

Patronage and Decentralization

The Politics of Poverty in India

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Political parties and politicians distribute patronage for electoral gains.¹ Many scholars have argued that political parties find it more efficacious to target the poor for patronage than the rich.² Decentralization and competitive local elections extend this logic of patronage politics to subnational levels. Through the devolution of governance, decentralization opens avenues for local politicians to distribute particularistic benefits on their own, not merely as agents of central party leaders. This distribution of patronage is shaped by the nature of electoral competition that local politicians face. Central party leaders, aware that local elections may generate incentives for local politicians to act independently, may rely on the information local elections reveal to identify and target patronage to key constituents. When such distributions of patronage are aggregated, more decentralized states will have more extensive distribution of patronage than less decentralized states.

To explore how decentralization contributes to patronage politics, this article sketches a theoretical framework and advances three hypotheses relating decentralization to the distribution of patronage. These hypotheses are examined within the context of poverty in Indian states and villages to show how the devolution of governance and local elections contribute to patronage politics. This article also addresses some of the informational limitations in the literature on clientelistic politics.

Decentralization and Patronage: Theoretical Perspectives

Social scientists have long stressed the advantages of decentralizing policy formulation and implementation to local governments.³ Two arguments, relevant to this study, are pivoted on the accountability of local governments and their information advantages over central governments and bureaucrats.⁴ Local governments, given their proximity, have better information than central governments or bureaucrats about local conditions and their constituents. Hence, they are able to tailor policies to suit local particularities. The impetus for local governments to make the best use of this information comes from elections. Regular local elections give people opportunities to evaluate what their elected representatives have done for them, and to vote them out of office if they are found wanting. Given the diffused electoral accountability and lack of information advantages, central governments or their local agents are inefficient and have fewer

incentives to respond to local needs or conditions. Further, the hierarchical structures of centralized bureaucracies create permissive conditions for bureaucrats to distort the information they may have.⁵

These arguments, however, rest on several questionable premises.⁶ Importantly, they assume that elected local politicians' accountability and responsiveness to voters are based on the politicians' programmatic appeals and policy achievements, and overlook other modes of electoral mobilization.⁷ Studies have documented that competition for votes generates incentives for elected officials to engage in patronage distribution to influence voters.⁸ Decentralization and local elections extend this type of patronage politics to the subnational arena. In decentralized states, the central politicians are not the only ones distributing patronage; local politicians also compete to deliver particularistic benefits. Some evidence suggests that decentralization has empowered local politicians to engage in patronage politics.⁹ Yet decentralization does not always empower local politicians evenly; some states devolve more powers to local governments than others.¹⁰ Given the asymmetric nature of decentralization, it could be expected that local politicians who gain control over numerous policy domains and resources have more avenues for distributing patronage than their counterparts in less decentralized states. In decentralized states, therefore, both the central and local politicians distribute patronage and their strategies shaped by the nature of electoral competition at each level. When these central and local distributions of patronage are aggregated, it is likely that more decentralized states will have more extensive patronage politics than less decentralized states.

The local distribution of patronage is shaped by patterns of political competition at the local level. Charles Tiebout hinted at this when he argued that elected local officials compete with one another to appeal to voters.¹¹ Although Tiebout's model predicted that local politicians from different regions compete to offer better public programs, it is likely that local elections generate incentives for politicians within the same subnational unit to distribute particularistic favors to increase their electoral popularity.

Decentralization also advances patronage politics by identifying politically salient voters. A crucial question for political parties and politicians trying to mobilize voters through clientelist strategies is to whom patronage should be distributed. The formal literature on machine politics tries to answer this in terms of core versus swing voters.¹² A key aspect of identifying the salient group of voters—whether the group consists of core party supporters or uncommitted moderates—is acquiring information about voters' partisan predispositions.¹³ Susan Stokes points out that local politicians who live in the same neighborhood as the voters can gather information about voters' partisan predispositions.¹⁴ Local politicians mobilize votes for their parties using the information advantage they have in several countries.¹⁵

