How clientelism undermines state capacity

Evidence from Mexican municipalities

Ana L. De La O*

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United Nations University World Institute for Development Economics Research

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Abstract: Does clientelism perpetuate the weak state capacity that characterizes many young democracies? Prior work explains that clientelist parties skew public spending to private goods and under-supply public goods. Building on these insights, this article argues that clientelism creates a bureaucratic trap. Governments that rely on clientelism invest in labour-intensive, low-skilled bureaucracies that can design and implement relatively more straightforward distributive policies. Although such bureaucracies are useful to win some elections, they cannot resolve more complex social problems, so economic and human development is hindered. Empirically, the article examines the wage structure of municipal bureaucracies as a proxy for the personnel's human capital in Mexico between 2012 and 2016. During this period, turnover in the party in power in municipalities was frequent, a situation that also allows investigating how resilient the bureaucratic trap is to increased competition. The results show that all parties invest in labour-intensive, low-skilled bureaucracies. However, the bureaucratic trap has a different grip on the Institutional Revolutionary Party (PRI), a quintessential clientelist party, compared to other parties. After an electoral turnover, other parties invest more in their bureaucracies' human capital, and the PRI does not. While prior work has proposed other clientelism-induced negative equilibria, this article offers a more direct path from clientelism to state capacity. The results help explain why more fiscal resources, political competition, and demand-side strategies to fight vote buying are insufficient and underscore the importance of civil service reform to tame clientelism.

Key words: clientelism, state capacity, bureaucratic capacity, turnover, political competition

JEL classification: H10, H41, H75

* Department of Political Science, Yale University, New Haven, USA; ana.delao@yale.edu

1   Introduction

A growing strand of literature associates clientelism with weak state capacity. Although the empirical connection between clientelism and state capacity is widely accepted, there is less research on the mechanisms through which this relationship operates. In this article, I argue that clientelism creates a bureaucratic trap. Governments can design and implement clientelist policies with little human capital and low skills in their bureaucracies. Labour-intensive, low-skilled bureaucracies are useful to win some elections, but they cannot design, implement, and evaluate policies to spur development; thus they perpetuate the underlying conditions that allowed clientelism to flourish in the first place. Hence, through its imprints on public sector workers' qualifications, clientelism undermines state capacity.

To evaluate this argument, I analyse the municipal bureaucracies created by the Institutional Revolutionary Party (PRI), a quintessential clientelist party, and other political parties in Mexico between 2012 and 2016. In particular, I examine the proportion of personnel in various wage bins. Since lower wages attract lower-quality personnel to the public sector in Mexico (Dal Bó et al. 2013), the structure of wages is a proxy for the human capital in the bureaucracy. In the period under study, turnover in the party in power in municipalities occurred regularly. Therefore, it is possible to examine whether the bureaucratic trap is resilient or vulnerable to increased political competition. The analysis combines information about municipalities' bureaucracies from the National Institute of Statistics and Geography's (INEGI's) Census of Municipal Governments and incumbency data at the municipal level (Magar 2018).

With a set of fixed-effects models, I find that the PRI builds bureaucracies with a large proportion of personnel receiving a low wage, regardless of whether or not a turnover in the party in power occurred. Other political parties also build bureaucracies with a higher proportion of low-wage jobs than middle- or higher-wage jobs. Still, when other parties win a municipality after being in opposition during the last term, they reduce the proportion of low-wage jobs and increase the proportion of mid-wage jobs. That is, after turnover, other parties invest more in their bureaucracies' human capital, while the PRI does not. The differential effect of turnover on wages depending on whether the PRI is the incumbent or not is statistically significant and substantial. Hence, the results are compatible with the argument that there is a bureaucratic trap in municipalities. All parties invest in labour-intensive, low-skilled bureaucracies. Still, the trap seems to have a different grip on the PRI than on other parties. As I will show, after a turnover, the PRI ends up with a bureaucracy with a higher proportion of low-wage jobs than other parties.

This article makes three contributions to our understanding of clientelism. First, prior work has explained that it is in clientelist parties' interest to provide private goods and under-supply public goods (Diaz-Cayeros et al. 2016; Hicken 2011; Khemani 2015; Kitschelt and Wilkinson 2007; Stokes et al. 2013). Building on this insight, prior work proposes that clientelism creates various types of negative cycles, from fiscal to demand-driven traps (Bustikova and Corduneanu-Huci 2017; Fergusson, Molina, and Robinson 2020; Palmer-Rubin 2019). Some of these accounts rest on assumptions with limited empirical support, and others are compatible with the bureaucratic trap I describe here. Still, the effects I document offer a more direct path from clientelism to state capacity.

Second, although there is a growing consensus that clientelism and weak state capacity go hand in hand, some nuances in this relationship remain unclear because state capacity is a complex concept. In this article, I use Snowberg and Ting's (2019) definition of state capacity as the state's ability to solve problems of varying complexity. In this sense, clientelism gives incumbents incentives to solve relatively easier problems, such as expanding territorial control and connecting to citizens (Grzymala-Busse 2008; Stokes et al. 2013), but it does not provide incentives to solve more complex problems that hinder human and economic development. Once a clientelist party has opted to invest its time and resources in a labour-intensive, low-skilled bureaucracy, it cannot easily change governance tactics. To

capture this effect, I focus on bureaucrats' wages as a proxy for their human capital. This approach is complementary to prior work that examined clientelism's effect on the size of the public sector and the politicization of the bureaucracy (Calvo and Murillo 2004; Cruz and Keefer 2015; Geddes 1991; Gimpelson and Treisman 2002; Grzymala-Busse 2008; Oliveros 2021).

Finally, the article presents additional evidence that decentralization reforms and increased party competition have not eliminated clientelism in Mexico. Since the 1980s, municipalities have experienced increased levels of autonomy and fiscal resources. Indeed, between 1994 and 2015, financial resources available to municipalities increased by 260 per cent (IMCO 2018). As fiscal resources have increased, so has political competition. Still, no political party has championed civil service reforms locally, and, even though there are marginal improvements, as I will show here, municipal bureaucracies continue to be fertile soil for retail politics. The bureaucratic trap underscores the importance of civil service reform to tame clientelism and illustrates the limits of demand-side strategies to fight vote buying.

This article is organized as follows. Section 2 presents the argument about the bureaucratic trap and discusses why turnover of the party in power allows examining how sticky the clientelist-induced trap is. Section 3 provides background information on Mexico. Section 4 presents the empirical strategy. Section 5 describes the data and documents that wages are a good proxy for public sector workers' education in Mexico. Section 6 presents the results of the effects of party turnover and PRI incumbency on the proportion of personnel in various wage bins. Next, it presents additional evidence on other outcomes that could be affected by clientelism, such as the size of the public sector and the municipal transparency and access to information systems. Finally, it shows that, for municipalities with PRI incumbents, the marginal effect of turnover on the proportion of low-wage personnel is positive and significant in the poorest municipalities. Section 7 concludes.

