

DOES CLIENTELISM WORK?: ELECTORAL RETURNS OF EXCLUDABLE AND NON-EXCLUDABLE GOODS IN CHAVEZ'S MISIONES PROGRAMS IN VENEZUELA¹

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Abstract

Under what conditions can investments in non-excludable goods have higher electoral returns than resources used to promote clientelistic practices? A growing literature in comparative politics, with a particular focus in Latin America -where clientelism is perceived to be such a prevalent feature of democratic politics-, has started to explore answers to some of these important questions. This paper estimates the electoral return to investments in excludable and non excludable goods through social programs undertaken by the Venezuelan government during 2003 and 2004, a period in which the authorities were under intense political contestation. We find negligible electoral returns to investments in public goods, regardless of the degree of political competition. In contrast, excludable or clientelistic investments have positive electoral returns under very low or very high competition, being the highest when it is most intense. During the 2004 presidential recall referendum, the incumbent received over 6 votes per thousand dollars invested via cash transfers in the most adverse municipalities, and between 1.2 and 3.6 votes per thousand dollars in those where both the mayor and the governor were his allies. An individual identification program, which is also interpreted as provision of an excludable/private good, also has the same pattern of electoral return: highest where competition is either very high or very low.

¹ We would like to thank Javier Corrales, Francisco Rodriguez, Thad Dunning, Rosa Amelia Gonzalez and Pavel Gomez for their intellectual support while writing this paper. We would also like to thank Hector Romero for his invaluable research assistance. Remaining errors are, of course, our own.

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I. Introduction

How effective is vote-buying under different degrees of political competition? Under what conditions can investments in public goods have higher electoral returns than resources used to promote clientelistic practices? A growing literature in political science, with a particular focus in Latin America -where clientelism is perceived to be such a prevalent feature of democratic politics-, has started to explore answers to some of these important questions. One part of the literature has looked at the negative implications of clientelism on democratic governance and its social causes while another related line of studies has started to estimate the electoral returns of clientelism and its effectiveness to build long-lasting political coalitions. This study attempts to examine how different degrees of political competition can impact the decision made by presidents, who seek to remain in office, to invest in excludable or non-excludable goods in order to garner electoral support³. Specifically, we test the belief that higher levels of political competition can create the right incentives for presidents to invest in public goods rather than in excludable goods, such as cash transfers, food stocks and public jobs which can be easily diverted for “vote-buying” purposes.

We do this by measuring the electoral returns of investments in social funds during the recall referendum in Venezuela in 2004, which was an electoral event activated by the opposition forces, to remove President Hugo Chavez Frias from office in the context of a highly polarized society. Since Chavez’ democratic arrival to office in 1998, Venezuela has experienced one failed coup attempt, three general strikes –including a complete stoppage of the oil industry in 2003- and the presence of international mediators to channel a democratic solution to the political confrontation between the government and opposition movements. The presence of the international community, particularly the OAS, was a key factor to convince the opposition (but also the government) to follow the Constitution and gather sufficient signatures to activate a

³ We use the concept of excludable and non-excludable goods as substitutes for private and public goods, respectively. Public goods are those commodities whose consumption by one person does not diminish the amount available to others, private goods on the other hand are those whose consumption by one person precludes others from it.

vote on whether Chavez should continue or not in the presidency. At the time, both the opposition and the government had similar rates of approval making it difficult to predict who would win the recall referendum.

In order to increase his popular appeal to overcome the recall referendum, Chavez designed a set of social programs that were in part directly funded through Venezuela's oil company (PDVSA). These social programs, which were labeled "misiones", became widely accepted by the population and became a key factor to explain his victory with 59% of the vote in August 2004. The increase in oil prices provided the government with the means to invest a large part of the oil windfall in a variety of social programs which were targeted to the poor but that were also distributed on a clientelistic basis. These programs ranged from scholarships for education purposes, direct access to health centers in the shantytowns and the creation of discount stores for food both in urban and rural areas. These "misiones" also included another program to provide on a massive scale poor citizens' with ID cards to guarantee that those receiving the social benefits could actually vote.

In this paper, we measure the electoral returns of three of the "misiones" programs for which we have access to data on the financial investment and distribution of resources at the municipal level during the recall referendum. Misión Ribas was a high profile program managed directly by PDVSA to provide adult citizens with the opportunity to finish their high school degree and was one of the few "misiones" that provided cash transfers to citizens through scholarships. We look at these scholarships as excludable goods that can be subject to clientelism. Instead, Misión Mercal was a program that provided all citizens with access to discount stores to buy basic goods at subsidized prices. Citizens could not be excluded from purchasing subsidized food in these discount stores. Thus, we look at this program as a form of public good. Finally, we also measure how Misión Identidad (the program aimed at providing poor citizens with ID cards) interacted with these other "misiones" and affected electoral returns.

Following Cayeros, Estevez and Magaloni, we pose that politicians prefer to invest more resources in excludable goods in locations with low levels of political competition

because risk are lower given that voters are more easily identifiable⁴. As a result, clientelism is more prevalent not only in low income districts but more importantly in locations facing lower levels of political competition. By contrast, politicians will invest more resources in public goods in locations facing higher degrees of political competition: to reduce risk and maximize electoral returns politicians prefer to take advantage of the wider positive externalities provided by these types of goods.

As will be explained below, we find empirical evidence to support the Cayeros, Estevez and Magaloni hypothesis regarding excludable goods. Electoral returns in investments in excludable goods are higher in districts with low levels of electoral competition. However, we also find evidence that the electoral returns of these same types of investments can have high electoral yields in locations with extremely high levels of political competition. As a result, the relationship between electoral returns and political competition for excludable goods does not seem to be linear; rather the relationship appears U-shaped. In other words, clientelism might become an interesting tool for politicians not only in those districts with low levels of political competition but also in areas that are characterized by hyper-competition. Finally, we do not find empirical evidence to support the idea that politicians should invest more in public goods in areas with higher levels of political competition. Instead, we find that Misión Mercal was not that effective in multiplying support for President Chavez in municipalities where it was more competitive, and if at all, it helped to increase votes in places where the competitive pressures for the president were the smallest. However, we find evidence that electoral returns of investments in Mercal made by the national government in hyper-competitive districts benefited opposition forces which suggest that these types of investments are more risky under these conditions.

Interestingly, this paper also finds empirical evidence to support that enfranchisement through Misión Identidad had the same pattern of electoral returns as Misión Ribas:

⁴ See Alberto Díaz Cayeros, Federico Estévez and Beatriz Magaloni, "The Erosion of Party Hegemony, Clientelism and Portfolio Diversification: The Programa Nacional de Solidaridad (Pronasol) in Mexico". *Paper delivered in the Annual Meeting of the American Political Science Association*, Boston, 2002. See also Alberto Díaz Cayeros, Federico Estévez and Beatriz Magaloni and "Electoral Risk and Redistributive Politics in Mexico and the United States". *Paper prepared for the Midwest Political Science Association Meeting*, Chicago, April 3-6, 2003. For a partial application to the Venezuela case of this type of argument see Guillermo Rosas and Kirk Hawkins: "Social Spending in Chávez's Venezuela", Working Paper, 2006.

highest where competition is either very high or very low. Overall, the electoral returns of Misión Identidad were much higher than the other social programs. One potential explanation is that the enfranchisement program provides title to each individual's identity, which allows him or her to engage in market transactions that are welfare increasing, helping potential voters access employment, social security, and purchase of some goods and services. The empirical evidence also seems to suggest that enfranchisement efforts might be driven by calculations on electoral returns according to varying degrees of political competition.

This paper is structured as follows. Section I provides a brief overview of the literature on clientelism and distributive politics to provide a theoretical context of our empirical analysis of the "misiones" programs. Section II describes Venezuela's political background to understand the political context under which the "misiones" programs were designed and implemented by the Chavez government. Section III describes the data and the empirical model to measure the electoral returns of excludable and public goods under different levels of political competition. Section IV concludes with some avenues of thought regarding potential theoretical explanations for the empirical results.