Local elections, however, introduce a degree of complexity into this picture. Local politicians not only work as agents of their party's central leadership, but they have political ambitions of their own, such as getting elected. The clientelist strategies that local politicians employ to get elected may diverge from those of their central party leaders. For instance, in a state where the electoral competition between the two leading

parties is even, and neither party can win solely by appealing to its core supporters, the central leaders would want to reach out to uncommitted voters. But, at the local level, a politician winning comfortably with the support of core constituents may want to reward her supporters with particularistic benefits rather than approach uncommitted moderates. Elected local officials may discount their central party leadership's bidding to their individual political strategies. Such divergences can be imagined in other scenarios, for example where the central leaders may want to reward core supporters while local politicians prefer to appeal to new voters, or where different political parties form the central and local governments. In these cases, the central party leaders could rely on local election results to reveal information about the geographic distribution of core, swing, and opposition voters rather than depend solely on elected local politicians to gather information. Using this information, at times so detailed as to identify voters by the streets and neighborhoods they live in, central leaders could target patronage to the group they consider electorally salient.

Within this overall framework of incentives for patronage, there are compelling reasons to expect decentralization to advance patronage politics in specific ways. Three hypotheses linking decentralization and the distribution of patronage are offered here to explore the ways in which decentralization contributes to patronage politics.

The first hypothesis (H1) is that states that are more decentralized will have more extensive patronage politics than less decentralized states. The premise here is simple—that local politicians can engage in patronage politics on their own only in states where decentralization has transferred governance and resources to them. The more policy domains are thus devolved, the more avenues elected local politicians will have to distribute patronage. Further, in decentralized states, both central leaders and local politicians engage in distributing patronage. When such distributions are aggregated, states that are more decentralized will have more extensive patronage politics than less decentralized states.

Evidence from cross-national studies linking decentralization and political corruption has so far been inconclusive. Some studies report that decentralization is associated with less corruption,¹⁶ while others find this relation to be inconsistent and insignificant when controlled for experience with democracy, stability of party systems, and culture.¹⁷ Within-country studies, however, offer some evidence to suggest how decentralization contributes to patronage politics. First, decentralization has enabled local politicians to shield local firms from the federal government, regulators, and competition in countries such as China, Russia, and the United States.¹⁸ Second, decentralization has led local politicians and governments in Latin America and South Asia to target goods to the poor.¹⁹ H1 is consistent with this latter piece of evidence. In democracies like India, where the poor are numerous, political parties and politicians may see it as strategic to target the less well-to-do to build electoral support. In decentralized states, both central leaders and local politicians pursue such strategies.

The second hypothesis (H2) charts a different course to relate the distribution of patronage to the electoral strategies of individual local politicians, that is, that local politicians who win elections by narrow margins will distribute patronage

more extensively than those who win with broad support. The intuition that underpins this hypothesis is not that local politicians who win by wider margins do not reward their supporters, but that their wide margin of victory signals an electoral support already built, perhaps, through distributing particularistic rewards. Therefore, between elections, such politicians may extend rewards to their supporters to retain their support. By contrast, those local politicians who win by narrower margins face greater uncertainty of reelection. Therefore, local politicians who win by narrow margins are likely to distribute particularistic benefits more widely to enhance their electoral support and reduce electoral uncertainty than local politicians who win with broader support.

Extending the insights of Avinash Dixit and John Londregan,²⁰ the third hypothesis (H3) posits that in states where two leading parties are evenly matched and are able to deliver goods to all voters equally, particularistic benefits will be targeted to marginal voters. Decentralization helps reduce some of the informational limitations associated with targeted distribution. Local elections reveal detailed information about the geographic concentration of swing and partisan voters. Central leaders in competitive states could use this information to target patronage to districts where voters had not voted decisively for either of the leading parties, even when local politicians in these councils may have been elected by wide margins.

Taken together, the three hypotheses offer a composite picture of how decentralization affects patronage politics. While H1 presents the aggregate effect of decentralization on patronage politics at the state level, H2 and H3 present the details of how local competition and information contribute to this aggregate effect. Methodologically, a study of patronage distribution in India at the subnational level helps hold constant or control for confounding factors identified in cross-national studies, such as colonial heritage, trade openness, and culture.²¹

The Politics of Measuring Poverty in India

Poverty in India presents an interesting and important illustration of patronage politics in decentralized states. The federal and state governments provide several welfare programs to families identified officially as living below the poverty line. For instance, through one of the largest welfare programs, the Targeted Public Distribution System (TDPS), families living below the poverty line receive essential food items at rates far below their market price. Similarly, the federal government allocates resources to the states for other welfare programs, including pensions for poor widows and older people (National Social Assistance Programme, NSAP), scholarships for students from poor families, and financial assistance to the rural poor to build houses (*Indira Awaas Yojana*, IAY) and to promote employment (*Swaranjayanti Gram Swaroggar Yojana*, SGSY).