2 Literature review

This section presents the argument in two parts. First, I discuss why clientelism can create a bureaucratic trap, and I review alternative explanations suggesting that clientelism generates other types of negative equilibria. Then I discuss how turnover in the party in power could allow for an examination of how sticky the bureaucratic trap is.

2.1 Clientelism, state capacity, and the bureaucratic trap

Clientelism consists of the contingent and targeted distribution of selective goods to voters in exchange for their support. This distributive strategy works best in areas where poverty is widespread, because political parties can buy off poor voters relatively cheaply compared to middle- or upper-class voters (Calvo and Murillo 2004; Kitschelt and Wilkinson 2007; Magaloni 2006; Stokes 2005; Robinson and Verdier 2013). However, to gain a competitive advantage, the clientelist party requires a structure that allows it to reach voters, interact with them repeatedly (to monitor them or induce feelings of reciprocity), and deliver the selective goods contingent on political support (Stokes 2005).

Clientelism's impact on state capacity is best understood when the latter is thought of in broad terms. For Besley and Persson (2010), *state capacity* refers to 'the state's ability to implement a range of policies' (p. 1). The more able the state is to solve problems of varying complexity, the higher the capacity (Snowberg and Ting 2019). If we follow Snowberg and Ting (2019), state capacity is not fixed, even if some path dependence exists. Instead, it depends on political parties' priorities. When political parties decide to solve easier social problems, they build a bureaucracy that allows them to do just that. The more complex the issues a party chooses to tackle, the more it will invest in adding layers of bureaucratic

expertise. State capacity in this framework is tightly related to bureaucratic capacity, where, I argue, we can find most of the imprints of clientelism.

Clientelist parties require a labour-intensive organization that can distribute and monitor clientelist policies. A patronage network expands the party's territorial control (Chandra 2004), turns out voters for rallies and elections (Grindle 2007; Oliveros 2021), builds distribution channels for selective goods, and gathers information to target public resources (Grzymala-Busse 2008). Hence, in Snowberg and Ting's (2019) framework, clientelist parties opt to solve the relatively more straightforward social problem of mobilizing voters and distributing selective goods. These are activities for which the party does not require high levels of human capital.

However, there is an opportunity cost to prioritizing clientelism. When parties invest in creating a labour-intensive, low-skilled bureaucracy, they neglect other complex tasks that would require more human capital to solve. For example, issues like law enforcement, taxation, regulating economic activities, or controlling violence—social problems that hinder economic and human development—would fall through the cracks of a low-skilled bureaucracy. Then, because the underlying poverty remains, clientelist parties continue to find their tactics useful and have no reason to change gears.

Prior work has proposed other mechanisms through which clientelism becomes a trap. Fergusson, Larreguy, and Riaño (2020) argue that clientelistic parties intentionally weaken their capacity to deliver public goods to retain their comparative electoral advantage. Although possible, this argument assumes that parties strategically shoot themselves in the foot. I argue here that clientelism has a more nuanced effect: the lower capacity to provide public goods comes from investing in a labour-intensive bureaucracy that can make clientelism work.

Another way clientelism could create a trap is through its impact on the specific dimension of fiscal capacity. Fergusson, Molina, and Robinson (2020) argue that voters develop low tax morale when they expect clientelist parties to distribute only private goods. Since the government does not provide public goods, voters have fewer reasons to pay taxes. This situation weakens fiscal capacity: with a limited tax revenue, the government continues to under-supply public goods. This negative cycle could occur in some contexts. Still, the argument rests on the assumption that voters are more willing to pay taxes when governments provide public goods, for which the empirical evidence is mixed, at best.[1] Moreover, there are some contexts, like municipalities in Mexico, where the provision of public goods has not matched the substantial increase in fiscal resources available to governments, suggesting that the impediment to better governance goes beyond fiscal constraints.

Other mechanisms that link clientelism and state capacity operate on the demand side through voters' expectations and attitudes toward the state. Bustikova and Corduneanu-Huci (2017) argue that voters get used to the under-supply of public goods by clientelist parties, so that all political parties come to expect programmatic policies to lack credibility. Hence, all parties opt for clientelism, fueling the negative cycle. Along these lines, Palmer-Rubin (2019) argues that because clientelist parties distribute private goods, non-elite organizations become specialized in brokering access to state programmes in exchange for support. More demand for clientelist policies increases their supply. These two accounts could coexist with the bureaucratic trap. Indeed, it is reasonable to expect that voters are skeptical of parties offering to solve complex problems and provide high-quality public goods when they see low-skilled bureaucracies.

Empirically, there is some evidence that clientelism negatively correlates with state capacity broadly defined. Part of this evidence comes from public opinion polls. For example, Fergusson, Molina, and Robinson (2020) find a positive correlation between self-reported tax evasion and participation in vote

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[1] See, for example, De La O et al. (2021).

buying in Colombia and various countries in Africa. Bustikova and Corduneanu-Huci (2017) find that perceptions of public goods delivery, civil service competence, and bureaucratic effectiveness negatively correlate with clientelism in many surveys worldwide.

Other more direct evidence comes from work that examines how clientelist parties affect the bureaucracy. For example, Cruz and Keefer (2015) show that across countries clientelist parties are less likely to promote civil service reform, even after considering economic and political conditions that could explain cross-country variation in reform efforts. Peterlevitz (2020) shows that in Brazil, politicians who rely on clientelism are more likely to hire front-line service providers affiliated with a political party in the government's coalition. And clientelist parties employ public sector workers as party workers when civil service laws are weak or nonexistent (Oliveros 2021).

This article follows the line of work that examines the decisions of political parties, some with more clientelist and some with more programmatic orientations. While prior work has focused on the size of the state, the prevalence of partisan hires, and civil service reforms, I examine the wage structure of bureaucracies as a proxy for the human capital and skills in the bureaucracy. This outcome can shed additional light on the question at hand because larger bureaucracies, and even more politicized bureaucracies, could have varying human capital, skills, and, ultimately, capacity. As I will show in a later section, wages are a less ambiguous indicator of human capital (particularly education).

2.2 Turnover and the bureaucratic trap

Does turnover in the political party in office disrupt the bureaucratic trap described in the previous section? When a clientelist party has been in opposition and wins office again, does it invest more in the bureaucracy's human capital? Do political parties with a more programmatic orientation respond differently to a turnover? Considering these questions is helpful in understanding how sticky the clientelist-induced negative equilibrium is.

