

# Peasants, Patrons, and Parties: The Tension between Clientelism and Democracy in Nepal<sup>1</sup>

by

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## Abstract

In democratic elections, candidates and parties promise to deliver public goods to segments of the electorate in order to win their support at the polls. In new democracies, especially in rural agrarian societies, existing networks of clientelist politics can alter this logic, so that candidates instead promise private goods to patrons in return for those rural patrons delivering the votes of their clients. This suggests that in such regimes, the distribution of public goods spending by the government should vary inversely with the strength of clientelist networks. Specifically, we propose that the strength of patron-client ties varies according to whether peasants farm as smallholders, sharecroppers, fixed rent tenants, or landless laborers. Accordingly, the strength of rural patrons should vary across districts with the distribution of households among various land tenure categories. Our theory then suggests that where land tenure patterns render rural patrons weaker, elected governments should invest more resources in public goods in order to win the votes of peasants. Where land tenure patterns give patrons more control over peasant farmers, government spending on public goods should be lower because candidates and parties have to devote more resources to private benefits to the patrons. We test this proposition with district level data from Nepal on the patterns of land tenure and on the provision of public goods.

## Introduction

After almost 180 years of monarchical rule, the Nepalese people elect their government for the first time in 1959. That first flirtation with democracy was supposed to culminate in the election of a constituent assembly that would write a new constitution that would establish the institutional foundations for a democratic system. That hope was thwarted, however, when the king dismissed the elected government, postponed indefinitely the constituent assembly elections, and imposed the authoritarian *panchayat* system of one-party rule that lasted until 1990. In 1990 a popular uprising compelled the monarchy to accede to a new transition to democracy (Khadka, 1993). After 1990, activists expected that the transition to democracy would give citizens greater influence in the policy making process and that democracy would improve their living conditions. Those hopes have not been realized, despite three rounds of parliamentary elections (including mid-term election of 1994) and two rounds of local elections, with participation rates exceeding 60% in each election.

Electoral participation is, of course, one of the defining characteristics of a democratic system of government. Electoral democracy empowers the poor in the sense that low-income citizens usually make up a majority of voters in a democracy. As such, they can use their electoral power to influence redistributive policies of government. Median voter theory suggests that the social welfare programs of a democratic government should be extensive and inclusive when the income of the median voter is less than the average income (Meltzer and Richard 1981). Selectorate theory suggests that democracy expands the size of the winning coalition required for leaders to gain and retain power. Because it would be prohibitively expensive to assemble a winning coalition in a democracy by providing private benefits to enough voters, candidates for democratic office are expected to shift resources from the provision of private

benefits to a small cadre of elites to the provision of public goods that benefit large segments of the electorate (Bueno de Mesquita *et al.* 2003). Therefore, democratic governments are expected to be more responsive to the interests of the poor, the landless, and the laboring classes than are non-democratic alternatives.

While many empirical studies show that democracies do a better jobs of delivering welfare benefits to their electorates (see, Bueno de Mesquita *et al.* 2003, Acemoglu and Robinson 2006, Boix 2003, Przeworski *et al.* 2000, Navia and Zweifel 2003), some scholars raise doubts about this effect (e.g., Keeifer 2007, Ross 2006). If a democratic government really is more responsive to the social welfare demands of the electorate, then citizens in nations that undergo a transition to democracy should experience an improvement in their overall living conditions. More specifically, citizens should benefit from the provision of higher levels of public goods by their elected government. They should have greater access to health care which should enable them to live longer. Their children should have greater access to schooling than was the case under the previous authoritarian regime. And, indeed, there is some empirical support for the proposition that democratic regimes fund social welfare programs more extensively than non-democratic regimes (Gerring *et al.* 2005, Stasavage 2005, Brown and Hunter 2004). But not all new democracies expand their social welfare programs and improve the socio-economic conditions of the majority of their electorate.

While most studies of the relationship between democracy and public welfare benefits are cross-national, we explore variations across political subdivisions within a nation. We use the case of Nepal to explore of whether democracy does equitably provide welfare goods in a new democracy where large portions of the population are engaged in subsistence agriculture. After the transition to democracy in 1990, Nepal did make some progress in improving overall living

conditions for its citizens. According to the United Nations Development Project's (UNDP) Human Development Index (HDI), Nepal's HDI score increased from 0.158 in 1991 to 0.480 in 2001 (UNDP 1998, 2004). This suggests that people were better off after the restoration of democracy in 1990 than they had been under the authoritarian *panchayat* system. A survey of rural districts in Nepal, however, indicates that there were significant variations across districts in the extent to which living conditions improved. In Nepal, more than 90% of the population lives in rural villages, and more than 80% of the population is engaged in subsistence agriculture. Elected leaders should have an incentive to provide welfare goods that address the needs of this majority of subsistence farmers. Contrary to this expectation, however, rural voters have been systematically neglected in the policies adopted by the new democratic regime.

