Intergovernmental Transfers in Hybrid Regimes: Elite Rents versus Electoral Dynamics.

Israel Marques II

School of Politics and Governance and ICSID, NRU - Higher School of Economics

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Research Question and Motivation

- Who gets politically motivated transfers in hybrid regimes?

- Transfers are useful for staying in power
  - Buying turnout or electoral support (Diaz-Cayeros et al. 2017)
  - Providing allies resources (Bonvecchi and Lodola 2010)
  - Providing elites rents (Magaloni 2008, Robertson 2010)

- Finding: Hybrid regimes deploy a mixed strategy:
  - Target supporters only in regions that grow slowly
  - Help connected elites only in regions that grow slowly
  - Do not target “strong” elites
Threats to Hybrid Regimes

- Elections are two-edged (Tucker 2007, Simpser 2013):
  - Provide information, signal dominance
  - Losing signals weakness, but fraud sometimes costly

- Mass populace (Magaloni 2006, Gandhi 2008)
  - Direct: protests/revolution
  - Indirect: signal weakness to elites
  - Transfers enable organic support via:
    - Programmatic benefits
    - Patronage/vote-buying strategies

- Elites (Magaloni 2008, Reuter 2017)
  - Crucial to coercion/mobilization/development
  - Defection weakens regime
  - Transfers enable support via:
    - Rents/promotions to align incentives
    - Electoral dominance to deny alternatives
Targeting Strategies and Their Logic

- Mass populace (c.f. Diaz-Cayeros and Magaloni 2016)
  - Core vs. Swing
    - Core supporters: strong affinity for incumbent
    - Swing voters: weak affinity for anyone, easily persuaded
  - Contextual
    - Core may become swing if ignored
    - Core benefits from general growth and specific transfers
    - Targeting depends on growth dynamics
Elite Targeting Strategies: Threat Logic

  - Independent resources = threat
    - Economic resources/assets
    - Political machines
    - Coercive capacity
  - Resources make these elites useful, but threatening
  - Transfers provide resource, align incentives
    - Co-optation $\rightarrow$ support
    - Ending flows $\rightarrow$ revolt
    - No Contextual Effects
Elite Targeting Strategies: Ties Logic

- Well-connected Elites: informal links to leadership
  1. Ties as information (Easter 1996; Egorov and Sonin 2011; Shih et al. 2012; Keller 2015):
     - Principal-agent problem: resources are dual use
     - Ties increase credibility, predictability
     - ↓ PA problem → more resources
  2. Ties as communication (Sharafutdinova and Turovsky 2016):
     - Lobbying key mechanism
     - Shortcut through formal channels, bureaucracy
     - ↑ lobbying capacity → more resources

- Both contextual
  - Unlikely to revolt if denied
  - May only receive when in genuine need
Data and Measures

- DV: Growth in Federal transfers
  - *De jure* assigned for specifics, *De facto* few rules
  - 78 regions, 2000 - 2008

- Elite IVs:
  - Power: Regional Experience, Tenure, Regional Apparatus
  - Connections: Federal Eigenvector centrality
    - Weighted measure of one’s ties and their ties
    - Constructed using work histories
    - Executive branch to vice-director level, Duma, all Services/Agencies, Military/Intelligence, Governors
  - Interaction with GRP growth = contextual

- Electoral IV: Vote Margin for United Russia
  - Large (tight) vote margins = Core (Swing)
  - Interaction with GRP growth = contextual
The Network in 2000
Chernishev (Top 3 Eigen)
The Network in 2008
Matvienko (Top 3 Eigen)
Estimation Strategy

- Estimated using a dynamic panel model with system GMM (Blundell and Bond 1989)
  - Method resolves several challenges to inference
    - GRP growth is Endogenous
    - Simultaneity bias
    - Use of lags (for transfers)
    - Solves using internal and external instruments
  - Estimation robust to simpler (but biased) models

- Controls:
  - Ratio of Urbanization
  - Ratio of Pensioners to Labor Force
  - Ratio of Youth to Labor Force
  - Index of Tax Potential (MinFin)
  - Index of Budget Expenditures (MinFin)
  - Region and Time Fixed Effects
Politics and Total Transfers 2000–2008

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Substantive Significance: Connections

Gubernatorial Eigencentrality

Predicted Change in Transfers

Lagged Economic Growth

Connected - Unconnected
Substantive Significance: Elections

Vote Margins

Predicted Change in Transfers vs. Lagged Economic Growth

Core Region - Swing Region

Lower 10% - Upper 10% - Median
Results and Robustness

- **Substantive Significance:**
  - Well-connected governors see little around median
  - Core regions see little past median growth

- **What about other types of ties (Keller 2015)?**
  - Closeness Centrality: more likely to be in coalitions
  - Betweenness Centrality: bridge between factions
  - Links to Presidential Administration: tighter links with the boss
  - None of these are significant!

- **Additional Checks:**
  - Other non-linearities
  - Simpler methods
  - Dropping outlier regions
  - Absolute levels
  - On the agenda: Validation, Other power measures
Conclusions

- Both elites and elections matter:
  - Both Core and Swing
  - Strategy is nuanced, depends on growth
  - Well-connected, not powerful elites

- Elite story consistent with several logics:
  - Rents in low growth regions
  - Lobbying for development resources
  - Investment in electoral resources

- Caveats
  - Measure of regional elite power coarse
  - Elite targeting may happen through other channels
  - Selection effects!
Implications and Future Directions

Implications

- Strategies nuanced, suggests importance of scope
  - Target certain groups only at certain times
  - Context becomes key interaction to other variables
  - May be key to resolving competing findings!
- Connections do not necessarily translate to rents
  - Connected may receive subsidies to build political machines
  - More attention needed to where the connected are posted!

Future Directions

- Is the mechanism about lobbying or personal connections?
- How much of this is driven by maturity of the regime?
Federal Transfers per Capita, 2000 - 2008
Modeling Strategy

- Dynamic panel data model using system GMM (Blundell and Bond 1998)
- Windmeijer 2005 cluster-robust standard errors, bias corrected for small $N$ (robust to arbitrary within-cluster serial correlation, Stock and Watson 2006)

$$\Delta y_{it} = \rho y_{it-1} + \alpha z_{it-1} + \beta z_{it-1} \omega_{it-1} + \theta \omega_{it-1} + \Delta x'_{it-1} \gamma + c_i + d_t + \varepsilon_{it} \quad (1)$$

- $\Delta y_{it}$ is the year-on-year change in total transfers
- $z_{it}$ is the main IV (elite type, vote margin)
- $\omega_{it}$ is the growth rate in gross regional product (GRP)
- $\Delta x'_{it-1}$ is a row of first differences in regional level controls
- $z_{it-1} \omega_{it-1}$ is the interaction term with between the main IV and growth
- $c_i$ is a vector of region fixed effects, $d_t$ is a vector of time fixed effects
- $\varepsilon_{it}$ is a idiosyncratic, serially correlated, heteroskedastic error term

Empirical Strategy