Scholarship that examines the effect of political competition on incumbents' performance has argued that the threat of losing elections and alternation in the party in power increase the pressure on incumbents to perform effectively in office.[2] Geddes (1991) argues that, in particular, political competition would lead to the professionalization of the bureaucracy and the abandonment of clientelism. An elected official interviewed by Grindle (2007) captured this line of reasoning: 'Alternation in political power encourages the emergence of new ideas and the demise of old habits' (p. 64). If this argument is correct, then the bureaucratic trap is fragile, and, as alternation in power is normalized, political parties should invest more in their bureaucracies.

Another strand of work, however, has argued that political competition and turnover in power do not necessarily improve governance, and in some cases, their effect could be negative. For example, local competition could raise the stakes of elections and increase 'incentives to spend public resources on patronage goods' (Grindle 2007: 65). Also, frequent alternations in the party power could dissuade politicians from making sustained efforts to reform the public administration (Pribble 2015). Thus, more competition and turnover in power would be insufficient to break the bureaucratic trap.

Empirically, the evidence on the relationship between competition and government performance is also mixed. For Latin America, a region known for its clientelist parties, some work has found evidence of a positive association in large cities in Mexico (Rodriguez and Ward 1995) and some sub-national governments in Argentina and Brazil (Niedzwiecki 2013; Remmer and Wibbels 2000). In contrast,

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[2] This scholarship is vast. See Przeworski et al. (1999) for a discussion of the micro-foundations of this argument.

other scholars have found no correlation in Mexico (Cleary 2007; Grindle 2007). For other parts of the world, the vast empirical record is also mixed.[3]

In this article, I focus on turnover in the party in power because, in some ways, winning office after being out of power might be a stronger 'wake-up call' for parties than experiencing a competitive election. After a turnover, parties could have increased motivation to solidify their control of the government. For some parties, this could mean they invest in the bureaucracy's human capital to expand their capacity to solve more complex social problems. For others, winning back office would lead them to play to their clientelist advantage, especially if they won an election with retail politics and the promise of patronage jobs. This line of argument would suggest that the effect of turnover would depend on the orientation of political parties either to programmatic politics or clientelism.

3   Context

To examine the argument, I focus on Mexico, which has been described as a country where clientelism abounds. Prior work has documented how the PRI, during its seven decades in control of the presidency, operated its clientelist machinery. Most of this scholarship focused on national-level administrations and national policies. The consensus is that the PRI used extensive targeted and contingent rent distribution in most of its administrations (Grzymala-Busse 2008; Magaloni 2006). Although there was a period when the federal governments of the PRI and the National Action Party (PAN) adopted a programmatic anti-poverty programme (De La O 2015; Diaz-Cayeros et al. 2016), there are signs of reversion to clientelist tactics since 2012.

Despite the vast scholarship on Mexico, several questions remain unanswered. First, while some scholars have suggested that the PRI's machine politics has consequences for state capacity, the focus has usually been on the size of the public sector and fiscal capacity. For example, it has been noted that PRI administrations with fewer resources 'concentrated on targeting contingent goods rather than on developing (fiscal) state capacities' (Grzymala-Busse 2008: 656). Less is known about the impact of clientelism on other dimensions of bureaucratic capacity.

Second, it is still unclear what has been the effect of increased political competition on clientelism in Mexico. At the national level, federal governments from the PRI and the PAN adopted more programmatic policies when they faced opposition in Congress. In particular, the experience of the flagship conditional cash transfer, *Progresa*, between 1997 and 2011 shows that executive governments adopted less discretionary redistributive policies when they had to negotiate their budget in Congress with opposing political parties. However, when the executive was unchallenged in Congress, less programmatic policies were implemented (De La O 2015). Hence, by affecting the distribution of power in Congress, political competition can limit the extent to which federal governments opt for clientelist policies. That said, the conditional cash transfer programme was one piece of a fragmented and complex welfare state in Mexico (Pérez Yarahuán 2010). How clientelism operates at other levels of government and in different policy areas, such as pensions, health care, housing, and education, remains an open question.

Third, even if it has been acknowledged that local governments play a part in clientelism in Mexico, they are usually seen as an extension of the federal government. Yet, since the 1990s, decentralization reforms have devolved considerable autonomy, resources, and spending authority to municipalities. Currently, municipalities are responsible for providing local public services, including electrification, water infrastructure, public roads, waste disposal, and public safety. Municipal resources have grown

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[3]   See, for example, Alt et al. 2006; Grzymała-Busse 2006; Lapuente and Nistotskaya 2009; Meyer-Sahling 2006; and Ting et al. 2013.

exponentially. Although intergovernmental grants represent 73 per cent of the resources available to municipalities, a substantial portion of these resources is allocated using formulas. In the new landscape of Mexico's federal system, municipalities are increasingly important.

In the period under study in this paper, mayors had a 3-year term in office. Until recently, the Mexican Constitution did not allow the immediate re-election of mayors, a provision that reduces incumbents' time horizons and the electorate's ability to punish or reward incumbent politicians. During their term, mayors have discretion 'to set local policy and programmatic agendas, to fill jobs in the (local) executive, to influence the allocation of public resources, and to structure the administration of public affairs' (Grindle 2007: 20).

Turnover in the party in power has increased since the 1980s in municipalities, as Figure 1 shows. During the period under study in this article, 25 per cent of the municipalities experienced party turnover in 2012 and 49 per cent in 2016. However, more competition and alternation in power have not led to a roll-out of all-encompassing civil service reforms. Throughout this period, less than 2 per cent of municipalities reported having a working civil service in their public administration.[4]

Figure 1: Party turnover and civil service in municipalities
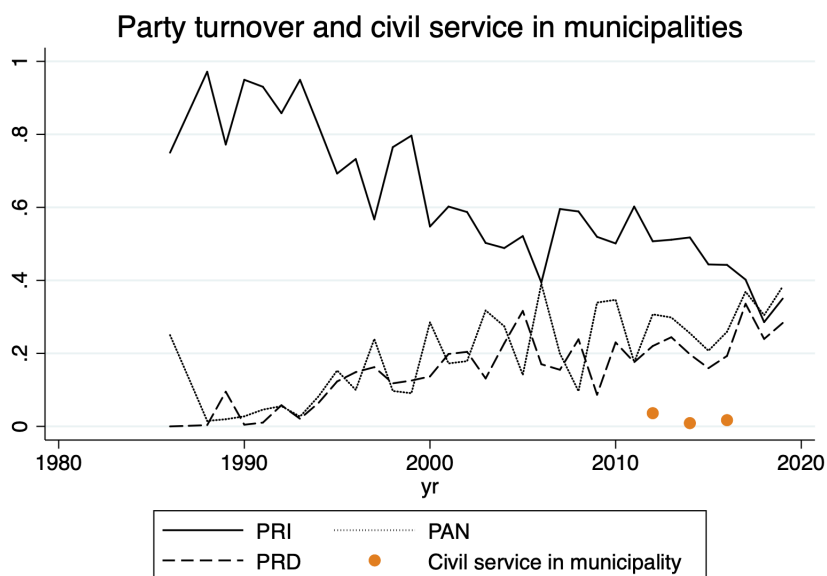
Note: this figure displays the proportion of municipalities governed by each political party over time. It also shows the proportion of municipalities in 2012, 2014, and 2016, where at least one administrative unit had adopted civil service rules.