The federal government relies on two estimates of poverty to allocate resources to the states for these welfare programs. India's Planning Commission estimates the

number and proportion of poor people in the states using a calorie norm established in the 1970s. According to this norm, a minimum daily intake of 2,400 calories is considered necessary for a person to lead a healthy life in rural India.²² Using data from national sample surveys (NSS), the monthly per capita consumption expenditure required to meet this calorie norm was worked out to Rupees 49 in rural India for the base year 1973–74.²³ This expenditure amount served as the cut-off line to estimate the proportion of Indians that lived below the poverty line, and it is revised periodically using NSS data to account for price increases.²⁴ The federal ministry of rural development undertakes the second measure of poverty in India. The Below Poverty Line (BPL) census, in effect during the period covered in the present study, counted the poor using a two-stage process. The first stage entailed eliminating from the poverty list households with an annual income above the threshold of Rupees 20,000, or with landholdings over two hectares, as well as those owning tractors, power tillers, or consumer durables such as televisions, refrigerators, and scooters. At the second stage, the data on the consumption of the remaining households were gathered through interviews and matched with the Planning Commission's calorie norm to estimate the proportion of families below the poverty line.²⁵

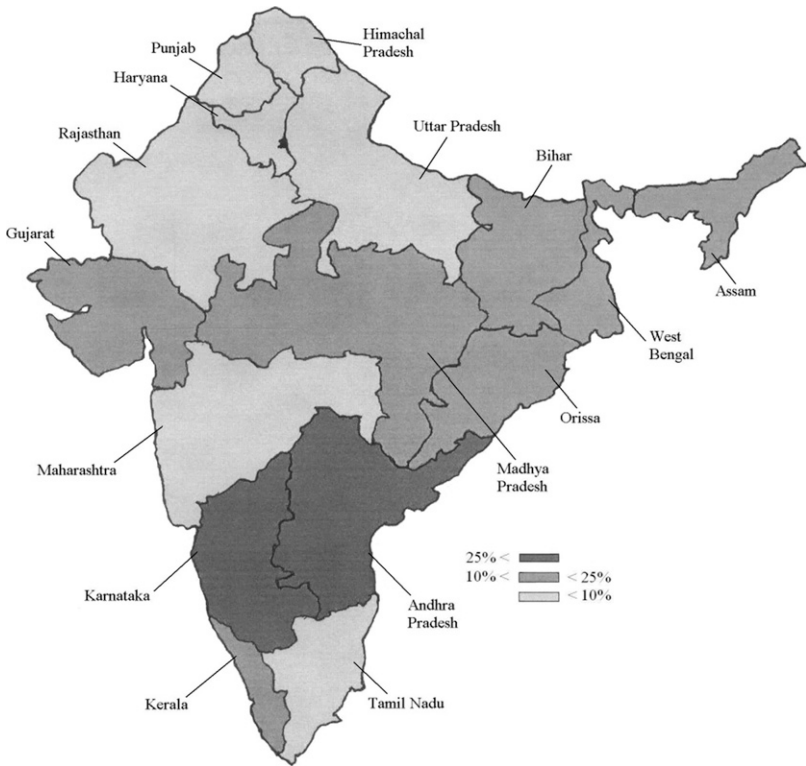
Given the distributional consequences of the welfare programs, and the fact that they involve the transfer of resources from the federal to the state governments, the methods and estimates of poverty have led to political disagreements between the federal and state governments. Several state governments have argued that the federal criteria for estimating the poverty line are too restrictive, do not take into consideration state-level variations in socioeconomic conditions, and exclude many poor families from welfare programs.²⁶

Besides the disagreements between the federal and state governments, federal studies reveal that state governments have counted more families as poor than estimated by the federal government. The Planning Commission, which studied the distribution of Below Poverty Line (BPL) cards—the documents state governments issue to families below the poverty line to make them eligible for welfare programs—reported that the states had distributed such cards to twenty-nine million more households than would have received them if federal estimates had been followed.²⁷ The Commission concluded that several “ghost BPL cards” were in circulation in the states across the country. Yet, as Figure 1 indicates, a key facet in this excess distribution of BPL cards was that some states issued more cards than others. For instance, Andhra Pradesh, Karnataka, Kerala, and Madhya Pradesh distributed two to three times as many BPL cards as Bihar, Haryana, Punjab, and Uttar Pradesh. Why are some states distributing more BPL cards and bringing more people into poverty relief programs than other states?