To explore this phenomenon, we use selectorate theory to explain how the size of the winning coalition affects the provision of welfare benefits in an agrarian society. We argue that variations across subunits in the strength of patron-client ties between landed elites and peasant cultivators are associated with variations in the extent to which elected governments provide public goods versus private goods. Where patronage networks are strong, the transition to democracy does not necessarily produce the expected shift to the provision of public goods to large segments of the selectorate because candidates can win elections by providing private benefits to patrons who in turn deliver the votes of their clients. In other words, where ties of clientelist dependency are stronger, the size of the winning coalition should be smaller, and a democratic government should provide fewer public goods. We argue that the degree of peasant subordination to landed elites varies with patterns of land tenure. Accordingly, the landed elites' ability to command the votes of peasant cultivators varies depending upon whether peasants farm as smallholders, sharecroppers, renters, or landless laborers. In brief, peasants farming under

those forms of land tenure in which they are less dependent upon and subordinate to landed elites (e.g., smallholders) should be freer to vote their own self interest as opposed to how landed elites direct them to vote. Therefore, where larger proportions of the population farm as smallholders, candidates should promise more public goods to mobilize those voters to support them at the polls. Where larger shares of the population farm as sharecroppers and various forms of tenancy, politicians need not promise public goods that directly benefit peasant cultivators; instead, they should promise private benefits to landed elites who can deliver the votes of their tenants. We test propositions derived from this theoretical framework with district level data from the 75 districts of Nepal. We employ several indicators of public policy outputs such as infant mortality, literacy rate, life expectancy, malnourished children under the age of 5, household access to sanitation facilities, and mean years of schooling. We conclude by discussing the policy implications of these findings as well as their implications for selectorate theory generally and theories of the impact of democratic transition on social welfare policies.

### **Regime Type and Provision of Public Goods**

Many studies claim that democracies should perform better than non-democracies with regard to providing their constituents with public goods and generating a more equitable distribution of income (see Lake and Baum 2001, Bueno de Mesquita et al. 2003, Acemoglu and Robinson 2006, Boix 2003, Przeworski et al. 2000, Navia and Zweifel 2003). Democracy is expected to benefit low-income voters who make up a majority of electorate in many countries (Keefer and Khemani 2005, Acemoglu and Robinson 2006). Zweifel and Navia (2000) found that the GDP per capita does matter in reducing infant mortality rate, but the infant mortality rate is substantially higher in autocracies than in democracies at any level of GDP per capita. According to Navia and Zweifel (2003), part of the reason for this relationship is the higher

social spending by democratic governments, a pattern that selectorate theory would lead us to expect. Using 17 different indicators of the level of education and public health provided by the state, Lake and Baum (2001) find support for the notion that democracies have a higher level of public service provision than non-democracies. Brown and Hunter (2004) have found that Latin American democracies have spent more on primary education than non-democracies, and that democracy is highly correlated with real spending on the education sector overall. Stasavage (2005) finds that African democracies, even if they are not yet fully institutionalized, spend more on primary education due to incentives created by electoral competition.

The expectation of more extensive public goods provision under democracy is a function of the rules of competitive elections, median vote theory and selectorate theory (Meltzer and Richard 1981, Keefer and Khemani 2005, Bueno de Mesquita *et al.* 2003). Democracy empowers the poor, who usually make up a large share of the electorate in most countries but especially in new democracies. For political parties and candidates to gain access to power, electoral support from the majority of low-income voters is crucial. The median voter hypothesis suggests that the provision of public goods should favor low-income voters because they can defeat any other policy prescription offered by rival parties and candidates (Meltzer and Richard 1981, Keefer and Khemani 2005). As such, parties and candidates in a democracy have an incentive to offer credible policy commitments that appeal to low income voters, such as public health programs, education, infrastructure projects and income redistribution policies.

Previous studies on democracy and redistribution employ cross-sectional and cross-sectional time series analyses that capture the impact on redistributive policies of variations in the level of income, colonial legacies, ethnic heterogeneity, and other possible confounding factors. But substantial variation in redistributive policies can be found even within democracies. For

instance, in India, infant mortality rates (IMR) range from 18.8 in the southern state of Kerala to 137.9 in the northern state of Uttar Pradesh (Ross 2006: 872, also see Keefer and Khemani 2005). These two states have similar political systems, and both of them have had regular elections for a legislative assembly since 1950. Keefer and Khemani (2005) point to variations in voter access to information to account for the difference between these two states in the quality of public services the state provides. As such, while democracy may promote the provision of public goods, other factors account for variations in the provision of public services.

### **Democracy, Political Clientelism and the Provision of Public Goods**

When a nation makes the transition to democracy, the incentives facing leaders seeking to survive in office change dramatically. Selectorate theory depicts this change as a matter of the size of the winning coalition – the subset of the selectorate whose support is necessary for the incumbent to remain in office – increasing over what it had been under the previous authoritarian regime. The larger the winning coalition, the higher the total cost of the private goods the leader would have to provide in order to assemble and maintain a winning coalition. As the size of the winning coalition increases, leaders have an incentive to shift their resources to the provision of public goods. Because public goods are nonexcludable and nonrival, public goods will benefit more voters than the same expenditure devoted to private goods (i.e., patronage) (Bueno de Mesquita *et al.* 2003: 91). In a democracy, the winning coalition is essentially the minimum vote total necessary to win and/or retain office. Thus, in a democracy, parties and candidates contesting for elective office have incentives to provide public goods in order to optimize their chances of mobilizing a winning coalition.