Source: author's elaboration based on INEGI's Census of Municipal Governments and the 'Recent Mexican Election Vote Returns' repository (Magar 2018).

Since there is no civil service, personnel rotation is high when there is an alternation in the party in power. In a rich qualitative account of governance in Mexican municipalities, Grindle (2007) reports that some municipal officers perceived that turnover in management leads to a purge of the bureaucracy and that mayors hire people who were active in the campaign.

Crucially, in the weakly institutionalized context of municipalities, it seems that all parties engage in some clientelist activities. Programmatic appeals are less common than valence issues and retail promises. As when the PRI machine was unrivaled, political parties offer voters a range of personal benefits, such as subsidized medicines, cement blocks, food, gasoline, and cash (or gift cards). Sometimes parties offer local club goods, such as sports equipment for local clubs or schools or paint for

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[4] This statistic does not capture whether, and to what extent, municipalities have reformed their police forces.

the local school. As Coppedge (2001) described: 'Virtually all electorally successful parties in Latin America, even the more ideological ones, have learned to cultivate clientelistic ties at the grassroots' (p. 176). Hence, Mexican municipalities are fertile soil for clientelism, making it relevant to examine if and how the bureaucratic trap operates and how porous it is.

4   Empirical strategy

When political parties can win elections by relying on clientelism, they have incentives to create bureaucracies that can solve simple social problems and implement manageable distributive policies—that is, bureaucracies with abundant low-skilled labour. If this argument is correct, then municipalities' wage structure should differ when clientelist parties are in power compared to when they are not. Wage structure refers here to the proportion of bureaucrats in different wage bins. In particular, I expect the PRI to create bureaucracies with a higher proportion of personnel in the lowest layer of wages and a smaller proportion of personnel in higher layers of wages.

I expect the PRI to continue this tactic, even when returning to power in a municipality after a turnover. Its competitive advantage is clientelism. Therefore, after experiencing being out of office, the PRI has incentives to strengthen its clientelist arm. Indeed, if the account in the qualitative literature is correct, the PRI would make more patronage hires to fulfill campaign promises. Hence, after turnover, the PRI's personnel should tilt more toward low-wage jobs than the personnel of programmatic parties.

To evaluate this argument, I examine municipal bureaucracies' wage structures in Mexico between 2012 and 2016, when the share of municipalities that experienced a turnover in power increased—from 24 per cent in 2012 to 48 per cent in 2016. The PRI controlled close to 50 per cent of the municipalities in this period. Therefore, there is variation in turnover and PRI incumbency to examine the question at hand.

The research design takes advantage of a panel data set of approximately 2,000 municipalities observed in three years (2012, 2014, and 2016). To begin with, I use a municipality fixed-effects model, as described in Equation 1, where i is the municipality, t is the year, $Y_{i,t}$ is the dependent variable, α_i is the municipality fixed effect, and $_{i,t}$ is the idiosyncratic error.

$$Y_{i,t} = \alpha_i + \beta_1 Turnover_i + \beta_2 PRI_i + \beta_3 TurnoverXPRI_i + {}_{i,t} \tag{1}$$

The municipality fixed effects account for municipalities' specific and time-invariant unobserved confounders. For example, poverty and population as measured with census data are absorbed by the municipality fixed effects. Differences across states, which could be incorporated in the model with state dummies, are also absorbed by the municipality fixed effects. Other characteristics, such as how valuable the municipality's territory is to drug cartels (i.e. proximity to the US border, fertile soil to produce illegal crops, etc.), which has a direct effect on the type of problems a municipality confronts, are also picked up by municipality fixed effects.

$$Y_{i,t} = \alpha_i + \beta_1 Turnover_i + \beta_2 PRI_i + \beta_3 TurnoverXPRI_i + \beta_j Controls + {}_{i,t} \tag{2}$$

Next, I add a set of control variables, as shown in Equation 2. This set includes a dummy variable for the 2012 presidential election year, a dummy variable indicating an election in municipality i at time t, and a dummy variable indicating an election for state governor at time t. These time-varying variables

can pick up any unobserved confounders such as a flow of resources to municipalities during election years. I also control for the number of parties in the governing coalition.

$$Y_{i,t} = \alpha_i + \beta_1 Turnover_i + \beta_2 PRI_i + \beta_3 TurnoverXPRI_i + \beta_j Controls + \beta_l Depvar_{t-1} + \epsilon_{i,t} \quad (3)$$

Finally, in a third model, I add to the control variables the lagged dependent variable, which reduces the years in the models to 2014 and 2016 but allows us to test whether the results are robust to accounting for prior levels of the dependent variable.

Across specifications, the coefficients of interest are the interaction coefficient, β_3, which captures the differential in the effect of a turnover when the PRI wins and when other parties win; β_1, which estimates the effect of turnover when other political parties win the municipality; and $\beta_1 + \beta_2$, which captures the differential when the PRI wins after a turnover and when it wins without a turnover, as well as $\beta_2 + \beta_3$, which captures, after a turnover, the difference between municipalities where the PRI won versus those where other parties won.

According to the hypotheses previously discussed, for the lowest-wage bin, the expectation is that β_3 would be positive, and $\beta_2 + \beta_3$ would be positive such that the effect of turnover would be larger when the PRI wins than when other parties win, and after a turnover the PRI's bureaucracies would have more low-wage personnel than other parties' bureaucracies. If the PRI invests in low-skilled bureaucracies at all times, then $\beta_1 + \beta_2 = 0$. That said, if the PRI doubles down on clientelism when they win back a municipality, then $\beta_1 + \beta_2 > 0$. Finally, for β_1 it is unclear what to expect, but this coefficient is informative. If turnover gives other political parties incentives to improve their administrations' human capital, then $\beta_1 < 0$. However, β_1 could be zero or positive if other parties also fall in the bureaucratic trap.

For the outcomes of proportion of personnel in the mid-wage and high-wage bins, I expect to see the reverse effects compared to the low-wage bin.

5   Data

The ideal data to examine clientelism and its effect on bureaucracies would include bureaucrats' human capital and skills over time. To the best of my knowledge, such comprehensive data do not exist for municipalities in Mexico. The best approximation to these data is the National Census of Municipal Governments (NCMG), which INEGI has collected every other year since 2010. In these censuses, INEGI consistently asked the total number of bureaucrats working in the municipality and the number of bureaucrats in various wage bins for 2012, 2014, and 2016. Although not ideal, since NCMG does not have information about bureaucrats' skills and has only partial information about some bureaucrats' education levels, the wage data offer a window into the quality and structure of municipal bureaucracies.