Explaining State-Level Variation in Estimates of Poverty

Decentralization of governance in Indian states explains the subnational variation in excess distribution of BPL cards. Since the passage of a constitutional amendment

Figure 1 Distribution of Excess BPL Cards in Indian States



Note: The darkest gray indicates states that distributed BPL cards to at least 25 percent more households than the federal estimates, whereas the states in lightest gray distributed BPL cards up to 10 percent more households.

in 1992, local councils have been involved in identifying families living below the poverty line and preparing lists of poor households in the states. The households thus identified are supplied with BPL cards that make them eligible for various welfare programs. Given that the BPL cards bestow on the cardholders welfare benefits, political parties and politicians use the process of identifying the poor and distributing BPL cards to further their political goals. Studies have found that politicians, who have discretionary powers to identify the beneficiaries of welfare programs, have used such powers to further their political interests.²⁸ Yet not all states have empowered local politicians equally.²⁹ By 2000 the Karnataka and Kerala state governments had devolved to local councils all twenty-nine functions listed in the constitutional amendment, including rural housing, health care, public food distribution, and poverty relief. Bihar had devolved none, while Punjab and Uttar Pradesh had devolved seven and twelve of these functions,

respectively. This asymmetric transfer of governance across the states translates into asymmetries in resources available to local politicians for patronage. Building on H1, a close relation between the degree of decentralization and the distribution of BPL cards can be postulated. The BPL cards will be distributed greatly beyond the federal estimate of households living in poverty in states that had decentralized more policy domains and resources to local councils.

Further, the distribution of BPL cards can be influenced by the overall political competition in the states. In electorally competitive states, political parties often try to enhance their political support and reduce electoral uncertainty by distributing patronage.³⁰ The “more hotly contested the elections, the greater the distributive effort is likely to be.”³¹ Therefore, more BPL cards will be issued in Indian states where electoral competition is intense.

Although the theoretical framework in this article privileges decentralization and competition between parties to account for the state-level variation in the distribution of excess BPL cards, other factors could affect the distribution of BPL cards. The most significant among these is the transient poor—the people who move in and out of poverty.³² The federal estimates of poverty, ascertained every five years, could exclude the transient poor and underestimate poverty if the transient poor were above the poverty line at the time estimates were calculated. It is unclear if between 1999/2000—when the national sample survey was conducted on which the federal estimate of poverty is based was conducted—and 2001—when the Planning Commission documented the excess BPL cards in circulation—more transient poor had fallen into poverty in some states. If so, then the distribution of BPL cards in the states may merely reflect this increase in poverty.

While it is difficult to identify the transient poor, I adopted an empirical strategy of using vulnerable populations as a proxy for the people most likely to fall into poverty. The proportion of the population dependent on agriculture is the variable that represents the segment of the population most vulnerable to poverty. There are compelling reasons for treating the population dependent on agriculture as the most vulnerable. First, agriculture’s share in India’s economy, compared to other sectors, has been declining, and its growth is erratic and slow. Between 1997 and 2001, agriculture grew at an average rate of 1.55 percent, while the growth rates of the industrial and services sectors were 3.87 and 8.03 percent, respectively.³³ Over these years, agriculture’s share of the country’s GDP fell by 8.11 percent.³⁴ Second, given that agriculture is the principal source of employment for most people,³⁵ low agricultural wages and productivity affect a large segment of the population and are closely tied to poverty in the country.³⁶ Further, studies from different states point out that insufficient bank credit, especially for small farmers who do not have collateral for credit, has contributed to rural debt and deprivation.³⁷ Agricultural wages, productivity, and bank credit to farmers show remarkable variation across the states. For instance, in 2001, agricultural laborers in Kerala were earning Rupees 234 a day when their counterparts in Madhya Pradesh earned Rupees 47.³⁸ Between 1997 and 2002, agricultural productivity in Punjab shrank by 5.6 percent, whereas it grew by 4.1 percent in Maharashtra.³⁹ In Uttar Pradesh,

85 percent of all bank credit to agriculture went to small farmers, whereas in Maharashtra this was only 47 percent.⁴⁰