Promising public goods, however, does not guarantee a candidate's success at the polls. Voters can simply free-ride: they will reap the benefits of the public goods whether they vote or

not and, if they vote, regardless of which candidate they support. If parties have some mechanism to monitor and sanction free riding by voters, candidates can provide influential elites who control nodes in patronage networks with private benefits (patronage) as incentives for them to deliver the votes they control. This relieves the candidates of having to provide public goods for a larger share of the selectorate. Patrons provide parties with monitoring mechanisms: patrons have the ability and the incentive to monitor and, if necessary, sanction their clients if they do not vote as the patron directs. For clients, the value of their one vote does not approach the value of the subsistence guarantees they risk losing if they do not vote as directed by their patron. When voters are subjugated in patronage networks, electoral outcomes become more predictable for candidates, in the sense that the winning coalition is reduced to a coalition of patrons who, collectively, control enough votes to elect the candidate to office. This diminishes the candidates' incentives to carry out redistributive policies or provide voters with public goods.

This argument does not challenge the nexus between democracy and provision of public goods. It does suggest that existing networks of clientelist politics in an agrarian economy can alter this logic fundamentally. In new democracies where the economy is dominated by the agrarian sector, newly elected leaders are confronted with a politician's dilemma of sorts. Where land ownership is concentrated in the hands of small landed elite and large shares of the cultivating class are engaged in subsistence agriculture, peasant cultivators remain bound to landowners by ties of clientelist dependency. The persistence of inequality in land ownership and the very nature of subsistence farming compel peasant households to seek the patronage of local landed elites. Landed patrons provide peasants with access to land and variable mixes of other services such as protection from banditry, credit, production inputs, and emergency assistance

that, taken together, amount to a subsistence floor (Scott 1976: 29-32). In return, peasant cultivators are expected to provide the landed patron with some mix of rent, crop shares, free labor and other services. They are also expected to support the patron politically by complying with his instructions on political matters such as whom to vote for in elections. When democracy is introduced into a political system, local patrons act as buffers between peasants and candidates running for elective offices (and their party organizations). Peasant interactions with all outside authorities (including candidates for elective office) are mediated by the patron. Where peasants remain bound in networks of clientelist dependency, the autonomy of their political behavior is severely constrained by that dependency (Joshi and Mason 2007).

Under these circumstances reform-minded candidates might see the large number of landless and land-poor peasants as an electoral opportunity: by advocating policies such as land reform and promising to deliver public goods that benefit subsistence cultivators and their families, those candidates stand to gain far more votes than they risk losing among the much smaller population of land owners who would oppose those policies. On the other hand, clientelist dependency binds peasant cultivators to landed elites, which makes it difficult for reformist parties or candidates to persuade risk-averse peasants to vote for them. Landed patrons can coerce peasants into voting against reformist parties by threatening peasants with the loss of land and other subsistence guarantees (Mason 1986). This gives the patron the ability to influence large blocs of votes by manipulating the provision of subsistence guarantees. In effect, the existence of patron-client networks in the countryside reduces the size of the winning coalition in an electoral democracy from a majority of the electorate to a coalition of patrons who, collectively, control a majority of the votes. As the size of that coalition shrinks – in part as a function of the concentration of land ownership or, more generally, high levels of inequality in

the distribution of land ownership – the costs of mobilizing enough votes to win an election declines for candidates, and the incentive to provide private goods to patrons rather than public goods to voters increases. Conversely, where ties of clientelist dependency are weaker, voters are more autonomous, the size of the winning coalition is larger, and the incentives for politicians to provide public goods to voters are greater.

### **Land Tenure, Democracy, and Public Goods in Nepal**

Because most of Nepal's population is dependent on land for their economic well-being, control over land constitutes the main source of political power in that nation. Before 1950, all lands belonged to the state; there was no private ownership of land. Members of the governing elite, priests, village headmen, civil servants and military officers were given *birta* or *jagir* lands in recognition of their service to the state. However, these lands reverted back to the state when their service ended. *Birta* lands could not be sold by the grantee, nor could the grantee bequeath the lands to their progeny. After the fall of the Rana regime in 1950, the 1951 Interim Government of Nepal Act included a provision that guaranteed property rights. This suddenly made the then-current holders of *birta* and *jagir* land permanent owners of that land (Regmi, 1976). Peasant farmers who had cultivated the land and paid taxes to the state as tenants did not receive any land under the terms of this law. As a result, land reform became a contentious political issue in Nepalese politics beginning in 1950, and it remained so at the time of the transition to democracy in 1990. A few of the major political parties contesting seats in the inaugural 1991 parliamentary elections included in their electoral agendas proposals that called for major land reform. However, no legislative initiatives to fulfill those promises ever passed the post-1990 Nepalese parliament. In an earlier study Joshi and Mason (2008) showed that this

was in part because politically influential individuals – i.e., large landowners – were able to mobilize peasant votes in favor of parties that did not advocate land reform.