The NCMG classifies municipal bureaucrats into seven wage bins, but the first two bins include most municipal employees. Across the three years in the sample, 58 per cent of municipal bureaucrats received a salary between MXN1,000–5,000, 27 per cent received a salary of MXN5,001–10,000, and 10 per cent received a salary higher than MXN10,001. Based on these distributions of wages, I created

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three variables that measure the proportion of bureaucrats out of the municipality's total personnel that fall in the lower-, middle-, and higher-wage bins.[5]

Higher wages attract more qualified bureaucrats to work in municipalities in Mexico. Two pieces of evidence corroborate that education is positively associated with wages. First, Dal Bó et al. (2013) conducted a field experiment in Mexico as part of the Regional Development Program, which aimed to improve public service provision in 167 municipalities with high poverty levels. The programme randomly assigned groups of applicants to the community development agent jobs to two levels of wages (MXN3,750 and MXN5,000 per month). The experimental evidence shows that the higher salary attracted more qualified applicants, as measured by their IQ, reservation wage, personality traits such as conscientiousness and emotional stability, and motivation to work in the public sector.

Second, to validate that wages are a good proxy for bureaucrats' qualifications across Mexico and over time, I collected data from the National Survey of Households' Incomes and Expenditures (ENIGH) for 2012, 2014, and 2016. Figure 2 shows that there is a positive correlation between wages and education for workers in the public sector in Mexico across the three years. Public sector workers with a wage equal to or lower than MXN5,000 per month had an average education equivalent to uncompleted high school. Workers with a salary between MXN5,000 and MXN10,000 per month had some college education, on average. Therefore, as Dal Bó et al. (2013) show, bureaucrats with higher wages have more education than bureaucrats with lower wages.

Figure 2: Correlation between education and wages for public sector workers in Mexico

Mexico (ENIGH): Public sector employees' average monthly real wages by schooling
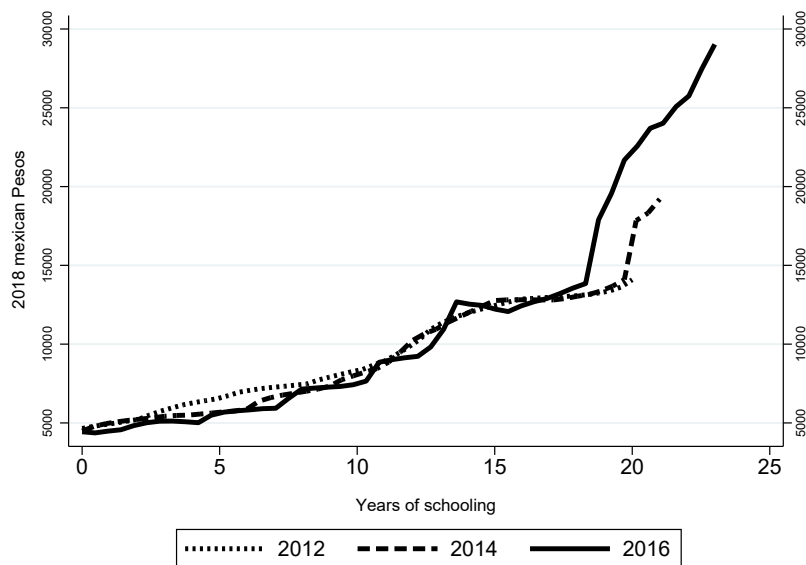
Source: author's elaboration based on ENIGH for 2012, 2014, and 2016.

Over the three years in the sample, the wage structure of municipal administrations has changed slowly. As Figure 3 illustrates, in 2012, 61 per cent of municipal bureaucrats fell into the low-salary bin. By 2016, this proportion decreased to 56 per cent. The proportion of bureaucrats in the middle-wage bin went from 25 per cent in 2012 to 30 per cent in 2016. The proportion of bureaucrats in the high-wage bin increased slightly from 9 per cent in 2012 to 11 per cent in 2016.

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[5] Approximately 6 per cent of people working in the municipalities do not receive a salary. Although this is an interesting group, I am excluding it because it is unclear what role they play in the municipal administration.

Figure 3: Proportion of personnel in high-, middle-, and low-wage bins
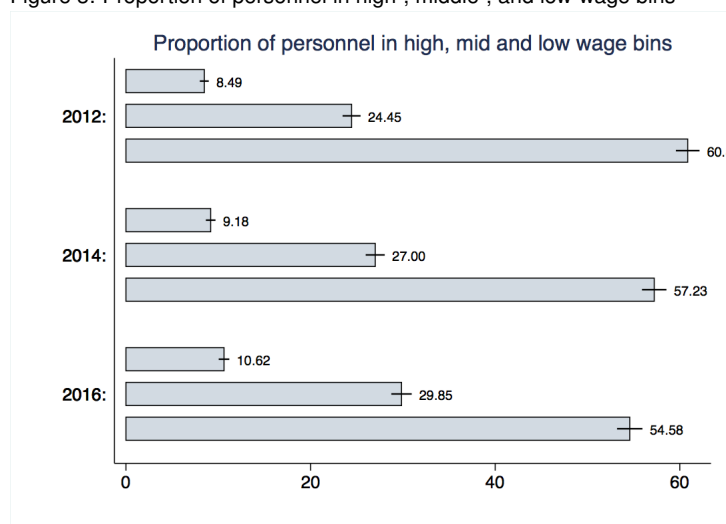
Source: author's elaboration based on INEGI's Census of Municipal Governments, 2012, 2014, and 2016.

The independent variables in the analysis come from Magar's (2018) repository, which contains information about the political parties that have won the municipal president elections since 1989.[6] I coded for each municipality-year if the PRI won the most recent election and if party turnover occurred in the municipal presidency. The variable PRI takes the value of 1 if the PRI is in office, including cases where the PRI won the municipal election in coalition with other parties, and 0 otherwise. Party turnover takes the value of 1 if the political party in office changed in the most recent election, and 0 otherwise.

When a municipal election occurred in 2012, 2014, and 2016, PRI incumbency and turnover take the values corresponding to the previous election. This coding rule considers that, although most municipal elections occur in the summer, new municipal administrations do not take office until months after the election, and in some cases, until January of the following year. So, the new municipal president does not have enough time—if any—to restructure the bureaucracy during the year of the election.