Taken together, these factors present trends that could push a large number of households into poverty. What is unclear is whether state and local politicians, aware of the transient poor and their vulnerability to depressions in agricultural wages, productivity, and institutional credit, included more households in the poverty list and issued BPL cards to help them during economic distress. To examine these issues, I initially model the distribution of excess BPL cards in the states as a function of the degree of decentralization, overall political competition in the state, and the proportion of the population dependent of agriculture. The dependent variable—excess BPL cards—is measured as the difference between the percent of households in a state with BPL cards and the percent of households the Planning Commission had estimated as below the poverty line in the state.⁴¹

In the model, the dependent variable is transformed using the Box-Cox procedure to approximate the assumptions of the linear model.⁴² The degree of decentralization is the number of government functions out of the twenty-nine listed in the constitutional amendment the states had devolved to local councils by 2001.⁴³ The overall political competition in the state is expressed as the difference in the vote shares of the two leading political parties or pre-electoral coalitions in the state elections with smaller differences denoting intense political competition.⁴⁴ The proportion of people dependent on agriculture in the states includes both cultivators and laborers.⁴⁵ Extensions of the basic model included confounding factors that contribute to poverty. These included measures of agricultural wages, productivity, and bank credit to small farmers. Agricultural productivity is measured as the value of food grain output per hectare of cultivated area expressed in constant prices. Agricultural wages are represented as the average daily wages of agricultural workers in the states, and are normalized using logarithmic transformation. Bank loans to small farmers is measured as the amount of small lending—less than Rupees 25,000—to agriculture as a percent of the total lending to agriculture (See Table 1).

The main finding is that the degree of decentralization and the overall political competition in the states lead to extensive patronage distribution insofar as the circulation of excess BPL cards is taken as a measure patronage politics. None of the other variables reaches conventional standards of statistical significance. The coefficients of the degree of decentralization and political competition are significant across models and stand up to diagnostic tests for heteroskedasticity, outliers, and various controls. More households have been distributed BPL cards, in excess of the federal estimates of poverty, in states that had decentralized more decision-making domains to elected local councils. Such distribution is also greater in states where the vote shares of the two leading political parties are evenly balanced. The proportion of state population engaged in agriculture is introduced in the second model. But the variable is statistically insignificant, and the results across the first two models show little difference. The results in models 4 and 5 suggest that factors such as agricultural wages, productivity, and availability of institutional credit that affect poverty also have not contributed to the distribution of excess BPL cards in the

Table 1 Distribution of Excess BPL Cards in States as Function of Decentralization and Political Competition

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Degree of decentralization	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)
Political competition in the state (difference in vote shares of parties)	-0.022** (0.008)	-0.022** (0.009)	-0.022** (0.01)	-0.019* (0.009)	-0.019** (0.008)
Population engaged in agriculture		-0.001 (0.007)	-0.001 (0.012)		
Agricultural wages (log)				-0.087 (0.085)	-0.087 (0.086)
Bank loans to small farmers				0.001 (0.003)	0.001 (0.004)
Agricultural productivity				-0.009 (0.01)	-0.008 (0.013)
Constant	1.42**** (0.086)	1.448**** (0.159)	1.447**** (0.235)	1.678**** (0.342)	1.678**** (0.406)
R ²	.63	.63	.63	.68	.68

Note: $N = 16$. Entries are unstandardized coefficients from OLS regressions; standard errors are in parentheses. Dependent variable is the Box-Cox transformation of the excess BPL cards distributed in the states. Models 3 and 5 are replications of Models 2 and 4 based on 100 bootstrap replications). * $p = .1$. ** $p = .05$. *** $p = .01$. **** $p = .001$.

states. The small number of cases may limit our confidence in these results. Greater confidence in the relation between decentralization and the distribution of patronage comes from examining the dynamics of local politics that decentralization engenders.