In Nepal, 80% of households are dependent on subsistence farming for at least part of their livelihood (Central Bureau of Statistics 2001a). Yet landless and land-poor peasants failed to elect candidates who promised land reform, even though voters would benefit from such legislation. Among the political parties that fielded candidates in the first two national elections, the radical left parties, such as the Maoist party, had the most extensive agrarian reform proposals in their platform. They pledged to redistribute land and increase public expenditures on social welfare programs that would benefit peasant cultivators. Since agrarian reform would directly improve the welfare of peasant households as well as free them from subordination to landlords, peasant cultivators had a strong incentive to vote for those left-leaning parties. But peasant voters would jeopardize their access to land and other subsistence guarantees if they voted against the directive of their landlord-patron (Joshi and Mason 2007). As such, the political parties and candidates that won the most seats in the elections were not those that promised land reform but those that refrained from redistributive policies that would threaten the interests of landed elites. Joshi and Mason (2008) found that voter turnout was greater where land tenure patterns gave landed elites greater influence over peasant political behavior.

One of the common characteristics of young democracies is party system volatility, and Nepal is not an exception. Institutionalization of a party system in post-1990 period Nepal has been marred by the volatility of factional alignments within and between mainstream political parties. Mainstream political parties, particularly Nepali Congress and Nepal Communist Party – United Marxist and Leninist, suffered from the politics of frequent splits and mergers, all driven by rivalry between factions within the party and by a lack of internal democracy. As a result,

governing coalitions were weak and volatile, with factional shifts lubricated by side payments to faction leaders rather than sincere policy differences (see, Whelpton 2005: 189-202). As a result, none of parties made a serious effort to build a base of electoral support based on policy-relevant cleavages. Because the parties were new and had no record of legislative achievement, they also lacked established identities based on policy positions, and their policy stances lacked credibility with the electorate. Frequent shifts in factional alignments did nothing to strengthen their identity or credibility on policy. As suggested by Keefer (2007), political parties in young democracies cannot win elections by committing to implement policy because party system fluidity undermines the credibility of parties among potential voters. Under such circumstances, mobilizing local patrons is a more efficient winning strategy than appealing directly to voters on the basis of policy promises.

The network of landed elites, therefore, substantially reduced the cost of voter mobilization for parties and candidates, at least in those districts where land ownership was concentrated in the hands of relatively small number of landed elites, and where a large section of the peasantry worked as sharecroppers and rent for service tenants. Indeed, elections results suggest that it was the landed elite and not peasant cultivators who were empowered by the transition to democracy. Khadka (1993:52) notes that the landed elites controlled about 90 percent of the seats in the first parliament. Moreover, “the people in politics are the second or third generation children of the village *mukhiya* (chief), the landlord, or the priest who were ruling elites of their time and generation” (Khadka, *Kathmandu Post*, September 11, 2009). According to Mannan (2002: 84) the elected representatives in the national parliament of Nepal owned an average of over 16.8 hectares of land in the hill areas and nearly ten hectares in the plains. By contrast, 50 percent of farming households (who elected them) possessed 0.15 hectares per household.<sup>1</sup> Political parties

cultivated the support of local landed patrons who, in return, successfully mobilize enough peasants to vote for those parties that were committed to protecting the political and economic interests of the landed elites by, among other things, blocking any legislative initiatives for land reform.

The successful mobilization of rural voters through clientelist networks allowed the government to divert resources to urban districts where voters were not necessarily bound by patron-client networks. Substantial portions of the urban electorate are engaged in a diverse array of occupations other than subsistence agriculture. This leaves them less subject to the influence of local elites. As a result, political parties and candidates contesting for elected office in urban areas needed to credibly commit to the provision of public goods if they hoped to win enough seats to form a government. The welfare of urban populations is also important to avoid possible urban unrest (Bates 1984). As long as the governing parties make sure that the urban constituents are taken care of, they can avoid any unrest that could possibly challenge the political legitimacy of the governing coalition. This argument is summarized in Figure 1.

**(Figure 1 about Here)**

As suggested in Figure 1 (lower right cell), the costs of political mobilization and social control mechanism are concentrated in rural areas. The most effective social control mechanism in rural areas is the traditional patron-client network that links landed elites and peasants. As long as these networks dominate the political economy of rural areas, political parties can maximize their electoral gains by appealing to landed elites with platforms that protect the interests of land owners rather than those of peasant cultivators. In particular, parties can do better by promising no land reform and no provision of public services directly to peasants (as opposed to those benefits that are filtered through local elites as various forms of patronage) than

by promising redistributive policies (including land reform) that could possibly improve the material well-being of peasant households but at the expense of the landlords' interests.