The last set of independent variables are a dummy variable indicating the 2012 presidential election year, a dummy variable indicating state-level elections, and a dummy variable measuring if there was a municipal election in year t. In the sample, 20 per cent of the municipality-years had a municipal election. Finally, I include a variable that measures the number of parties in the governing coalition, which averaged 1 (with a standard deviation of 0.5) during the period under study.[7]

To evaluate alternative mechanisms, I use information from the NCMG, including the overall size of the municipal bureaucracy and the existing mechanisms of transparency and access to information in the municipality. I also use the 2010 municipal-level poverty index produced by the National Council of Population (CONAPO).[8]

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[6] These data exclude the municipalities that follow *'usos y costumbres'* to organize their local government.

[7] Large parties, such as the PAN, PRI, and PRD, each add a unit to the 'number of parties in governing coalition', when appropriate. Other smaller parties are grouped in the category of 'other parties', and one unit is added to the coalition when 'other parties' is positive.

[8] For more information about this poverty measure, please see: CONAPO (2011).

Table 1: Descriptive statistics

Variable	Mean	Std. Dev.	Min.	Max.	N
Independent variables:					
Turnover	0.353	0.478	0	1	6119
PRI	0.497	0.5	0	1	6119
Turnover X PRI	0.111	0.315	0	1	6119
Dependent variables:					
Proportion of personnel in low-wage bin	57.528	32.485	0	100	6875
Proportion of personnel in mid-pay bin	27.115	25.491	0	100	6875
Proportion of personnel in high-pay bin	9.432	12.962	0	100	6875
Total personnel	398.348	1011.846	0	15333	7095
Transparency index	1.293	1.514	0	4	7373
Control variables:					
Year pres. election	0.333	0.471	0	1	7373
Year mun. election	0.199	0.399	0	1	7373
Year state election	0.196	0.397	0	1	7373
Parties in coalition	0.923	0.508	0	3	7373
Poverty index	27.672	11.298	1.211	76.975	7368

Source: author's calculations based on INEGI's Census of Municipal Governments, CONAPO's Index of Marginalization by Municipality, 2010 (CONAPO 2011), and 'Recent Mexican Election Vote Returns' (Magar 2018).

6 Evidence

In this section, I report the municipality fixed-effects models, and I show that the results are robust to including the set of covariates described in the previous section.

First, I focus on the proportion of personnel in low- and middle-wage bins as the key outcomes. The first row of Table 2, in columns 1 through 3, shows that the proportion of personnel in low-wage jobs is statistically significantly smaller in municipalities where a party turnover occurred and a non-PRI candidate won, compared to municipalities where a non-PRI party remained in office. The magnitude of the effect ranges from 5 to 10 percentage points, depending on the specification. This gap represents a 9–18 per cent reduction in low-wage jobs based on the average proportion of low-wage jobs in the reference group, which consists of municipalities where a non-PRI party won and no turnover occurred (55 per cent). However, the proportion of personnel in mid-wage jobs increases by 4–9 percentage points when a non-PRI party won the election and a party turnover occurred. This effect represents a 12–28 per cent increase in mid-wage jobs based on the reference group's proportion of personnel in the mid-wage bin (31.87 per cent). These results suggest that for non-PRI parties, turnover leads them to invest more in the qualifications of their bureaucracies.

The effect of turnover, however, is different when the PRI wins a municipality. The third row of Table 2 reports β_3, which captures the differential of the turnover's impact when the PRI won compared to when other parties won the municipality. Columns 1 to 3 show that the interaction of turnover and PRI winning is associated with a 6–11 percentage points positive gap in the proportion of low-wage jobs, and columns 4 to 6 show a negative gap of 4–9 percentage points in the proportion of mid-wage jobs. For all specifications, the interaction is statistically significant at conventional levels.

Although the interaction effects show that turnover has different effects depending on the political party that won the municipality, the lower panel of Table 2 reports two additional hypotheses tests to describe the result fully. One of these tests, $\beta_1 + \beta_3$, compares municipalities where the PRI won and a party turnover occurred with municipalities where the PRI won and there was no party turnover. For all specifications, I fail to reject the null that the PRI had the same proportion of personnel in low-wage

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jobs and mid-wage jobs when they experienced turnover and when they stayed in office for two terms in a row. The other test, $\beta_2 + \beta_3 = 0$ compares municipalities where turnover occurred, but in one group the PRI won, and in the other they lost. For this test, the evidence is mixed. While the specifications in models (1) and (3) fail to reject the null, model (2) with controls and all years under study suggests that the PRI's bureaucracies had a larger proportion of personnel in the low-wage bin than other parties' bureaucracies after turnover.

These results confirm most of the expectations of the argument, but there are some nuances. The PRI does not increase its patronage jobs further when it wins back a municipality; it keeps steady in its tactics. Also, while I expected to see that the PRI had the most low-skilled bureaucracies, this pattern occurs only after a turnover. Finally, the differential effect of turnover on wages is mostly driven by other political parties investing more in their bureaucracies.

That said, even after marginal improvements, all political parties in Mexico build municipal bureaucracies with a higher proportion of low-wage jobs than middle- or high-wage jobs. Moreover, turnover and PRI incumbency do not affect the proportion of personnel receiving a high salary, as shown in the last three columns of Table 2. Hence, although turnover affects parties' incentives on the margins, municipal governments are generally better equipped to solve simple problems and not the more complex problems that affect local communities.

Table 2: Effects of party turnover and PRI incumbency on the proportion of personnel in various wage bins

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Low-wage			Mid-wage			High-wage		
Turnover	-5.096***	-4.785***	-10.669***	4.457***	4.277***	9.004***	0.299	0.570	1.834
	(1.509)	(1.606)	(2.923)	(1.251)	(1.343)	(2.381)	(0.674)	(0.736)	(1.323)
PRI	-3.483**	-3.740**	-4.615	2.604**	2.806**	4.345	0.370	0.394	0.262
	(1.532)	(1.501)	(3.461)	(1.279)	(1.262)	(2.878)	(0.720)	(0.717)	(1.472)
Turnover X PRI	5.673**	7.522***	10.068*	-3.793*	-5.230**	-8.893*	-0.406	-1.201	-0.690
	(2.570)	(2.661)	(5.675)	(2.149)	(2.244)	(4.698)	(1.115)	(1.189)	(2.437)
Mun. election yr		0.878	2.624		-0.609	-1.714		-0.373	-0.773
		(1.642)	(3.223)		(1.423)	(2.779)		(0.717)	(1.404)
State election yr		-3.998***	-10.258***		3.322**	7.919***		1.467**	3.228***
		(1.494)	(2.436)		(1.297)	(2.091)		(0.648)	(1.069)
Pres. election yr		5.330***			-3.925***			-1.081**	
		(1.044)			(0.864)			(0.432)	
Parties in coalition		1.385	-1.037		-1.144	1.010		-1.446	-1.124
		(2.571)	(8.414)		(2.120)	(7.479)		(1.015)	(4.723)
Low-wage t-1			-0.523***						
			(0.038)						
Mid-wage t-1						-0.539***			
						(0.041)			
High-wage t-1									-0.476***
									(0.056)
Constant	59.475***	56.738***	94.619***	28.696***	30.740***	40.699***	11.012***	12.706***	16.149***
	(0.940)	(2.867)	(9.715)	(0.780)	(2.377)	(8.608)	(0.446)	(1.149)	(5.354)
Observations	5,635	5,635	3,571	5,635	5,635	3,571	5,635	5,635	3,571
R-squared	0.628	0.636	0.815	0.573	0.581	0.781	0.639	0.642	0.815
P value of $\beta_2 + \beta_3$	0.253	0.0676	0.120	0.460	0.169	0.122	0.962	0.360	0.775
P value of $\beta_1 + \beta_3$	0.762	0.151	0.873	0.678	0.551	0.972	0.892	0.437	0.457
Dep. var. mean in reference group	55.45	55.45	55.45	31.87	31.87	31.87	11.85	11.85	11.85