II. Clientelism, electoral returns and portfolio diversification

Clientelism, and one of its most common practices, vote buying, has been defined as the provision of certain types of excludable goods in exchange for political support. Rational politicians or political parties in order to maximize their chances to get reelected use certain types of particularistic benefits (cash, jobs, food stocks, housing, etc.) to distribute them among individuals or groups under the expectation that in exchange they will favor them with votes⁵. Overall, lower income groups are more exposed to clientelistic targeting because they derive a higher marginal utility from the consumption of these types of goods compared to other groups with higher income⁶.

⁵ This is the definition provided by Susan Stokes in "Perverse Accountability: A Formal Model of Machine Politics with Evidence from Argentina", *American Political Science Review*, Vol. 99., No. 3, August 2005.

⁶ See Calvo, Ernesto and María Victoria Murillo, Who Delivers? Partisan Clients in the Argentine Electoral Market, *American Journal of Political Science*. Vol. 48. No. 4., 2004; Avinash Dixit and John Londregan, The Determinants of Success of Special Interest in Redistributive Politics. *Journal of Politics*. Vol 58. No.4: 1132-55, 1996; James Robinson and Thierry Verdier. 2003 The Political Economy of Clientelism, Working Paper, UC Berkeley, Río de Janeiro, 2003.

Therefore, if income inequality is a prevalent feature of a polity then vote buying will be pervasive and will tend to cluster around poor neighborhoods both in rural and urban areas⁷.

Another key aspect of clientelism is whether electoral targeting will favor core or swing voters when distributing these excludable goods. Several arguments have been provided for both outcomes in distributive politics. Cox and McCubbins have argued that overall politicians tend to target core constituencies in order to maximize their electoral support because there is less risk involved⁸. Lindbeck and Weibull (1987) posit that as voters' preferences are fixed among their core constituencies electoral chances are maximized by targeting swing voters⁹. Dixit and Londregan attempt to link both claims by arguing that these two results can be observed under different conditions: Swing voters will be favored only when political parties have the same advantage of taxing but differ in terms of their capabilities to target particularistic benefits; however, if one party has the advantage to tax then core voters will benefit the most by levying resources from swing voters to loyalists¹⁰. In other words, the ability to tax and the capacity to identify voters are determinant factors to understand how distributive politics works.

More recently, the literature on clientelism and vote buying has centered around two different sets of issues. First, even if politicians can adequately target an individual or a social group to benefit from clientelistic practices, given that the vote is secret, politicians still have to invest additional resources to monitor and enforce voter behavior (Brusco, Nazareno and Stokes 2003; Robinson and Verdier 2002; Stokes 2005; Keefer and Vlaicu 2005; Schaffer and Schendler 2005)¹¹. Clientelism, and more

⁷ Robinson and Verdier (fn. 6).

⁸ Gary Cox and Mathew McCubbins, Electoral Politics as a Redistributive Game. *Journal of Politics* 48 (May 1986):370-89.

⁹ Assar Lindbeck and Jorgen W. Weibull, "Balanced Budget Redistribution as the Outcome of Political Competition", *Public Choice* 52 (1987):273-97.

¹⁰ Dixit and Londregan (fn. 6)

¹¹ Illustrative and innovative work in this perspective are Brusco, Valeria, Marcelo Nazareno and Susan Stokes: "Vote Buying in Argentina", *Latin American Research Review*, Vol. 39, No. 2, (2004); Robinson and Verdier (fn 6); Stokes (fn. 5); Phillip Keefer and Razvan Vlaicu: "Democracy, Credibility and Clientelism", World Bank, Working Paper (March 2005); Frederic Schaffer and Andreas Schendler: "What Is Vote Buying? The Limits of the Market Model", Paper to be delivered at the conference "Poverty, Democracy, and Clientelism: The Political Economy of Vote Buying," Stanford University, Department of Political Science, Bellagio Center, Rockefeller Foundation, 2005.

specifically vote purchasing, is viewed as an incomplete contract and as such patrons develop complex technologies to monitor clients that have benefited from the consumption of these targeted goods but still have to deliver his or her vote in the booth. These political technologies might involve social monitoring, credible threats, developing stronger organizational capabilities or even manipulating the voting system to reduce the secrecy of the vote¹². The theoretical insight behind this argument is that the political return of the investment in vote buying is contingent on the ability of politicians to enforce these contracts.

A second strand of thought posits that politicians or political parties can use different types of goods, public or private, to maximize their chances remaining in office¹³. Under this perspective, clientelism is not reduced only to the use of private goods but can also involve the provision of public goods that can be manipulated into particularistic benefits at the local level. Therefore, politicians have different types of policy instruments for bolstering political support and can diversify their investments within a portfolio. Each of these types of goods has their benefits as well as risks. Excludable goods provide the benefit of allowing politicians to target voters more easily. Despite this favorable condition, because of its own nature these goods are reduced to a smaller number of voters. By contrast, public goods can be designed to benefit a larger number of voters but beneficiaries might also include constituencies that are opposed to the incumbent seeking reelection. Overall, politicians invest in each electoral district different combinations of both types of goods in order to maximize the electoral return of their investment at the lowest risk possible. The question therefore is what kind of combination politicians adopt that will maximize their electoral support.

The theoretical argument for predicting how politicians will diversify their investment portfolio to favor public or excludable goods has been developed by Díaz-Cayeros, Estévez and Magaloni in a series of different papers. Their argument is straight forward: to maximize the electoral support at the lowest risk possible incumbents will invest relatively more resources in excludable goods over public goods in districts with lower electoral competition. Instead, in districts where electoral competition is higher, incumbents would prefer to invest more in public goods in order to maximize their

¹² Schaffer and Schendler (fn. 11)

¹³ Díaz Cayeros, Estévez and Magaloni (fn. 4).

electoral support. These authors find empirical evidence of such diversification hypothesis by looking at the distribution in public and excludable goods through social spending in México at the municipal level under the PRONASOL program conducted by President Salinas de Gortari in the early 1990s¹⁴. They have also provided similar tests for the logic of portfolio diversification in the United States¹⁵.

The logic behind this rationale is that in districts facing lower electoral competition it is easier to target and thus electoral support can be maximized at a lower risk through direct vote purchasing; in districts with higher electoral competition targeting is more risky since it is more difficult to identify core supporters and thus public goods become in relative terms a safer investment at a lower risk. Therefore, political competition impacts that degree of uncertainty facing a political actor when deciding to favor excludable or public goods in its investment portfolio. As a result, clientelism in its traditional form (vote buying) will be more pervasive in areas with lower political competition. Instead, the provision of public goods will be more prevalent in areas facing increasing levels of political competition¹⁶.

Interestingly, all of the literature assumes that once targeted, whether poor or rich voters, swing or core constituencies, the clientelistic strategy chosen by the politician will yield higher electoral returns. How high? How low? Few authors who acknowledge that different clientelistic instruments under different electoral conditions can affect electoral returns have tested empirically whether it is true that public goods provide higher electoral returns under higher political competition than private goods and vice-versa. The empirical evidence presented so far is that different types of goods are allocated differently according to differences in the degree of uncertainty measured by level of political competition. Furthermore, authors that claim that enforceability is a central aspect to assure high political returns, although theoretically correct, have not tested if in fact political returns on clientelistic practices are lower when technologies to enforce clientelistic agreements are absent or not. For example, Brusco, Nazareno and Stokes recognize the relevance of enforcement problems but only test for the ability of

¹⁴ Díaz Cayeros, Estévez and Magaloni (fn. 4)

¹⁵ Díaz Cayeros, Estévez and Magaloni (fn. 4)

¹⁶ Díaz Cayeros, Estévez and Magaloni (fn. 4)

the peronistas in Argentina to increase the probability of voting for their party given the particularistic benefits received¹⁷.