Patron-client networks as social control mechanism are not prevalent in urban settings (upper left cell). Urban populations are on average more educated and have memberships in a wider variety of civil society organizations such as unions and professional associations. Social control is diffuse in urban areas, making the cost of political mobilization higher in those districts. Under such circumstance, candidates and parties contesting for elected office in urban areas have incentives to make credible policy commitments that provide social welfare benefits in the form of public goods in order to win votes in urban areas and deter urban unrest. The upper right and lower left cells in Figure 1 represent mixed scenarios.

### **Land Tenure Patterns and the Provision of Public Goods**

With respect to rural voters, the theoretical framework presented earlier suggests that where land tenure patterns create stronger ties of dependency between landlord and tenant, provision of public goods should be lower; where those ties are weaker, provision of public goods should be higher. Several different types of land tenure arrangements are found in Nepal: smallholders, sharecropping, rent for fixed cash payment, rent for a fixed product, rent for a mortgage and rent for service (Central Bureau of Statistics 2001b). These arrangements involve varying degrees of peasant subordination to landed elites. As such, the level of public goods should vary with the distribution of peasants among these categories.

**Smallholders:** Smallholders own their own land. However, most do not own enough land to engage in commercial production beyond the subsistence requirements of the household. They are less dependent on landed patrons than the various categories of tenants because they do have their own land. There are circumstances that can compel smallholders to turn to landed patrons

for production credit or emergency loans, and they are always faced with the risk that one bad harvest could force them to sell off their land to pay off their debts (Scott 1976: 80; Paige 1975: 13-14; Mason 2004: 65). On the other hand, the weaker ties of subordination to the network of landed elites (compared to the various tenancy arrangements) leave smallholders less subject to traditional clientelist mechanisms of social control and thus freer to vote for the candidates they prefer, including those who promise public goods that benefit peasant farmers directly. Therefore, we expect a positive relationship between proportion of smallholder households in a district and the provision of public goods in that district:

H1: *The larger the share of smallholders in a district, the higher the provision of public goods.*

**Sharecropping:** Sharecropping households get the use of a plot of land and other services from their landlord that, as a package, provide them with some measure of subsistence security. In return they are obliged to share at least 50 percent of the harvest with the landlord and to provide him with a certain amount of free labor and other services when the landlord demands them (Scott 1976: 79; see also Paige 1975: 59-66). Given the strength of dependency ties between sharecropper and landlord, sharecroppers can be expected to vote the way their landlord instructs them for fear of losing access to land and the services that are their insurance against subsistence crisis. As such, sharecropping households are not free to vote sincerely in elections. This reduces the incentives for candidates and their parties to provide public goods in districts with large concentrations of sharecropping peasants.

**Rent for Service:** Under rent for service, a peasant household gets the use of a plot of land by assuming a debt to the landlord, with the amount of the debt and the interest rate negotiated between landlord and tenant. While in debt to the landlord, the peasant has to present himself or

a member of his family when the landlord demands it to work on the landlord's land or to perform household labor. In some cases, the peasant household offers a member of the family to work for the landlord permanently until the family stops cultivating that land or pays off the original debt plus interest. Since the plot of land is essential to the family's subsistence but is rarely large enough to produce a consistent surplus, the peasant household usually is never able to pay off the debt, and the family member assigned to work for the landlord might continue to do so, without wages, until he or she dies. This practice of bonded labor (*kamayia*) was widespread in western Nepal.<sup>2</sup> Peasants living under these arrangements are the most subordinate to landed elites and, therefore, political parties and candidates contesting for elected office have no incentives to promise to provide public goods to districts with large concentrations of this land tenure pattern.

**Fixed Product/Fixed Rent Tenancy:** Under fixed product tenancy, the landlord receives a fixed amount of the harvest at the end of the year, and the peasant household does not receive any services from the landlord. The peasant household is compelled to plant the type of crop the landlord dictates, but they can devote a portion of their land to subsistence crops for their own consumption. Under a fixed cash rent arrangement, a peasant household pays a certain amount of cash to a landlord for the right to cultivate a plot of land. Peasants are free to allocate land between cash crops and subsistence crops as they see fit so long as they can earn enough cash to pay the rent at the end of the harvest. These two types of rental systems usually involve absentee landlords who live in the city and leave the peasant household to assume full responsibility for production with a minimum of supervision by the landlord. Fixed product or fixed cash tenants have incentives to maximize output because they keep all output beyond what is required for rent payment. For this reason, one can argue that they are less subordinate to landlords than

sharecroppers or other types of tenants but more subordinate than smallholders. Under fixed rate tenancy, however, the peasant cultivator does assume all the risks of agriculture: one bad harvest could leave them with a crop worth less than the amount of the rent they own. Their only insurance against such circumstances would be the landlord's willingness to defer the rent payment until the next harvest. Should a landlord decide instead to evict the farmer from land, the renter loses everything. Since the transaction between the peasant and the landlord is based on verbal agreement, not a written contract that can be enforced by the state, a landlord can force peasants to leave the land even in the midst of harvest. As such, peasants cultivating under this type of tenancy are highly dependent on the landlord, though the degree of dependency might be less severe than that of a sharecropper. As such, parties and candidates running for elected office have no incentive to provide public goods in districts where large portions of the population labor under this form of tenancy.