Note: robust standard errors in parentheses. *** $p<0.01$, ** $p<0.05$, * $p<0.1$.

Source: author's calculations based on INEGI's Census of Municipal Governments and 'Recent Mexican Election Vote Returns' (Magar 2018).

What about the size of the bureaucracy? In the academic work, an influential argument is that clientelist parties create bloated bureaucracies. I evaluate this argument here to complement the results from Table 2. In particular, I examine whether the PRI's bureaucracies have more personnel than those of other parties, and whether turnover leads the PRI to further expand the bureaucracy's size. Table 3 reports the results of fixed-effects models following Equations 1–3, in which the dependent variable is the total number of employees working in the municipality at time t. As we can see from β_1, turnover is associated with an increase in the size of the bureaucracy. Its effect does not depend on whether the PRI won or lost the municipality, as indicated by β_3. The effect ranges between 16 and 23 points, or a 2.8–4 per cent increase from the base of 564 bureaucrats in the reference group. Thus, the PRI does not build larger bureaucracies than other parties and does not enlarge the size of the local government at a higher rate than other parties after turnover. The main difference between the PRI and other parties is the composition of the bureaucracy. This result resonates with the warning by Hicken (2011) that the size of the public sector is only 'one possible outcome of clientelist exchange ...then we need to be cautious about inferring the importance of clientelism from the wage bill or number of government bureaucrats' (p. 305). For the case of Mexican municipalities, the size of the public sector does not tell the full story.

Table 3: Effects of party turnover and PRI incumbency on total personnel

| | (1) | (2) | (3) |
		Total personnel	
Turnover	16.150**	20.114**	23.638***
	(7.067)	(8.204)	(8.593)
PRI	-6.850	-8.185	-7.124
	(7.943)	(8.086)	(8.459)
Turnover X PRI	5.613	-0.665	-9.279
	(12.625)	(12.069)	(12.729)
Pres. election yr		-6.785	-15.457***
		(5.187)	(5.697)
Mun. election yr		-28.175***	-29.630***
		(7.993)	(7.935)
State election yr		15.648**	17.294***
		(6.908)	(6.520)
Parties in coalition		-21.197*	-24.597*
		(11.757)	(12.571)
Total personnel			-0.258***
			(0.095)
Constant	473.550***	502.292***	626.109***
	(4.224)	(13.809)	(47.339)
Observations	5,845	5,845	5,414
R-squared	0.988	0.988	0.992
P value of $\beta_2 + \beta_3$	0.904	0.406	0.164
P value of $\beta_1 + \beta_3$	0.0187	0.0355	0.131
Dep. var. mean in reference group	564.2	564.2	564.2

Note: robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Source: author's calculations based on INEGI's Census of Municipal Governments and 'Recent Mexican Election Vote Returns' (Magar 2018).

Are the results really about clientelism? Two pieces of evidence suggest that PRI's different response to a turnover is related, at least in part, to its clientelist tactics. First, the PRI is less willing to adopt transparency and access to information measures after a turnover than other political parties. Table 4 reports the estimates of Equations 1–3 when the dependent variable is an index of the transparency and access to information in the municipality, which ranges from 1 to 4. The components of the index are whether (a) a municipality has transparency and access to information regulations, (b) there is a system

to receive and process information requests, (c) there are training programmes about the right to information for public workers, and (d) there are additional measures to make the public administration more transparent and accessible. As we can see in Table 4, it is not the case that the PRI is generally unwilling to adopt transparency and access to information measures. Indeed, the PRI municipal governments have, on average, more transparency measures after turnover than without turnover. Looking at $\beta_1 + \beta_3$, the effect ranges between 3 to 6 percentage points, and the increase is statistically significant. However, other political parties adopt more transparency measures after a turnover, with an effect that ranges between 6 to 10 percentage points, depending on the specification. The gap in transparency measures after turnover between the PRI and other parties is statistically significant in two of the three models ($\beta_2 + \beta_3$), and so is the interaction effect (β_3).

That the PRI is less willing to allow for transparency and access to information after a turnover than other parties is compatible with the argument in this paper. If a clientelist party invests in rebuilding its patronage bases when it wins back a municipality, less transparency gives it more degrees of freedom to achieve its objective. Corruption in the form of embezzlement, administrative fraud, and other schemes to extract public resources for private gain could also be part of the explanation. But it is unlikely that corruption is divorced from clientelist considerations. If it were, the PRI would maximize opportunities for corruption in all cases, and they would not be particularly reluctant to be as transparent as other parties when they are trying to consolidate their patronage machine.

Table 4: Effects of party turnover and PRI incumbency on transparency

|	(1)	(2)	(3)
		Transparency index	
Turnover	0.644***	1.063***	0.475***
	(0.093)	(0.104)	(0.085)
PRI	0.166*	0.149*	0.062
	(0.094)	(0.084)	(0.074)
Turnover X PRI	-0.384**	-0.496***	-0.109
	(0.153)	(0.162)	(0.140)
Pres. election yr		0.986***	1.410***
		(0.051)	(0.043)
Mun. election yr		-0.642***	-0.371***
		(0.080)	(0.080)
State election yr		1.729***	1.084***
		(0.079)	(0.080)
Parties in coalition		-0.772***	-0.344***
		(0.152)	(0.126)
Transparency index t-1			-0.664***
			(0.013)
Constant	1.217***	1.367***	1.869***
	(0.059)	(0.169)	(0.141)
Observations	6,119	6,119	6,119
R-squared	0.234	0.396	0.605
P value of $\beta_2 + \beta_3$	0.0504	0.0120	0.675
P value of $\beta_1 + \beta_3$	0.0272	8.43e-07	0.000228
Dep. var. mean in reference group	1.369	1.369	1.369

Note: robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1.

Source: author's calculations based on INEGI's Census of Municipal Governments and 'Recent Mexican Election Vote Returns' (Magar 2018).