How many more votes can excludable or non-excludable goods deliver under different electoral conditions? How does the interaction between different types of goods and the level of political competition affect the political return of the investment? Does the type of good targeted and the effort of politicians to bring new voters into the electoral arena interact in such a way that they can affect electoral returns? These questions are important since they can provide a good way to incorporate many of the insights developed by different theories on the logic underlying clientelism and vote-buying mechanisms. It is crucial to understand that politicians make decisions not only based on the efficiency in targeting but also on the calculations of risks and expected pay-offs then these pay-offs should be estimated¹⁸. It does not suffice to verify how these goods are distributed but whether these strategies are actually paying-off in terms of votes. For example, Calvo and Murillo estimate the electoral returns for political parties in Argentina when exchanging public jobs for votes¹⁹. These authors show that patronage has a positive and significant effect on the ability of the peronista party to turn access to public jobs into a higher share of congressional votes at the provincial level. This is not the case for the UCR-*Alianza* in Argentina. The reason is that peronistas have specialized their organization in targeting workers with lower skills that benefit more in real terms, measured by the wage premium, from accessing public jobs than loyalists for the UCR-*Alianza* who favor constituencies with higher skills. As a result of increasing public wage premiums for less educated employees, the Peronistas can use public jobs more effectively as a political tool to assure higher electoral returns²⁰.

In a similar vein, this paper attempts to estimate electoral returns by looking at the social investments conducted by the Chávez government in Venezuela in 2004. Chávez implemented the “*misiones program*” as an explicit attempt to overturn the opposition serious effort to recall his presidential mandate by using social programs to purchase

¹⁷ Brusco, Nazareno and Stokes (fn. 11)

¹⁸ Díaz Cayeros, Estévez, and Magaloni (fn. 4), 4.

¹⁹ Calvo and Murillo (fn. 4)

²⁰ Calvo and Murillo (fn. 4), 30.

votes²¹. As it will be explained below, these social programs (*misiones*) included diverse types of goods (both public and private) which in theory should be expected to have different electoral returns under changing levels of political competition. The Chávez government also invested important resources to closely monitor voters that received government support through the social programs and heavily increased the cost for those shifting allegiance to the opposition. Some of these costs involved firing individuals from the public sector, limiting access to scholarships distributed through the social programs to core supporters and prohibiting access to public contracts to non loyalists that could be identified through the list of individuals who had petitioned to activate the recall referendum²². The Venezuelan case provides therefore an interesting experiment to test for the political returns of different instruments for vote-buying purposes.

III. The political context of the misiones

Venezuela in the last decade has experienced one of the most dramatic political changes in Latin America. In 1998, Lieutenant Hugo Chavez Frías was elected President of Venezuela as an outsider, under an electoral platform to radically dismantle what his political movement perceived to be a corrupt and centralized party system. The old democratic regime was consolidated in the 1960s by centralized and disciplined political parties such as AD and COPEI. These parties had used oil income as a powerful political instrument to induce cooperation and expand clientelistic networks²³. The Punto Fijo pact that was crafted by AD and COPEI in 1958 to smooth the transition towards democratic rule had entered its final crisis in the 1990s when oil income had started to decline making it difficult to sustain this type of framework²⁴. In the early 1990s, Hugo Chavez Frías managed to capture the electorate's attention and emerge in the political scene as the leader of a failed coup denouncing market oriented reforms,

²¹ See Michael Penfold, “Social Funds and Clientelism: Chávez Misiones Programs in Comparative Perspective”, III Conference on World Inequality, Washington DC (2006). See also Rosas and Hawkins (fn. 4)

²² Javier Corrales and Michael Penfold, “Venezuela: Crowding Out the Opposition”, *Journal of Democracy*, Vol 18 (April 2007): 99-113

²³ On the use of oil for democratization and its unintended consequences in Venezuela see Terry Lynn Karl, “Petroleum and Political Pacts: The Transition to Democracy in Venezuela” in Guillermo O’Donnell, Philippe Schmitter y Laurence Whitehead, eds., *Transitions from Authoritarian Rule: Latin America* (Baltimore: Johns Hopkins University Press 1986). See also Juan Carlos Rey: *El Futuro de la Democracia* (Caracas: Colección IDEA 1989).

²⁴ Rey (fn. 23)

corruption and the lack of accountability as the most important characteristics of the Punto Fijo arrangement²⁵. In the 1998 presidential election, Chavez constantly accused the old democratic regime as one that had used oil income to favor a small group of politicians and exclude the largest and poorest sectors of the population.

In retrospect, Venezuela's poor economic and social performance during the 1980s and the 1990s was the causal root for the dismissal of parties such as AD and COPEI. In 1998, the year when Hugo Chávez Frías was elected President, GDP per capita had already reverted to the same levels as in the early 1950s (Penfold 2001; Hausman 2003). Moderate and extreme rates of poverty increased substantially between 1989 and 1998. In this time period, households in poverty conditions increased from 44,44 per cent in 1989 to 57,6 per cent in 1998. Extreme poverty ranged from 20,07 per cent in 1989 to 28,8 per cent in 1998 (UCAB 2005). This deterioration in economic and social figures can partially help explain why voters were willing to support Lieutenant Hugo Chávez Frías as a presidential candidate in 1998, who after the failed coup attempt against Carlos Andrés Pérez in 1992, was able to capture the increasing discontent against traditional political parties.

In 1999, after being elected as President with more than 54 per cent of the vote, Chavez successfully convoked a National Constituent Assembly to craft a new constitution. In the election for the Constituent Assembly, with only 56 per cent of the vote, the chavista movement obtained almost 93 per cent of the seats²⁶. The electoral system, which was originally devised by the Presidential Committee for the Constituent Assembly, with the support of a sector of civil society, sought to promote the personalization of the vote and thereby eliminate the meddling of the political parties. This intended political outcome caused by the electoral system and the lack of coordination among the opposition movements (whom had originally hoped to promote a more plural body), certainly helped Chávez to modify key democratic rules and substantially increase his presidential powers²⁷.

²⁵ Javier Corrales: *Presidents Without Parties: The Politics of Economic Reforms in Argentina and Venezuela in the 1990s*. (Cambridge: Cambridge University Press 2002).

²⁶ Corrales and Penfold (fn. 22)

²⁷ Michael Coppedge, "Venezuela: Popular Sovereignty Versus Liberal Democracy," in Jorge Domínguez and Michael Shifter, eds., *Constructing Democratic Governance in Latin America*, 2nd ed. (Baltimore: Johns Hopkins University Press 2003); Francisco Monaldi, Rosa Amelia González, Richard Obuchi and

Among the most important constitutional changes were the following. First, the presidential term was expanded from five to six years with reelection. Second, the president was provided complete control over the promotions within the Armed Forces without needed approvals from the national legislature²⁸. Third, the new constitution eliminated the Senate and therefore the equal representation for state representation within the legislature. Four, according to the new constitution the president could activate any kind of referendum (including one to reform or change the constitution) without any support from the legislature. Interestingly, this same mechanism could be used to activate the election of another Constituent Assembly. Five, the constitution eliminated any public financing for political parties. And finally, the constitution introduced the possibility of recalling the mandate for mayors, governors or the president contingent upon a stringent set of conditions²⁹.