**Rent for Mortgage:** Under rent for mortgage, peasant cultivators use their own land as collateral against the mortgage they receive from landlords. Peasant households need to borrow money for seed and other production inputs, for cultural reasons such as marriage or other family obligations, or unforeseeable events such as medical emergencies. In rural villages, peasant households have limited access to formal credit institutions, and landlords are always the first (and often the only) choice of many peasant households in need of credit. In a mortgage tenure system, the peasant household can still cultivate what crop they choose. Their only obligation to the landlord is the repayment of mortgage with interest (at a rate set by the landlord) by the end of the year. If a peasant household fails to pay the interest and the principal, their debt burden increases, and landlord can foreclose on their land and evict them or convert them to renters.

**Landlessness:** Landless peasants should be less subject to manipulation by landed elites. Landless peasants exist outside of the network of patron-client ties. Their interactions with the landed elite are more nearly impersonal and contractual, involving the exchange of cash wages or food for temporary labor services. Landlords are not obligated to provide them with any other services to enhance their subsistence security. As such, landed elites have less of control over landless peasants. On the other hand, landless peasants constitute competition for sharecropping and tenancy positions, so that the larger the supply of landless households in a district, the higher the effective price landlords can extract from sharecroppers and tenants (Mason 2004: 68-69). In this sense, larger landless populations strengthen the ties of subordination that bind sharecroppers and tenants to landlords. Landless peasants do have incentives to vote, and they can influence electoral outcomes because of their numbers. But, the welfare of landless peasants depends on landlords, who employ them as seasonal temporary wage laborers. One can argue that the landless peasants can simply go to cities and find a job since labor is always in short supply in cities. Perhaps this may be the case in many instances, but the abundance of the supply of labor in the city proportionately reduces their wages to the point that they may not be able to support their family. As such, support from the landlord remains crucial for landless peasants.

For peasant households farming under these tenure arrangements in Nepal, landlords often organize feasts in order to influence the votes of peasant households in favor of the party or candidates the landlord supports. Such events are often organized one day before the election. The landlord provides abundant amounts of food and alcohol, and all of his tenants and laborers get the day off from work. On election day, landlords or their trusted lieutenants monitor the election booths to ensure that peasants vote. Such monitoring makes it difficult for peasants to refrain from voting or to vote their true preference. Organizing such an event serves as indicators

of the influence of landlords over the peasant households and their capacity to deliver votes of peasants for parties and candidates they favor.

Given the strength of the dependency ties between peasants and landlords under these tenancy arrangements, we expect that the parties and candidates contesting for elections have less incentive to promise to deliver public goods in districts where the most dependent forms of land tenure are predominant. Instead, their incentive would be to provide private goods to landed elites who can deliver the votes of large blocs of tenants and sharecroppers. Therefore:

*H2: The larger the share of households farming under dependent land tenure arrangements, the lower the provision of public goods.*

*H3: The higher the capacity of landlord to deliver votes from households under dependent land tenure arrangements, the lower the provision of public goods.*

**Democracy:** Our discussion on the relationship between democracy and the provision of public goods suggests that a democratically elected government has incentives to provide public goods in order to get reelected. Where citizens participate in the electoral process, the fear of electoral defeat should lead elected officials to increase the provision of public goods. Conversely, the presence of clientelist networks also influences their probability of success in elections in ways which might reduce the incentives for elected leaders to provide public goods. Joshi and Mason (2008) found that turnout in Nepal was positively related to the strength of clientelist ties. This suggests that turnout is influenced more by the ability of landlords to mobilize their clients to vote than by autonomous voters choosing to turnout in order to vote for candidates who promise public goods that would benefit them directly. Indeed, where candidates compete by promising to provide public goods, voters can free ride by abstaining from voting. Similarly, our discussion of post-1990 politics in Nepal and the influence of landlords in national

politics, especially their presence in the membership of the national parliament, suggests both a direct and indirect role for landlords in parliamentary politics. They not only influence parliamentary politics indirectly by delivering blocs of votes to parties and candidates they support. They also contest elections themselves. Our discussion of clientelism and the provision of public goods suggests that parties and candidates contesting for elections have no incentive to deliver public goods when they can mobilize clientelist networks to deliver votes by providing private benefits to the landed patrons who control those networks. Mobilization of clientelist networks occurs when more and more candidates seek the support of local elites to generate votes for them in competitive elections. Under such circumstances, a reformist candidate might have an opportunity to gain more votes by promising to deliver public goods. However, as Keefer (2007) suggests, candidates and parties contesting elections in new democracies lack the credibility with voters that established parties in established democracies enjoy. Furthermore, where peasant households live on the margins of subsistence and their landlord is their only source of subsistence security, they are less likely to vote against the instructions of their landlord in hope of securing a better future. Therefore, demand for the mobilization of patronage networks increases with increases in the number of candidates contesting elections. This gives competitive incentives for landlords to mobilize peasant voters in order to maximize their share of private goods. Thus, we propose the following hypotheses:

*H4: The higher the electoral participation, the lower the provision of public goods.*

*H5: The more the candidate contesting elections, the lower the provision of public goods.*

### **Research Design**

To test our hypotheses on the relationships between land tenure patterns, clientelist dependency, and the provision of public goods in Nepal, we estimate a series of OLS regression

models using district-level data (n=75) from two points in time: 1996 and 2001. The year 1996 allows us to gauge the effect of democracy and clientelism on the provision of public goods five years after the transition to parliamentary democracy but before the inception of the Maoist insurgency. The year 2001 allows us to test whether there was any improvement in provision of public goods after 10 years of democracy and whether the provision of public goods was affected by the inception of the Maoist insurgency in 1996.