The second piece of evidence that the PRI's response to a turnover is related to clientelism is that, following a turnover, the PRI increases the proportion of personnel in the low-wage bin in the poorest tercile of municipalities, which is where we would expect clientelism to pay off (Kitschelt and Wilkinson

2007). Figure 4 shows how the marginal effect of turnover on the proportion of low-wage jobs varies by poverty for municipalities with a PRI incumbent.[9] Poverty is measured with the index produced by the National Council of Population (CONAPO), in which higher values indicate higher levels of poverty. The point estimates and 95 per cent confidence intervals correspond to each poverty tercile. Turnover is not associated with an increase in low-wage jobs in the first and second poverty terciles. But in the third poverty tercile, it is associated with a 6.2 percentage point increase (with a standard error of 2.9) in low-wage jobs. If we consider the evidence in Table 2 and Figure 4, then we can conclude that the PRI opts for low-skilled bureaucracies in general, but it particularly relies on this strategy in the poorest municipalities after being out of office.

Figure 4: Marginal effect of turnover by poverty among municipalities governed by the PRI
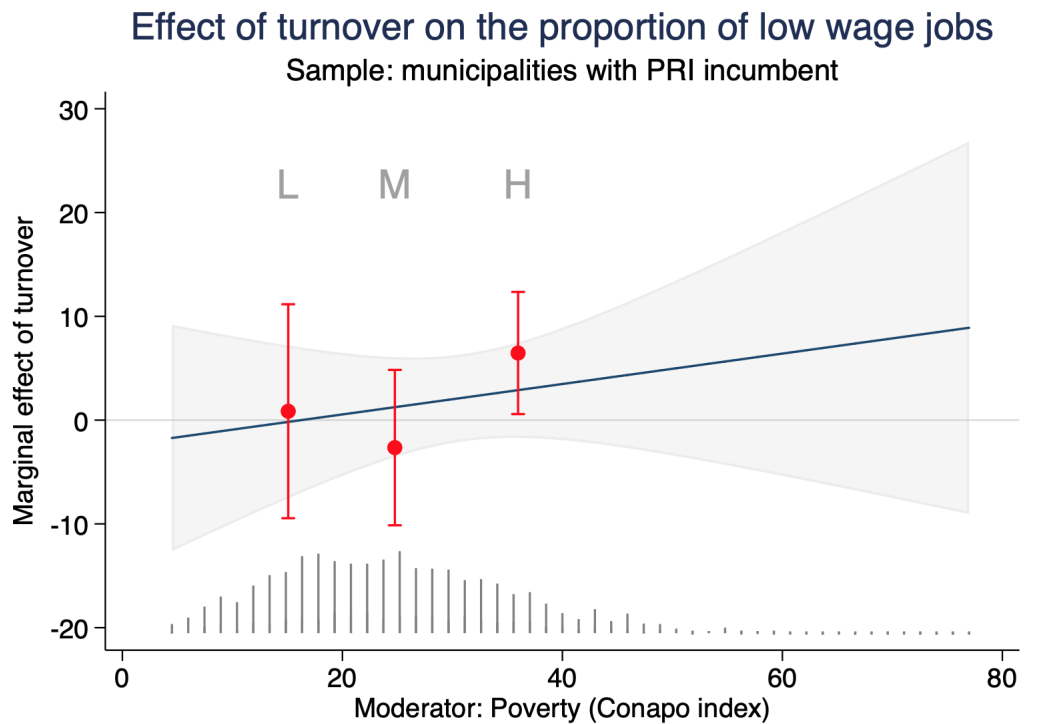
Source: author's calculations based on CONAPO's Index of Marginalization by Municipality, 2010 (CONAPO 2011), INEGI's Census of Municipal Governments, and 'Recent Mexican Election Vote Returns' (Magar 2018).

In sum, an interpretation that is consistent with the findings is that turnover creates incentives for political parties to invest in higher-quality bureaucracies when parties are more programmatic. However, as the theory predicted, the PRI invests less in its bureaucracy's human capital after a turnover in the poorest municipalities in the country. That said, all political parties are building bureaucracies with most personnel in low-paid jobs. Moreover, no political party is pushing for civil service reforms, and the progress on transparency and access to information measures is small. These results suggest that, even if a challenged PRI does worse than a challenged non-PRI party, Mexico's municipal environment creates incentives for all political parties to follow governance structures that recreate the conditions that make clientelism appealing in the first place.

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[9]   I use the interflex command (Xu et al. 2017) to create this figure.

7 Conclusion

Many democracies afflicted by clientelism lack the state capacity to provide the public services that are essential for human development and economic growth. This article argued that one of the mechanisms that explains the correlation between clientelism and weak state capacity operates through a bureaucratic trap. Governments that rely on clientelism invest in building up the bureaucracy's capacity to design and implement simple distributive policies at the expense of investments in capacity to solve more complex problems. Empirically, the article finds that all parties in Mexico invest in labour-intensive, low-skilled municipal bureaucracies. However, the bureaucratic trap has a different grip on the PRI, a quintessential clientelist party, compared to other parties. After an electoral turnover, other parties invest more in their bureaucracies' human capital, and the PRI does not.

This article has several limitations. It would have been ideal to measure the bureaucracy's capacity to solve problems of varying complexity (Snowberg and Ting 2019) with information about bureaucrats' education and skills. However, that information is not available across municipalities and over time in Mexico. Moreover, although wages are a good proxy for municipal bureaucrats' skills (Dal Bó et al. 2013), INEGI's wage bins, especially the lowest-wage bin, could mask interesting variation among low-salary bureaucrats. Finally, the fixed-effects models' results are not causal estimates since they do not account for time-varying unobserved characteristics. Despite these caveats, the results show that municipal bureaucracies in Mexico have a wage structure that is more conducive to operate clientelist policies than tackle complex social problems, and that party turnover has not created the incentives for political parties with a clientelist orientation to adopt a different investment approach to state capacity.

The bureaucratic trap discussed in this article has two policy implications. First, more fiscal resources might be necessary to improve bureaucratic capacity, but they are not sufficient. Even if political parties have more public funds, as they have in Mexico, they will continue to invest time and resources in bureaucratic areas that serve the parties' goals. Second, increased political competition and party turnover have positive marginal effects when parties with a more programmatic disposition are in office. However, in general, all parties continue to rely on low-quality bureaucracies. Recent electoral reforms in Mexico that allowed mayors to run for re-election for a second term might help by giving incumbents longer time horizons. However, the bureaucratic trap will probably dominate the incumbents' strategy in their first term, and, because of path dependence, bureaucratic capacity will be limited in the second term, too. Civil service reforms are essential to change the incentive structure. Yet it is unclear whether any political party in Mexico has the impetus to promote such a blow to clientelism.

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