This constitutional change helped to strengthen presidential prerogatives creating a political system with high stakes of power³⁰. The opposition movements felt excluded from the new constitutional arrangement and soon started to organize on the streets and attempted to protect their existing bastions as governors and mayors at the regional and local level. President Chavez took advantage of these prerogatives, and with additional enabling powers granted by the national legislature, a set of laws were approved by the executive branch that modified property rights in the hydrocarbon and agricultural sector. As a result, the business community started to promote national protests, including a two day civil stoppage in December 2001. In addition, the attempt to reform the Education Law, aimed at curtailing the role of the private sector in the provision of this public service, stimulated the activation of a large civil movement. The result was the emergence of extremely mobilized and polarized society. In April 2002, Chavez was shortly removed from the presidency. A large social mobilization in the context of an indefinite strike ended in a bloody confrontation between chavistas and opposition supporters, promoting a coup led by Pedro Carmona who was head of the Federation of

Michael Penfold, "Political Institutions, Policymaking process, and Policy Outcomes in Venezuela". Washington, D.C., Inter-American Development Bank (2004).

²⁸ For a more detailed examination of how civilian control over the arm forces has been relaxed in Venezuela see Harold Trinkunas, "The Crisis in Venezuelan Civil-Military Relations: From Punto Fijo to the Fifth Republic", *Latin American Research Review*. Vol. 37. No. 1 (2002): 41-76

²⁹ Monaldi, González, Obuchi and Penfold (fn. 27)

³⁰ Corrales and Penfold (fn. 25).

Business Chambers (FEDECAMARAS) at the time. Three days later Chavez was restored to the presidency by a loyal sector of the Armed Forces that refused to validate the legitimacy of the new government, who had decided to close all existing constitutional powers.

Despite the mediation of the international community, the Venezuelan society remained polarized. In December 2002, the opposition organized with the support of PDVSA, another indefinite strike that lasted more than two months and stopped Venezuela's oil production for several additional months. Thanks to the support of the Armed Forces and loyal supporters, the chavistas managed to take control of PDVSA and restore production to international markets. More than 60 per cent of PDVSA managers were sacked from the state-owned company. The economy experienced the worse contraction in Venezuela's modern history, with a decrease of 17.5 per cent of GDP in 2003³¹. After the oil strike, the opposition accepted to channel its political effort towards the activation of a recall referendum. According to the Constitution, it was necessary to collect 20 per cent of valid signatures among registered voters to activate the referendum³². In order to recall Chavez's mandate, the opposition had to surpass the number of votes obtained by the president in the previous election. The collection of signatures was charged with important legal and administrative obstacles, and it was only in March 2004 that the Electoral Council accepted the validity of the signatures and called for a referendum on August 14th 2004³³.

It was during this political context that Chavez implemented the "misiones" programs. Prior to the April 2002 coup, Chavez had dismantled the existing social programs designed under the Caldera administration with the technical supervision of multilateral organizations such as the World Bank and IADB. He then created a "Unified Social Fund" (FUS in Spanish) administered by the Armed Forces, that according to his own government, soon proved to be corrupt and inefficient. Therefore, during the first years of his government social policies were almost absent and expenditures had decline in real terms. It was under electoral pressures, particularly the strong mobilization of opposition forces, and taking advantage of the oil windfall that characterized the market

³¹ Banco Central de Venezuela, *Informe Económico 2004* (Caracas: Banco Central de Venezuela 2005).

³² Miriam Kornblith, "Elections Versus Democracy," *Journal of Democracy* 16 (2005): 124–37.

³³ Kornblith (fn. 32)

after the beginning of the millennium, that Chavez created another set of social programs which he called “missions to save the people”³⁴.

These “missions” were programs aimed at providing health care with support from Cuban doctors in the poorest areas in the country, particularly the shantytowns in the cities (*Misión Barrio Adentro*). Other programs were focused on providing access to education, particularly alfabetization (*Misión Robinson*) in rural and urban areas and the possibility to finish secondary school through a continuing education system for poor adult individuals (*Misión Ribas*). The government also focused its effort on the need to provide citizens with identification cards required to have access to cash transfers to encourage their participation in the social programs (*Misión Identidad*). Identification cards were also required by the National Electoral Council for voting purposes. Simultaneously, the Chavez administration designed a program to distribute subsidized food directly to the poor by creating discount stores throughout the whole country (*Misión Mercal*). Finally, the government designed another program aimed at creating jobs through the promotion of cooperatives (*Misión Vuelvan Caras*).

These “missions” were financed through opaque and non-budgetary mechanisms, namely by transferring oil revenues directly from the state-owned oil enterprise (PDVSA) to a special fund managed by the presidency (FONDESPA). According to several accounts, the fund in 2004 managed more than 3 billion dollars (close to 3.5% of GDP) to finance the “missions”. Measured by size, the “missions” was probably one of the largest social fund experiment administered in Latin America in the last decades³⁵.

Partially thanks to these “missions”, President Chávez was able to overcome his lowest level of popularity since arriving to office (around 45 per cent 12 months prior to the recall referendum) and win a crucial election in August 2004 with more than 59 per cent of the vote on whether he should continue or not in the presidency. The referendum was

³⁴ This was the description that Chavez provided in his weekly televised program to explain to the population the content of his social programs.

³⁵ According to Norbert Schady, Fujimori’s social fund (FONCODES) represented close to 0,55 per cent of GDP compared to Salina de Gortari’s (PRONASOL) which was close to 0,77 per cent in 1992. See Norbert Schady, “The Political Economy of Expenditures by the Peruvian Social Fund, 1991-1995”, *American Political Science Review*, Vol. 94., No.2 (2000): 289-304.

surrounded by fraud claims made by the opposition quickly disregarded by the international community observing the process³⁶. Among the claims made by the opposition, was the use of the “missions” to buy votes from poor citizens and the illegal issue of identification cards required for voting. The government replied to these claims by mentioning that the programs were structured to alleviate poverty conditions and redistribute oil income that was usually stolen by rent-seeking politicians. In an opinion poll conducted few months prior to the referendum, 68 per cent of the population openly claimed to support the programs. Among them, 44 per cent thought the breath of the “missions” should be expanded and 24 per cent thought their outreach should not change. The rest of the population either opposed the programs (22 per cent) or had not yet formed a clear opinion about them (10 per cent)³⁷.

Recent empirical evidence has emerged that shows that the distribution of resources at the state and municipal level for some of these “misiones” were driven by clientelistic practices (Penfold 2007). More importantly, this same evidence suggests that the distribution of resources for each social program did not follow the same political rationale. Chavez distributed resources for each program following different political criteria, which suggests some portfolio diversification strategy. While some of these programs were influenced by poverty considerations (Misión Ribas) they were also used to “buy votes” among chavista voters at the municipal level. As a consequence, clientelism and poverty in Venezuela were interacting closely in the distribution of resources provided by the “misiones”. In fact, when distributing cash transfers, the Chávez government was able to simultaneously “buy votes” while distributing oil income to the very poor. By contrast, other programs (Misión Barrio Adentro and Mercal) were influenced by demographic considerations but also by political criteria, namely, whether the governor or mayor was loyal or not to the president.

IV. Empirical Strategy

Our interest is focused on measuring the electoral returns of social funds by testing if public or excludable goods have different returns depending on the level of political

³⁶ The recall referendum was observed by a group of international organizations headed by the OAS and included the Carter Center and UNDP.

³⁷ Survey conducted in Venezuela in June 2004 by Greenberg, Quinlan and Rosner Research Inc. This pollster firm was hired by the opposition forces to monitor public opinion.

competition. We look at three of the “misiones” programs for which we have data on the distribution of financial resources at the municipal level for the 2004 recall referendum. As will be explained below, we catalog “Misión Ribas” as a form of excludable good since we measure the distribution of scholarships in the form of cash transfers to individuals at the local level. Instead, “Misión Mercal” is labeled as a public good since any citizen had access to these discount stores to purchase subsidized goods. We also look at the investments in “Misión Identidad” since we want to study how the process of enfranchisement (obtaining an ID card) interacted with the distribution of these public and excludable goods. Political competition is measured by looking at different combinations on whether Chavez confronted loyal governors or mayors at the regional and local level, respectively. We consider a hyper-competitive arena one in which both the governor and the mayor are controlled by the opposition while we consider the opposite outcome as an arena with low levels of political competition. Since the 1990s, Venezuela has experienced an important process of fiscal and political decentralization. At the time of the recall referendum, this process of decentralization provided valuable resources used by the opposition to confront the government during election times. Therefore, we consider this measurement of competition more accurate than other alternatives³⁸. In the following sub-sections, we describe in detail our strategy, empirical model as well as the statistical results.

