients: Average of programmatic dummy variables over all parties | | | | | |
| Competitive elections | 9.56 (.001) | 7.26 (.08) | -.18 (.87) | .66 (.01) | .92 (0.00) |
| No competitive elections | 3.93 (.23) | 7.66 (.11) | 2.17 (0.13) | .33 (0.08) | .79 (0.00) |
| Coefficients: Largest gov't. and opposition parties programmatic | | | | | |
| Competitive elections | 6.78 (.001) | 6.11 (.01) | .53 (.46) | .47 (.001) | .65 (0.00) |
| No competitive elections | 6.67 (.05) | 8.01 (0.06) | 2.83 (.06) | .37 (.10) | .31 (0.16) |

Note: Results of ordinary least squares regressions of public policy and investment variables, using the corresponding specifications in Table 1, adding the indicated variable to capture citizen organization. Only the competitive elections and citizen organization coefficients are reported. *p*-values in parentheses, standard errors clustered by country.

Table 5 reports results showing that the effects of programmatic party variables are, as theory predicts, largely not regime dependent. In countries with competitive elections, the

effects of each programmatic party variable are as large or larger in magnitude as those reported in Table 4. In countries lacking competitive elections, the investment effects are stronger than in Table 4, and significant among those countries that lack competitive elections but have both a programmatic ruling and opposition party. However, the education effects of the average programmatic rating of all parties is weaker in non-democracies than in Table 4; the effects of programmatic government *and* opposition parties on corruption and bureaucratic quality are weaker than in Table 4.

Poor countries and collective action

The results in Tables 4 and 5 indicate that organizations that facilitate collective action by citizens are significantly associated with policy outcomes, above and beyond the effect of competitive elections, and often when competitive elections themselves exhibit no influence. These findings are relevant for understanding obstacles to economic development only if these organizations are less common in poorer than in richer countries. In fact, this is the case.

Using data from 2008, for which the latest income data are available, Table 6 compares the three collective organization variables across rich and poor countries in three categories: all countries, all countries with competitive elections, and all countries without competitive elections. The differences are starkest with respect to the last variable, whether both the government and opposition parties are programmatic. More than four times as many rich countries as poor countries, and rich democracies as poor democracies, exhibit programmatic government and opposition parties. These are highly significant differences.

Across rich and poor non-democracies, comparisons are less reliable, since there are only 14 rich non-democracies in 2008, compared to more than 30 countries in each of the other cells. Nevertheless, the fraction of rich non-democracies with programmatic parties

was more than 50 percent greater than the fraction of poorer non-democracies. Compared to rich countries or rich democracies, poorer countries and poorer democracies also exhibit significantly younger ruling parties at the beginning of leader terms and higher average rates of programmatic parties overall.

Table 6: The organization of citizens for collective action across richer and poorer countries (2008) (Number of countries in parentheses)

| | All countries | | Competitive elections | | No competitive elections | |
|---|---------------|--------------|-----------------------|--------------|--------------------------|-------------|
| | Poor | Rich | Poor | Rich | Poor | Rich |
| Age of largest governing party when leader took power | 18.2 (73) | 37.7 (69) | 19.4 (42) | 39.2 (62) | 16.5 (31) | 24.4 (7) |
| Average of programmatic dummy variables over all parties | .39 (74) | .73 (69) | .39 (43) | .76 (62) | .38 (31) | .44 (7) |
| Both largest government and largest opposition party are programmatic | .15 (68) | .62 (69) | .16 (43) | .68 (62) | .12 (25) | .14 (7) |

Note: The comparison is of countries in 2008. Poorer and richer countries are those below or above the median per capita income in 2008; democracies are countries with competitive elections (legislative and executive indices of competitive elections from the Database of Political Institutions equal to seven)

Neither difference is significant comparing poor and rich non-democracies and ruling party age is actually somewhat lower in richer non-democracies. However, oil-rich countries disrupt this last comparison. As Gehlbach and Keefer (2009) argue, leaders of resource rich countries are less likely to institutionalize their political parties, but incomes are still likely to be high. Consistent with this, if Middle Eastern countries are excluded from the comparisons in Table 6, all of the other differences remain approximately the same, but the party years variable remains approximately 16 in the poor non-democracies, but rises to 24 in the (now only seven) rich non-democracies.

Conclusion and implications for policy

Analyses of the political economy of development generally stop short of probing the organizational obstacles to collective action by citizens and, when they investigate them, tend to give short shrift to the role and characteristics of political parties. Policy makers encourage reforms that give the poor greater voice (community-based development, social funds, national elections, reserved seats for lower caste citizens or for women), but pay less attention to the ability of the disenfranchised to act collectively, or to be organized to act collectively, in support of their interests. Unobserved heterogeneity across communities or countries in the degree to which citizens can act collectively likely explains the weak evidence supportive of the development impact of community-led development strategies or competitive elections: simply enfranchising citizens at the community or national levels is insufficient to ensure that politicians have strong incentives to pursue citizens' interests.

The literature discusses a wide array of factors that can disrupt collective action by citizens, ranging from lack of information to social polarization. The analysis here argues that organizations are key to the solution of collective action problems and that one key type of organization is the political party. Organizations that support collective action should receive greater attention in these discussions. For example, ethnic appeals are often, and perhaps correctly, viewed as a precursor to ethnic conflict. However, political parties that solve the collective action problems of a society's ethnic groups could leave a society better off than if it had no political parties at all to mitigate collective action problems. Keefer (2010) uses Afrobarometer data to argue that political parties in Africa, though they rely on ethnic appeals to mobilize support, do not solve the collective action problems of ethnic groups. Instead, the sources of partisan preference suggest that citizens are unorganized and

unable to enforce the promises of political competitors: vote-buying has a larger effect on partisan preference than ethnic group membership.

Political parties are not the only mode of solving citizen collective action problems. Civil society and non-governmental organizations can do the same. Indeed, donor support for these organizations has as its implicit or explicit goal the oversight of government and the empowerment of citizens. However, donor efforts tend not to be guided by the conditions outlined here, under which organizations explicitly aim to mitigate the obstacles to collective action confronted by citizens. For example, these organizations tend to be built around individuals who are only weakly accountable to the organizations' members or clients (the civil society entrepreneur who obtains donor funding, for example). These organizations may have an advantage that under-funded political parties cannot match, to promise incumbents whom they support higher post-retirement rewards if they adhere to the organization's goals than if they renege. However, the source of this advantage is usually the donor funding to which NGOs and CSOs have access, but that political parties do not.

Policy recommendations can only be suggestive before much more work is done uncovering the particular characteristics of political parties and other organizations that increase the incentives of politicians to pursue public policies in the public interest. Still, the evidence presented here provides ample motivation to investigate further such key questions as the conditions under which political entrepreneurs form a programmatic or machine party, leaving themselves open to membership challenges; the mechanisms of member control that are sufficient to limit leader shirking; and whether the roots of East Asian exceptionalism can be found in collective action.

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