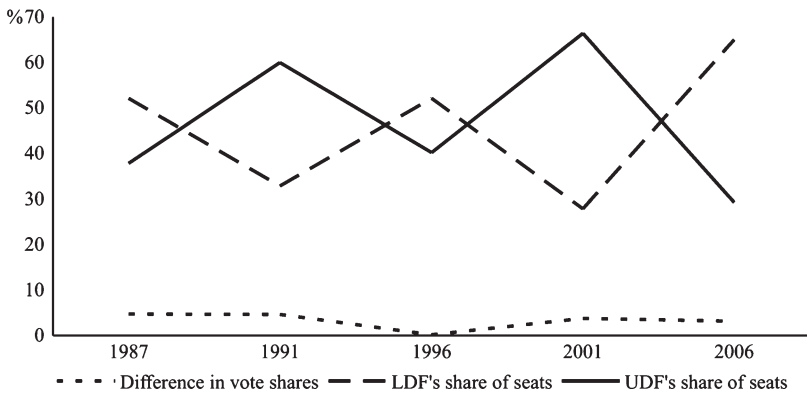
Local Politics and Patronage Distribution

How local politics and elections advance patronage politics is explored using data on poverty collected from seventy-eight geographically contiguous villages in the southern state of Kerala. Between 1999 and 2005, poverty rates increased in all the villages; by 2005, 28 percent more households across these villages were added to the official list of poor families.⁴⁶ Yet, in some villages, twice as many households were listed as poor as in other villages. The increases ranged from an additional 15 percent of the population being recorded as poor in some villages to 47 percent in others. By focusing on the changes in poverty in contiguous villages that share wage rates, commodity prices and crop yields, the study is able to control for these factors that may contribute to poverty and focus on the variation in political competition across these villages to examine how politics affects this seeming increase in poverty.

Kerala is an electorally competitive state, where two political fronts—the communist-led Left Democratic Front (LDF) and the Congress Party-led United Democratic Front

(UDF)—are matched evenly in terms of votes and the chances they get to form the state government. As indicated in Figure 2, often a small percentage of votes, that shifts to different alliances every election, decides which alliance gets to form the government in the state. Given the intensity of political competition in Kerala, politics could be expected to play a significant role in the identification of the poor since those identified officially as poor receive welfare benefits. Further, Kerala is one of the most decentralized states, having devolved all twenty-nine government functions listed in the constitutional amendment and the authority to identify the poor to local councils. Therefore, the dynamics of local politics, too, could be expected to influence the identification of the poor. Local politicians accept unreservedly that some households above the official poverty line had been included in the official list of poor households.⁴⁷ The reasoning offered is that these families were marginally above the poverty line and vulnerable to become poor once the enumeration was completed. What is unclear from this reasoning is why this has led to twice as many households being recorded poor in some villages as in others.

Figure 2 Political Competition in Kerala, 1987–2006



Note: LDF is the Left Democratic Front; UDF is the United Democratic Front.

Source: Election Commission of India.

H2 and H3 relate the individual strategies of local politicians and party strategies of central leaders to the distribution of patronage. Given that local councils in India and Kerala follow the parliamentary system, with councils having ten to twenty directly elected councilors, the distinct influences of both the individual and party strategies can be examined. To illustrate with the data from village councils in Kerala, in thirty-nine out of the seventy-eight councils, the LDF and UDF were in close electoral contests, with less than 5 percentage points differentiating their vote shares in the council elections. However, in more than half of these thirty-nine councils, most councilors were elected with margins greater than 10 percent. With the security of broad support, these elected councilors have fewer personal incentives to distribute patronage than councilors who

won by narrower margins, even when the overall political competition in these councils signal that, from the perspective of state politics, these are the electoral battlegrounds in the state to be targeted with patronage. The theoretical expectation is that central leaders will use local elections to identify councils where the political competition is evenly balanced and target benefits to them, independent of the individual incentives of elected councilors. In practice, however, the picture is rich in details. Since local councils have the responsibility of preparing the list of families below the poverty line, local party bosses, aware of the overall competition in the councils, press elected councilors belonging to their parties to grant partisan favors. Placing families on the poverty list, thereby making them eligible for welfare benefits, is a partisan strategy used to win over new voters. Field observations in these villages also revealed that local party operatives often identify households and recommend their inclusion in the poverty list to elected councilors.

Local councilors, on the other hand, want to secure reelection. Distributing particularistic benefits, in this case placing voters on the poverty list to enable their eligibility for welfare benefits, is a strategy local councilors use to broaden their electoral support. This strategy will be pursued intensely when councilors are uncertain about getting reelected. Therefore, councilors who had won with narrower margins will distribute patronage more. Given that councils in Kerala are based on the parliamentary model, councils where more councilors had won with narrow margins will include more households in the poverty list than councils where councilors had won with broad support.