IV.1. Endogeneity

If politicians regionally allocate public funds according to where they believe they will receive the most electoral support, or some other criterion related to electoral outcomes then the OLS estimate of the effect of the missions on electoral support will be biased and inconsistent. The concern is essentially whether such selection is done based on some unobservable municipal characteristic, which we would like to control for by including municipal level fixed effects in a levels equation.

³⁸ Díaz Cayeros, Estevez and Magaloni (fn. 4) and Calvo and Murrillo (fn. 4) have measured political competition either as share of votes of the incumbent party in a specific district or as share of seats in the provincial councils, respectively. We believe that both indicators are weak to capture effective power of presidents at the local and regional level since in Latin America electorates are very volatile and regional legislatures are not very influential. Both indicators are also very weak at capturing power shifts between elections that take place both at the regional and local level and neglect the power of mayors and governors in competing with incumbents at the national level.

Given that the missions came into effect between late 2003 and 2004, the time-difference (between 2000 and 2004) of our explanatory variables are simply their actual levels, since the previous level was zero. This implies that a regression of vote-growth on the levels of the missions will be similar to a time-differenced equation that eliminates any unobservable fixed effects. Our control variables are in levels and in principle serve as proxies of the changes in several socioeconomic municipal characteristics. Regrettably, it is not possible to obtain municipality-level socioeconomic data for any period after 2001 since such data is collected with the Census³⁹, so we cannot place emphasis on the interpretation of the coefficients on the socioeconomic controls.

IV.2. Data

The data on electoral results for each of the 335 municipalities in Venezuela is published by the National Electoral Council (CNE) for both the 2000 elections and the 2004 referendum. Socioeconomic indicators come from published reports of the 2001 Census by the National Statistical Institute (INE) and the data on the missions was obtained directly from the administrative offices of each mission, except for “Identidad” which was estimated from the changes in voter registries in each municipality.

In Ribas, both teachers and students received a monthly stipend of VEB 160,000 (USD 83.3) most of the times directly in the classroom and in cash. This number multiplied times the number of participants (teachers and students) times ten months of activities in a year in each municipality, gives total annual expenditures on this mission. For the case of Mercal, the municipality-level estimation relies on a per-establishment estimate of total expenditures using the national aggregate figure, combined with the number of stores in each municipality.

An official government document contains information on expenditures by mission for the years 2003, 2004 and 2005, which we used to confirm that our estimate for Ribas was reasonable and which was also the source of our aggregate expenditure data on

³⁹ Household Surveys are available for the entire period; however, samples sizes are not representative at the municipal level.

Mercal and Identidad⁴⁰. In 2004 the Venezuelan government spent 266.6 Million US Dollars on Mercal; this includes food subsidies and the administration of the system. Before the recall referendum in August, there were only two types of Mercal establishments in place: Type I Mercal and “Mercalitos” (for “little Mercal”). Type I Mercal are medium-sized supermarkets and mercalitos are micro stores mostly run out of a window in family homes in shanty towns. Given that in 2004 there were over 10,000 mercalitos nationwide, and there are no official records of their distribution across municipalities, we approximate total Mercal expenditures in each municipality by the number of Type I Mercal establishments. This assumption will be less problematic whenever the geographical location of Mercal and Mercalito establishments are positively correlated⁴¹.

The cost of the Identity Mission was obtained by dividing total national expenditures on the mission (from official sources, and equal to USD 15.8 million for 2004 alone) by the total increase in the number of voters above what would be expected from population growth alone. This per-voter cost is then applied to each municipality’s total change in registered voters net of the change in population over 18, which is the legal age for voting. Migration creates the problem that many of the municipalities’ adult population decreased over the period, so even after considering new voters, the estimate of the identity mission is a reduction in the number of voters in some municipalities. This would be interpreted as a useless expenditure politically, since those who have been given new identity cards have moved elsewhere, where the political reality may be different, which suggests that the political targeting of this mission was particularly difficult.

IV.3. Model

We are interested in the electoral returns that can be obtained by adequately using political investments; however, the total number of votes a politician obtains will probably depend in good part on his/her political support in the previous electoral contest, which implies that using the electoral results of the 2004 referendum alone

⁴⁰ Ministerio de Finanzas, “Informe sobre el Gasto de las Misiones 2004-2005”, República Bolivariana de Venezuela, Power Point Presentation (2005).

⁴¹ The correlation between the state-level distribution of type I Mercal and Mercalito establishments was .72 in 2005, the only year for which this data is available.

would be inappropriate. Thus, we present two alternative specifications that take into account Chavez' previous electoral support. The first is the unrestricted model:

$$\begin{aligned} v04_i = & \alpha_0 + \alpha_1 Ribas_i + \alpha_2 Mercal_i + \alpha_3 Ident_i + \sum_{j=1}^3 \beta_j Compet_i^j + \dots \\ & \dots + \alpha_4 X_i + \alpha_5 v00_i + \varepsilon_i \end{aligned} \quad (1)$$

Where $v04_i$ is the total number of “NO” votes in municipality “ i ” in the recall referendum in August 2004; $Ribas$ and $Mercal$ are the total expenditure on each of these missions in each municipality; $Compet_j$ are a series of dummy variables that capture electoral competition in each municipality (which we approximate based on whether the elected local governments were or not loyal to President Chavez); the dummy variables indicate whether the mayor is in the opposition, the governor is in opposition or if both are in opposition, the excluded category is therefore whether they are both pro-Chavez. X_i is a vector of municipality-level controls⁴². We also estimate equation (1) with the restriction that $\alpha_5 = 1$ to increase efficiency:

$$\begin{aligned} v04_i - v00_i = vgr_i = & \alpha_0 + \alpha_1 Ribas_i + \alpha_2 Mercal_i + \alpha_3 Ident_i + \sum_{j=1}^3 \beta_j Compet_i^j + \dots \\ & \dots + \alpha_4 X_i + \varepsilon_i \end{aligned} \quad (2)$$

Theoretically we expect that the return on investments on excludable or non-excludable goods depend on the degree of competition in each relevant electoral circuit (in this case the municipality). The dummies for opposition mayor, governor and both are interacted with expenditures on each of the missions in order to assess whether in fact the electoral return of each type of investment varies depending on the degree of competition:

$$\begin{aligned} vgr_i = & \alpha_0 + \alpha_1 Ribas_i + \alpha_2 Mercal_i + \alpha_3 Ident_i + \sum_{j=1}^3 \beta_j Compet_i^j + \dots \\ & \dots + \sum_{j=1}^3 \lambda_j Ribas_i * Compet_i^j + \sum_{j=1}^3 \mu_j Mercal_i * Compet_i^j + \dots \\ & \dots + \sum_{j=1}^3 \theta_j Ident_i * Compet_i^j + \alpha_4 X_i + \varepsilon_i \end{aligned} \quad (3)$$

⁴² The data are from the 2001 Census, the only source that allows calculation of socioeconomic indicators at the municipality level. Specifically, we include: Human development index, total population, unemployment rate, fraction of dwellings without potable water, fraction of dwellings classified to be in “poor condition”, the fraction of the adult population with a high school degree or more, average number of persons per dwelling, fraction of the population aged 14 or younger, fraction of the labor force employed in communications and fraction of the labor force employed in agriculture.