### **Dependent Variable**

We employ multiple indicators to operationalize the provision of public goods. Several of these indicators measure access to public goods provided by the government. Among these are percent of households with access to sanitation systems, adult literacy rate, and mean years of schooling. Others indicators are more indirect measures of the provision of public goods in that they measure the impact on people's lives of the extent to which public goods are provided but are also affected by a number of other factors as well. Among these are infant mortality rate, life expectancy at birth, and the number of malnourished children under five years of age. Generally, the indicators are intended to measure public policy outputs related to education and public health. Education is measured by adult literacy rate and mean years of schooling. We measure public health policy output by life expectancy rate at birth, infant mortality rate, percentage of households with access to sanitation, and number of malnourished children under the age of five. Because of the availability of data, our models for the year 1996 include only mean years of schooling, adult literacy rate and life expectancy. Data for these variables come from UNDP Human Development Report of Nepal published in Year 1998 and 2004. Descriptive statistics are presented in Table 1.

**(Table 1 about Here)**

### **Independent Variables:**

Our main independent variables are land tenure variables measured as the difference between the percent of households in a district cultivating land under each arrangement and percent for the nation as a whole. The 2001 Agricultural Census reports that the 21.3 percent of households are *smallholders* who own land below one parcel. A parcel is a contiguous piece of land owned or rented by a peasant household. The average size of a parcel is 0.24 hectares (Central Bureau of Statistics 2001b). *Dependency tenure households* is measured as the percentage of households cultivating land in single or mixed sharecropping, fixed cash/fixed product rent, rent for service, rent for mortgage and landless peasant arrangements.<sup>3</sup> According to CBS, there are 1,335,016 households living under one of these dependency categories (about 39.68 percent of agriculture households). On average, about 26% of households are cultivating under dependency tenure category in each district.

We also expect electoral participation to influence the provision of public goods (H4). We use electoral turnout (percentage of eligible voters who voted) for the 1991 election to estimate one set of models and the same measures from the 1999 election to estimate a second set of models. We also expected the number of candidates contesting elections in a district to influence the provision public goods (H5). Data for electoral turnout and number of candidates contesting in 1991 and 1999 elections come from publications of the Election Commission of Nepal (1991 and 1999). Hypothesis 3 suggests an interaction effect between voter turnout and the share of households in dependency land tenure arrangements. Accordingly, we introduce an interaction of the 1991 and 1999 election turnout with the percent of households in dependency land tenure arrangements for the corresponding years.

### **Control Variables**

To obtain unbiased estimators, we employ several control variables. First, demand for public goods might be affected by population density: demand for public goods and costs of producing these goods might be different in densely populated urban districts compared to more sparsely populated rural districts. Therefore, we control for population density for each district with data from the Population Census of 1991 and 2001 (Central Bureau of Statistics 1991 and 2001a). We also control for district wealth by using per capita developmental budget allocation by the government for each district (fiscal year 1994/95 in our 1996 models and fiscal year 1999/00 for 2001 models). Data are from the annual development program book published by National Planning Commissions of Government of Nepal (1995, 2000). Lawoti (2005) suggests that ethnic minorities and indigenous groups are largely excluded from representation in mainstream political institutions in Nepal (also see UNDP 1998). We suspect that ethnic dynamics might also play a role in the distribution of public goods as well. Therefore, we control for caste and ethnic fractionalization with data from CBS-Nepal (2001a).<sup>4</sup> For the 2001 models, we also control for conflict intensity, as measured by the number of battle deaths in a district. The conflict intensity measure should capture the extent to which the delivery of public goods was disrupted by violence between the government and Maoist rebels. Data for conflict intensity comes from INSEC Nepal (2005).