Consequent to these partisan and individual political incentives to include more households in the poverty list, it could be expected that poverty rates will be inflated more in villages where (1) competition between the LDF and UDF is intense; and (2) a higher proportion of elected councilors is uncertain of getting reelected. To examine this, I model the inflation of poverty rates in the villages as a function of the proportion of unsafe seats in the local council and overall political competition between the LDF and UDF in the village.

In the model, the inflation in poverty rates is measured as the difference in the percents of households identified officially as below the poverty line between 1999 and 2005. The variable is transformed following the Box-Cox recommendation. The proportion of unsafe seats is measured as the percent of councilors in village councils who were elected with margins of less than 5 percent in the 2000 local election. Overall, political competition in a village is indicated by the difference in the vote shares of the LDF and UDF in the 2000 election to the village council.⁴⁸ Given the increased number of the cases, I use a variety of controls. In addition to the proportion of people engaged in agriculture, I also include other groups that could be vulnerable to poverty. Drawing on existing literature, these groups were identified as illiterates, scheduled castes and tribes, and marginal workers.⁴⁹

The results of this model, in Table 2, confirm the expectations of the theoretical framework. More households were enumerated as poor in villages where more councilors faced uncertain elections. Political parties have used the information revealed by the local election to target patronage to councils where partisan competition is

Table 2 Increases in Village-Level Poverty as a Function of Local Politicians' Uncertain Support and Political Competition

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Proportion of unsafe seats in the council	0.326**** (0.061)	0.331**** (0.06)	0.328**** (0.061)	0.323**** (0.061)	0.308**** (0.056)
Political competition in the village (difference in vote shares of parties)	-0.363** (0.164)	-0.395**** (0.164)	-0.411*** (0.167)	-0.428**** (0.167)	-0.44**** (0.154)
<i>Vulnerable populations</i>					
Illiterates	0.544*** (0.209)	0.578*** (0.209)	0.564*** (0.211)	0.629**** (0.217)	0.917**** (0.215)
Scheduled castes & tribes	-0.196 (0.156)	-0.196 (0.154)	-0.193 (0.155)	-0.212 (0.155)	-0.324** (0.147)
Population engaged in agriculture	-0.216 (0.323)	-0.202 (0.32)	-0.209 (0.322)	-0.129 (0.327)	0.382 (0.334)
Marginal workers	0.9*** (0.35)	0.876*** (0.347)	0.894*** (0.349)	0.933*** (0.349)	1.049**** (0.338)
<i>Other relevant factors</i>					
Per capita income in village (log)		-1.278 (0.849)	-1.349 (0.853)	-1.349 (0.853)	-1.483* (0.789)
Cooperative societies (log)			0.919 (1.606)	0.432 (1.643)	0.942 (1.524)
Distance from nearest city (log)				-1.482 (1.149)	-1.651 (1.063)
Previous poverty in the village (1999)					-0.266**** (0.074)
Constant	1.341 (6.448)	6.698 (7.318)	15.129 (16.458)	13.006 (16.462)	19.529 (15.311)
R^2	.43	.45	.51	.52	.54

Note: $N = 78$. Entries are unstandardized coefficients from OLS regressions; standard errors are in parentheses. Dependent variable is the Box-Cox transformation of the percent of families included in the poverty list between 1999 and 2005. * $p = .1$. ** $p = .05$. *** $p = .01$. **** $p = .001$.

intense, regardless of the electoral uncertainties of individual councilors. Greater inflation of poverty rates occurs in the competitive villages. These relations are robust across models and stand up to diagnostic tests for heteroskedasticity and various controls. The variables representing the vulnerable populations in the villages present an interesting picture. The percentage of the population engaged in agriculture shows no consistent relation to the inflation in poverty rates and fails to reach conventional standards of statistical significance. Scheduled castes and tribes are insignificant in most models. Only when the previous level of poverty, that is, the poverty rate in 1999, is included do the scheduled castes and tribes show a significant negative relation, possibly because these castes and tribes were included in the poverty list prior to 1999. There is, however, considerable evidence linking illiteracy and marginal workers to the distribution of

patronage. This result could be interpreted as suggesting that illiterates and marginal workers, vulnerable to poverty, are included in the BPL list. On the other hand, it is possible that villages with more illiterates and marginal workers have more households included in the BPL list because such low-skilled voters are more susceptible to the logic of patronage politics.⁵⁰ Given that the evidence does not suggest that the BPL list varies with other sources of vulnerability to poverty, such as agricultural employment, the latter political interpretation may not be unrealistic.