The total estimated return on political investments in Ribas for example will therefore be:

$$\begin{aligned}
 & \alpha_1 + \lambda_1 && \text{if Mayor alone is opposition} \\
 & \alpha_1 + \lambda_2 && \text{if Governor alone is opposition} \\
 & \alpha_1 + \lambda_3 && \text{if both Mayor and Governor are opposition} \\
 & \alpha_1 && \text{if both are pro - Chavez}
 \end{aligned}
 \tag{4}$$

This specification therefore allows for different effects in different municipalities depending on the prevailing competitive forces. Similarly, the estimated return to Mercal and “Identidad” would be estimated as the sum of the linear coefficient plus the corresponding λ_j or θ_j , depending on the political loyalties of the regional governments. Notice that the interpretation of the linear term alone is the return in municipalities that are fully loyal to President Chavez.

IV.4. Results

Table 1 presents results from several specifications using the level of “NO” votes in the referendum as the dependent variable, and table 2 shows results using the vote gain as the dependent variable. Column 1, of both tables, shows the estimates from the simplest possible model, where we ignore non-linearities in the effect of public expenditures on electoral outcomes. Coefficients of 1.05 on Ribas and .55 on Mercal mean that every thousand dollars spent on Ribas in a given municipality yielded, on average, 1.05 votes, and the same thousand spent on Mercal meant merely .55 votes. This outcome suggests that a vote “bought” through Mercal costs over two thousand dollars. The dummies for political competition suggest that in municipalities where the mayor alone was in the opposition, Chavez lost on average 667 votes relative to those where both the mayor and governor supported him, but gained approximately 1134 votes in those where both instances of regional government were against him.

As we’ve argued above, political investments in excludable or non-excludable goods should themselves also have different effects depending on the level of political influence of the incumbent. Column 2 of tables 1 and 2 include interactions of Ribas and Mercal with the competition dummies, and the results are summarized in table 3 as

calculated from (4). Figure 1 plots these results along with each coefficient's 95% confidence interval. The results from both restricted and unrestricted models show that Ribas was most effective in municipalities where the government's position was either very weak or very strong, and much larger where competition was fiercer, consistent with the idea of a higher return in riskier municipalities.

The results for Mercal from both the unrestricted and restricted models are very similar. Mercal does not appear to have had significantly different electoral effects across municipalities of different political leanings. The positive and significant (albeit small) coefficient on Mercal expenditures from column 1 becomes smaller and loses significance in the restricted specification, which suggests that Mercal was not very effective in increasing support for the president in areas where it was sparse (or "risky"), and if at all, it did so in places where the competitive pressures for the president were the smallest (where both the Mayor and Governor were supporters).

IV.5. The Central Role of "Misión Identidad"

As mentioned, the Identity mission was a massive effort by the government to issue millions of identity cards, mostly to individuals from the poorer strata of society. Identity cards give these individuals access to a number of public services, and to those over the age of eighteen, the right to vote after registering with the electoral authority. Under the assumption that the previously disenfranchised were those most likely to support the president, we expect that our estimate of spending on "Identidad" would have a positive effect on the president's electoral results. Column 3 of tables 1 and 2 show the implication of including "Misión Identidad" in the regression without considering any potential non-linear effects. In the unrestricted model, Ribas loses its significance, while the coefficient on lagged votes rises above unity. In the restricted model Ribas increases in significance and size while the coefficient on "Identidad" decreases but remains statistically very significant. This suggests that part of the regional allocation of Ribas across municipalities is related to the president's electoral support in the 2000 elections, consistent with other findings⁴³.

⁴³ Michael Penfold, "Clientelism and Social Funds: Empirical Evidence from Chávez's Misiones Programs", *Journal of Latin American Politics and Society*, Winter Issue, (2007), forthcoming. Rosas and Hawkins (fn. 4) find similar results for Misión Sucre which was also an educational program for higher

However, as before, we may expect that “Identidad” would have differential effects across municipalities, depending on the competitive environment. Column 4 of tables 1 and 2 include interactions between the total expenditures per municipality on Identidad and the competition dummies. The “Misión Identidad” appears to be extremely important in explaining the electoral gain of the president between 2000 and 2004. The non-linear effects of Ribas loses statistical significance and those of Mercal become significant and indicate that Mercal was profitable politically mostly where the mayor supported the president and where the governor was in opposition; interestingly, where conditions were most adverse (opposition mayor and governor) investment in the public good had a negative effect on electoral outcomes, which suggests that the opposition reaped the political benefits of public good investments where its position was strongest.

“Misión Identidad” by itself had a very large political return. Taking the coefficients from the restricted model, we see that in Chavista strongholds, investing USD 1,000 in Identidad yielded an average of 27.85 extra votes for the president; the return then falls to around 20 votes per USD 1,000 (opposition mayor and chavista governor) then to near zero or mildly negative and then back way up to over 59 votes per USD 1,000 spent on this program where both mayor and governor were in the opposition.

The huge electoral return of the identification program has two complementary explanations, the most obvious is that the program enfranchised a number of supporters that had never participated before and that would not otherwise have participated, regardless of whether they were direct beneficiaries of the government’s transfer or assistance programs. Alternatively, the program may be viewed as an intervention that provides title to each individual’s identity, which allows him or her to engage in market transactions that are welfare increasing, such as formal employment, social security, and purchase of some goods and services that require an ID card. If the program effectively increased the probability that individuals who would not have otherwise gotten their ID

education that provided cash hand-outs to participants. This last program expanded after the recall referendum.

card, would actually get it, then its economic impact may have been significant, which may also have yielded further electoral support for the president.

In the context of the public/private goods provision discussion, ID cards must be viewed as a private good, since title over a particular identity can only be conferred to an individual. Targeting of the program in lower income areas may be viewed as clientelistic insofar as the government perceived the individual economic returns to obtaining an ID larger in poorer areas than in better off neighborhoods. This is further support for the idea that private goods investments have larger electoral returns in clientelistic relationships.

Some of Ribas' significance is lost once the ID program is taken into consideration (column 5 of tables 1, 2, 5 and 6), although its pattern remains the same as that described in figure 1. A striking finding is that the relationship between the return to "Identidad" and the degree of political competition is the same as that for Ribas, the other excludable good, suggesting a similar curve for electoral returns of these types of goods.

IV.6. Rapidly changing political loyalties and the measurement of competition

During the two years preceding the 2002 coup attempt and oil strike, opposition to President Chavez grew steadily until it became large enough to pose an actual challenge to the government and precipitate these critical events. Those two years, and the two just before the referendum, were political turmoil, as governors, mayors and community leaders switched allegiances to and from the President's sidelines. Our estimations so far consider the electoral results of 2000 as the only criteria to determine whether a mayor or a governor was a Chavez supporter or not; clearly, in times of such frequent changes, it is likely that such results misrepresent the political reality during 2003 and 2004.

To better measure the reality of political competition before the referendum, we reconsider each mayor and governor's classification as pro-Chavez or opposition in the following way: if the mayor or governor elected in 2000 did not run for re-election in 2004, we presume he/she did not change sides, if he or she ran for re-election with a

party that did not support the president in 2004 but had previously been a Chavez supporter, we assume he/she changed sides, and similarly for those initially in the opposition. Table 4 shows the number of allegiance changes from each side for governors and mayors.

We run the same regressions using the adjusted mayor and governor data, and present the results in tables 5 and 6. One of the key results is that the estimated return of Ribas exhibits the same non-linear pattern described in figure 1 even after taking into account the effect of “Misión Identidad”: highest political returns of private goods investments in municipalities where competition was either very low or very high. Mercal, on the other hand, appears to have had positive electoral returns only in municipalities where the mayor was a Chavez supporter but the governor was in opposition (see column 4 of tables 5 and 6). The estimated direct effects of “Identidad” are similar to those reported before.

One additional possibility is that Ribas and Mercal interact with the “Misión Identidad” in some way, so that perhaps where Identidad was strongest, the effectiveness of the other missions was somehow increased. Column 5 of tables 1, 2, 5 and 6 reports estimates on interactions of expenditures on Identidad with Ribas and with Mercal. The only consistent result across all these alternative specifications is that Mercal appears to have a higher return where the “Misión Identidad” was strongest, and vice versa. Since expenditures on all missions are measured in thousands of US dollars, the interpretation of the coefficient is that given a one thousand dollar expense on Identidad, an extra thousand on Mercal yields a return of $0.0011 * 1,000 = 1.1$ votes, still a very small electoral gain.

V. Concluding remarks

This study has explored the political conditions under which vote-buying can yield high or low electoral returns. Our findings confirm Díaz Cayeros, Estévez and Magaloni’s hypothesis that in districts with lower levels of political competition clientelism will be more ubiquitous, after controlling for other socio-economic factors. By studying the electoral returns of scholarships distributed under the “Misión Ribas” in Venezuela during the recall referendum in 2004, we confirm that vote-buying had higher electoral

returns than investments in public goods in those municipalities in which both the mayor and the governor were loyal to President Chavez. As these authors have suggested, the theoretical reason explaining this type of outcome could be that under low levels of competition the effort to target loyal voters is a more easy endeavor and therefore less risky. And as Susan Stokes has argued, incumbent politicians invest important resources to monitor those targeted voters in order to solve the dilemmas inherent to the incomplete contract underlying vote-buying exchanges⁴⁴. Therefore, given that the national government controls both the local and regional arena through loyal politicians, investments in monitoring voters behavior can be less expensive than in more competitive environments and thus more profitable.

Interestingly, we find evidence that suggests that the relationship between the yields for excludable goods and political competition is not linear. By contrast, the yields for electoral returns for excludable goods under Chavez social programs suggest that this relationship can take a “U” form. The electoral return for “Misión Ribas” was higher than “Mercal” in hyper-competitive arenas, that is, in districts in which both the mayor and the governor were controlled by opposition forces. We believe that there is a potential explanation for this type of outcome: under hyper-competitive conditions loyal voters are more easily identifiable because probably some sort of self-selection process applies. Once provided with the opportunity to access these scholarships, loyal chavistas voters voluntarily joined the social programs given their strong political preferences while opposition voters excluded themselves voluntarily given that their behavior would be easily identifiable given the opposition control over regional and local governments. This situation provided a self-enforcing mechanism that helped the government successfully target voters and obtain a higher yield for these types of investments. Another potential explanation could be as Lindbeck and Weinbull have suggested that in this type of competitive environment politicians prefer to invest in “swing” voters in order to maximize electoral chances⁴⁵.

Regarding the electoral returns of non-excludable goods we find a more complex picture. Statistical evidence from Chavez’s “Misiones” programs does not suggest that these types of goods have higher electoral yields under more competitive political

⁴⁴ Stokes (fn. 5).

⁴⁵ Lindbeck and Weinbull (fn. 9).

conditions. Mercal did not produce significantly different electoral yields across municipalities experiencing different levels of political competition. Only in arenas controlled by chavistas governors and mayors did “Mercal” have a positive although small electoral return. Probably the reason is that credit claiming for public goods is more easily identifiable in those arenas experiencing low levels of political competition. Instead, in hyper-competitive arenas credit claiming might be more difficult to capitalize either because the national government has to compete with other similar social programs funded by governors or mayors or because the inherent competitiveness of such districts reduces the political effectiveness of credit claiming.

Finally, our empirical evidence suggests that enfranchisement through “Misión Identidad” was extremely important in explaining the electoral returns for President Chavez across different municipalities. Vote-buying through “Misión Ribas” was certainly a significant factor supporting Chavez’s growth in the number of votes but citizens in Venezuela seem to have valued even more strongly the opportunity to vote. This empirical evidence suggests that once we are studying clientelism, we should also take into account the impact of enfranchisement. Once a voter is enfranchised, vote-buying seems not to be that effective although the politician promotes the registration of the voter in order to guarantee the effectiveness of the vote-buying exchange. Therefore, the new voter seems to respond more strongly to the benefits of becoming a full citizen although, paradoxically, this enfranchisement might have been grounded on clientelistic opportunities. In addition, enfranchisement seems to strongly interact with the electoral returns of non-excludable goods. Thanks to the interaction with “Identidad”, “Mercal” was profitable in electoral terms in those arenas where the mayor supported the president and where the governor was in the opposition. By contrast, in those arenas where Chavez had to confront an opposition mayor and governor, investments in “Mercal” had a negative effect on electoral returns despite its interaction with “Identidad”. In these specific cases, the opposition reaped the political benefits of “Mercal” and also managed to take advantage of the benefits provided by the efforts to increase the number of new voters.

By studying the “Misiones” programs in Venezuela, we have attempted to identify the empirical conditions under which clientelism does work. In this paper, we have also attempted to identify the conditions under which investments in non-excludable goods

can have higher electoral yields than investments in goods for vote-buying purposes. We have not provided theoretical explanations to these empirical findings but we do show that the relationship underlying investments in different types of goods and electoral returns is a complex one and probably one with tremendous implications for democratic governance in Latin America. Thus, further research should be directed towards this objective. We believe that by understanding these conditions, we will be in stronger grounds in the future to appropriately design electoral regulations that can reduce clientelism and promote more transparency and political competition.

Table 1. Unrestricted models

Dependent variable is number of "NO" votes in the 2004 referendum

	(1)	(2)	(3)	(4)	(5)
Ribas	1.05**	1.27**	0.51	0.59	1.06**
Mercal	0.56***	0.44**	0.41***	-0.09	-0.29
Opmayor	-667.35*	206.58	-674.53*	-32.37	42.98
Opgov	-404.58	656.84	-996.61**	262.30	-92.02
Opall	1134.26*	-547.97	1710.19***	39.66	95.65
Primayor		-2.21*		-1.57	-1.73
Prigover		-2.68***		-1.19	0.15
Priboth		4.73***		2.21	2.67*
Pubmayor		-0.31		0.35	0.48
Pubgover		0.39		0.84***	0.57**
Pubboth		-0.27		-1.15**	-1.73***
Iden			20.34***	32.60***	38.77***
Idemayor				-9.14	-14.22**
Idegover				-29.51***	-31.06***
Ideboth				33.23***	34.21***
Ribasiden					-0.00***
Mercaliden					0.00***
vgob00	0.94***	0.90***	1.14***	1.14***	1.20***
Popgr	-0.05	-0.06	0.33***	0.45***	0.49***
Hdi2001	-3239.79	-2028.25	-5925.79**	-6132.62**	-6032.31**
Pop2001	0.13***	0.13***	0.066***	0.043***	0.04***
Unempl	1225.34	1562.95	2631.20	3563.30	2686.14
Nopotwater	-0.04	-0.11	0.02	-0.03	0.10
Poorcond	1850.48	1984.99	1459.07	1494.95	1220.15
Educadults	-0.37***	-0.41***	-0.26***	-0.22***	-0.16***
pperdwelling	-738.02*	-559.35	-720.29*	-654.96*	-633.49*
Under15	3712.28	2570.55	474.27	601.97	-185.15
Communic	27851.27**	-25131.22**	41502.89***	26170.09***	-21060.84**
Agric	-669.47	-450.01	-762.73	-598.19	-701.27
_cons	3410.06	1864.84	6316.51*	5677.68*	5920.87*
N	331	331	331	331	331
R-squared	0.9961	0.9964	0.9965	0.9973	0.9974

*denotes statistical significance at the 0.1 level on a one-tailed test; ** denotes statistical significance at the 0.05 level on a one-tailed test; and *** denotes statistical significance at the 0.01 level. All values were estimated using STATA Version 8.0.