The hypothesized relations are robust across models 2 to 5, when additional controls such as per capita village income, the number of cooperative societies, distance from the nearest city, and the previous level of poverty in the villages are included. Per capita income indicates the relative affluence in the village; normally, one would expect wealthier villages to have fewer poor households. The results in the model, however, do not suggest a significant relationship between the log of per capita village income and the enumeration of rural poverty. Cooperatives were included to see if rural cooperative societies play a role in ameliorating poverty in villages where the rural poor may not have access to bank credit. Prior research has documented the notable role cooperatives play in India in helping rural enterprises succeed and pulling people out of poverty.⁵¹ However, the results in model 3 reveal that the natural log of the number of such cooperatives in each village divided by its population is not related to the enumeration of the poor. The log of the distance of the village from the nearest city is not significant either. The variable was introduced in model 4 to see if villages close to cities would have lower increases in poverty rates, as the poor in such villages could migrate to urban areas to escape poverty. In model 5, previous level of poverty, unsurprisingly, shows a negative relationship to the inflation in poverty rates. As one would expect, only a few more families could be added to the poverty list in villages where most households were already included by 1999, whereas villages that had few poor households previously could include more households in the poverty list by 2005.

Conclusion

Decentralization advances patronage politics in distinct ways. First, the logic that drives patronage politics at the central level should extend to local levels as decentralization empowers local politicians. In decentralized states, therefore, both central and local politicians distribute patronage to enhance their political support. Evidence from India indicates that this has contributed to more extensive distribution of patronage in decentralized states. Second, local elections reveal information to central leaders about the geographic distribution of electorally salient voters. Central leaders could use this information to target particularistic benefits to these voters. Third, elected local politicians have individual strategies to distribute patronage, in spite of or in addition to the clientelistic strategies of the political parties they represent. Evidence from Indian states and villages supports these theoretical expectations and illustrates the incentives at the state and local levels that shape the distribution of patronage.

These arguments and findings have significant implications for the study of decentralization, clientelism, and policies to alleviate poverty. Extant literature has theorized and presented compelling evidence to show how the competition for votes presses political parties and politicians to engage in patronage politics. Along a different track, studies have also examined the politics behind decentralization.⁵² This article integrates these two strands in the literature to link patronage politics to decentralization and to focus on the incentives for politicians at different levels to engage in patronage distribution. Contrary to the prevailing understanding that decentralization leads to greater accountability, local politicians could appeal to voters through clientelistic transfers. The theoretical framework explored here helps explain some of the contradictory findings in the literature on decentralization, especially why decentralization has led to improvements in governance and democracy in some cases, whereas it has had negative consequences in others.⁵³ By focusing on the structure of incentives at different levels, future research should be able to identify the conditions under which decentralization improves general welfare or leads to political corruption.

With regard to clientelism, the current literature on machine politics documents how local politicians with better knowledge about voters effectively mobilize votes for their central party leaders. In this discussion local politicians are treated as disciplined agents of party leaders. However, this premise can be questioned on the basis of the theoretical framework and empirical evidence. The Indian cases show that competitive local elections could generate incentives for local politicians to act independently of their central leaders and have individual electoral strategies that diverge from those of their leaders. The key insight is that central leaders bridge the informational limitations of patronage politics in many ways. Central leaders, aware that local politicians could act independently, rely on the information local elections reveal to identify and target patronage to their constituents directly rather than rely solely on local politicians to do their bidding.

The findings also strike a cautionary note on policies regarding poverty alleviation, especially in treating decentralization as an institutional means to reduce poverty. Studies that have examined the effectiveness of decentralization for poverty reduction qualify the relation, making the positive effects conditional on the design, duration, and degree of decentralization.⁵⁴ Another dimension to this debate is the politics of poverty. The Indian experience shows that with decentralization, the data on poverty and the identification of the poor are not immune from the dynamics of political competition. Local politicians, seeking to enhance their electoral popularity, inflate poverty rates to make more people eligible for welfare benefits meant for the poor. In fact, poverty rates, as shown here, are shaped by electoral considerations as the authority to identify the poor is decentralized.

NOTES

I thank Karen Remmer, Arturas Rozenas, and the reviewers for *Comparative Politics* for their helpful comments. Usual disclaimers apply.

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