Table 2. Restricted models

Dependent variable: change in Chavez votes between 2000 and 2004 elections

	(1)	(2)	(3)	(4)	(5)
Ribas	0.69*	0.98*	1.17***	0.94*	1.38***
Mercal	0.56***	0.30	0.44***	0.13	0.04
Opmayor	-580.56	252.79	-792.77**	-62.48	-38.81
Opgov	-271.43	726.30	-990.14**	181.84	-148.73
Opall	1108.49*	-614.96	1559.77***	63.32	160.54
Primayor		-2.41*		-1.42	-1.49
Prigover		-2.76***		-0.80	0.35
Priboth		5.07***		1.74	1.92
Pubmayor		-0.14		0.05	0.06
Pubgover		0.54*		0.64**	0.38
Pubboth		-0.29		-1.01**	-1.42***
Iden			13.76***	27.85***	30.69***
Idemayor				-7.78	-10.90*
Idegover				-29.26***	-30.08***
Ideboth				31.67***	31.39***
Ribasiden					-0.00***
Mercaliden					0.00***
Popgr	-0.02	-0.01	0.15***	0.31***	0.30***
hdi2001	-3277.32	-1887.42	-5005.18*	-5745.47**	-5468.21**
pop2001	0.13***	0.13***	0.08***	0.06***	0.08***
Unempl	1521.11	1888.77	1765.76	2946.11	2051.69
Nopotwater	-0.00	-0.08	-0.05	-0.07	0.01
Poorcond	1805.38	1921.17	1648.27	1653.64	1479.74
Educadults	-0.37***	-0.41***	-0.29***	-0.25***	-0.22***
pperdwelling	-766.74*	-575.15	-686.11*	-632.46*	-605.25*
Under15	3254.08	2489.26	2157.75	1236.01	696.24
Communic	-29674.46***	-28295.30***	-34556.13***	-20339.65**	-14496.54
Agric	-508.19	-262.09	-956.62	-823.02	-997.54
_cons	3507.33	1695.31	5241.63	5307.72	5412.63*
N	331	331	331	331	331
R-Squared	0.9637	0.9664	0.9672	0.9742	0.9752

*denotes statistical significance at the 0.1 level on a one-tailed test; ** denotes statistical significance at the 0.05 level on a one-tailed test; and *** denotes statistical significance at the 0.1 level. All values were estimated using STATA Version 8.0.

Table 3. Estimated vote return per USD 1,000 spent on Ribas

	Unrestricted model (Table 1)	Restricted model (Table 2)
Both are pro-Chavez	1.275	0.986
Mayor alone is opposition	$1.275 - 2.218 = -0.943$	$0.986 - 2.415 = -1.429$
Governor alone is opposition	$1.275 - 2.689 = -1.414$	$0.986 - 2.767 = -1.781$
Both are opposition	$1.275 + 4.734 = 6.009$	$0.986 + 5.079 = 6.047$

Table 4. Local Authorities' Allegiance Changes in Venezuela: 2000-2004

	2000 Elections	Switched to Opposition	Switched from Opposition	Pre-2004 Referendum
Pro-Chavez Governors	15	3	4	16
Pro-Chavez Mayors (*)	122	19	12	116

(*) There is one municipality for which the Mayor's political allegiance could not be determined in 2000.

Source: National Electoral Council

Table 5. Unrestricted models (Corrected political competition variables)
 Dependent variable: number of "NO" votes in the 2004 referendum

	(1)	(2)	(3)	(4)	(5)
Ribas	1.17***	4.14***	0.64	2.94***	3.21***
Mercal	0.58***	-0.38	0.44***	-0.38	-0.48*
opmayor2	-540.95	76.84	-297.50	65.93	0.49
Opgov2	-1163.16**	456.21	-1434.44***	-211.64	820.21
Opall2	1965.34***	228.30	2075.94***	1062.04	-54.20
primayor2		-1.78*		-0.56	-0.64
prigover2		-5.57***		-4.60***	-4.60***
Priboth2		4.62***		3.05***	3.13***
Pubmayor2		0.07		-0.10	-0.13
Pubgover2		1.64***		1.70***	0.94***
pubboth2		-0.65		-0.955**	-0.58
Iden			19.94***	26.01***	25.11***
Idemayor2				-1.50	1.55
idegover2				-10.32***	-13.66***
Ideboth2				4.55	10.13
Ribasiden					-0.00
Mercaliden					0.00***
vgob00	0.94***	0.99***	1.13***	1.17***	1.19***
Popgr	-0.02	-0.04	0.35***	0.42***	0.60***
hdi2001	-3493.51	-4415.36	-5735.14**	-7473.00***	-6054.81**
pop2001	0.13***	0.12***	0.06***	0.05***	0.02*
Unempl	-754.99	154.93	964.47	2907.93	1849.68
Nopotwater	-0.06	-0.00	0.01	0.11	0.05
Poorcond	1611.39	1333.51	1335.51	773.59	1014.28
Educadults	-0.38***	-0.28***	-0.27***	-0.14***	-0.15***
pperdwelling	-733.55*	-605.50	-725.69*	-593.20*	-485.56
Under15	3722.30	4882.96	696.19	2201.95	1873.06
	-	-	-	-	-
Communic	27937.54***	26437.80***	42829.40***	35255.25***	-20490.61**
Agric	-786.31	-1080.80	-737.34	-877.94	-707.98
cons	3713.63	2652.03	6034.36*	5264.17*	4137.16
N	332	332	332	332	332
R-squared	0.9962	0.9968	0.9966	0.9973	0.9976

*denotes statistical significance at the 0.1 level on a one-tailed test; ** denotes statistical significance at the 0.05 level on a one-tailed test; and *** denotes statistical significance at the 0.01 level. All values were estimated using STATA Version 8.0.

Table 6. Restricted models (Corrected political competition variables)
 Dependent variable: change in Chavez votes between 2000 and 2004 elections

	(1)	(2)	(3)	(4)	(5)
Ribas	0.80**	4.11***	1.29***	3.45***	3.59***
Mercal	0.59***	-0.39	0.47***	-0.19	-0.26
opmayor2	-525.59	74.64	-398.09	65.16	-62.72
Opgov2	-1096.99**	453.15	-1428.07***	-46.57	971.21*
Opall2	1956.66***	231.99	2050.11***	761.07	-192.97
primayor2		-1.78**		-0.64	-0.75
prigover2		-5.59***		-4.03***	-4.52***
Priboth2		4.65***		2.57**	2.57**
pubmayor2		0.07		-0.20	-0.22
pubgover2		1.65***		1.48***	0.85**
pubboth2		-0.67		-0.63	-0.33
Iden			13.29***	19.76***	16.25***
idemayor2				-1.94	3.87
idegover2				-14.21***	-15.09***
Ideboth2				9.09	11.54
ribasiden					0.00
mercaliden					0.00**
Popgr	0.004	-0.04	0.18***	0.21***	0.41***
hdi2001	-3816.96	-4431.33*	-4577.84*	-6317.95**	-4888.60**
pop2001	0.13***	0.12***	0.08***	0.07***	0.05***
Unempl	-612.08	170.23	210.29	2348.76	1899.86
nopotwater	-0.01	0.00	-0.06	-0.01	-0.08
poorcond	1407.94	1315.35	1685.66	1327.12	1532.20
Educadults	-0.37***	-0.28***	-0.31***	-0.19***	-0.22***
pperdwelling	-758.70*	-606.49	-696.39*	-555.58	-432.66
under15	3294.95	4847.95	2246.69	3738.59	2855.55
communic	29446.36***	26518.75***	35953.51***	26815.81***	-13806.47
agric	-682.70	-1076.54	-885.17	-920.52	-739.87
cons	4093.39	2677.32	4779.25	3869.18	2909.20
N	332	332	332	332	332
R-squared	0.9642	0.9709	0.9677	0.9744	0.9768

*denotes statistical significance at the 0.1 level on a one-tailed test; ** denotes statistical significance at the 0.05 level on a one-tailed test; and *** denotes statistical significance at the 0.01 level. All values were estimated using STATA Version 8.0.

Figure 1. Votes gained per USD 1,000 invested in Ribas by degree of political competition