## **Results**

We estimated three sets of OLS regression models that include different measures of the provision of public goods for the years 1996 and 2001. The first year marks five years of parliamentary government after the first election in 1991. The year 2001 is ten years after the restoration of parliamentary democracy but it is also five years after the inception of the Maoist insurgency, which was still on-going in 2001. For 1996, we estimate three models with adult

literacy rate, mean years of schooling and life expectancy as dependent variables. For 2001, we estimate two separate sets of models for adult literacy rate, mean years of schooling, life expectancy, infant mortality rate, household access to sanitation and number of malnourished children below the age five as the dependent variables. Results are reported in Tables 3 and 4. The models reported in Table 3 do not include controls for the level of insurgent violence in the district. Those in Table 4 do include the control for insurgent violence, but the electoral participation variable is dropped. Electoral participation is not significant across all models in Table 3 except for the model with household access to sanitation facilities as the dependent variable. Since the capacity of the state to deliver public goods could have been significantly disrupted after the initiation of the Maoist insurgency, we focus more on results presented in Table 4 when we compare our findings with Table 3's findings on the provision of public goods in year 1996, before the insurgency began. F-tests ( $p < .0001$ ) reveal that all models are statistically significant: at least one variable explains a significant proportion of the variance in the provision of public goods. Tests do reveal problems of multicollinearity and therefore we report robust standard errors. The models explain between 37.8% and 66% of the variance in our measures of the provision of public goods.

**(Table 2 about Here)**

**(Table 3 about Here)**

We expected a positive relationship between the proportion of smallholder households in a district and the provision of public goods (H1). All three indicators of public goods provision in our 1996 models (Table 2) are positively related to the proportion of smallholders in the district ( $p < 0.05$ ). Similarly, in our 2001 models (Table 3), we find significant positive relationships between the proportion of smallholders in a district and each of the indicators of public goods

provision except life expectancy and infant mortality rate. Of the six measures, these are the two for which we expected to find a weaker relationship because both life expectancy and infant mortality are affected by a wide range of phenomena besides the provision of public goods by the state. As expected, increases in the percentage of smallholder households are associated with higher adult literacy rates ( $p < 0.000$ ), higher mean years of schooling ( $p < 0.000$ ), lower numbers of malnourished children ( $p < 0.000$ ) and higher access to sanitation ( $p < 0.05$ ). These findings support our argument that elected officials have more incentive to provide more resources for schools and sanitation facilities in districts where there is a larger proportion of smallholders because the votes of smallholders are less subject to influence by landed patrons.

**(Table 4 about Here)**

We also predicted a negative relationship between the provision of public goods and the proportion of households cultivating under dependency tenure arrangements (H2). For the 1996 models (Table 2), only mean years of schooling is related to the share of households in dependency land tenure arrangements, and that coefficient is positive (contrary to expectations) though barely significant ( $p < 0.10$ ). In the 2001 models, the coefficients for dependency households are also positive and significant for all but one of the indicators of public goods provision; only household access to sanitation facilities failed to achieve minimal levels of statistical significance ( $p < 0.11$ ). Thus, contrary to expectations, increases in the percentage of households cultivating land under dependency tenure arrangements are associated with higher life expectancy ( $p < 0.01$ ), higher adult literacy rates ( $p < 0.01$ ), higher mean years of schooling ( $p < 0.01$ ), lower rates of malnourished children ( $p < 0.05$ ), more households with access to sanitation ( $p < 0.11$ ) and lower infant mortality rates ( $p < 0.01$ ).

Because these findings are contrary to what we hypothesized, we should reconsider our

theoretical arguments concerning the relationship between landed elites and peasants cultivating land under dependency tenure arrangements. One explanation for these findings could be that even households cultivating under dependency tenure arrangements are marginally self-sufficient in the production of most subsistence commodities; most of them are subsistence farmers. Still, they are dependent on landed elites for access to the land on which they produce subsistence goods. Alternatively, households cultivating under dependency tenure arrangements may still be able to send their children to schools because government schools provide universal primary education free of charge. Moreover, sending children to school does not necessarily create a labor shortage for the household at planting and harvest times. While the findings on the size of the smallholder population do support our theoretical arguments, the findings on the proportion of households farming under dependency tenure arrangements do not fit what the theory predicts, and we need to explore further why this is the case.

Landlords do influence the welfare of peasant voters. H3 predicts lower levels of public goods provision to the extent that landlords can deliver the votes of households cultivating under dependency tenure arrangements. This suggests an interactive relationship between dependency land tenure arrangements and voter turnout in the 1991 and 1999 elections. Table 2 shows that the coefficient for this interactive term is insignificant for all indicators of public goods provision in the 1996 models. However, in the 2001 models (Table 3), the coefficients for the interaction term are statistically significant for four of the public goods indicators and are in the expected direction: life expectancy ( $p < 0.01$ ), mean years of schooling ( $p < 0.05$ ), access to sanitation facilities ( $p < 0.01$ ) and infant mortality ( $p < 0.10$ ) all do get worse as this interaction term increases. The significant effects for the latter round of elections but not the first provide some support for our arguments on the relationship between the prevalence of peasant subordination to

landlords and the provision of public goods across districts. In 2001, for a given proportion of dependent households in a district, increases in voter turnout in the 1999 election are associated with decreases in mean levels of schooling, fewer households with access to sanitation facilities, lower life expectancy and higher infant mortality rates. These findings suggest that the relationship between dependency land tenure relations and the provision of public goods may be interactive rather than direct.

This notion gains further credence when we consider the findings on voter turnout and the provision of public goods. We hypothesized that the extent of electoral participation should be associated with lower levels of public goods provision (H4). We did not find support for this hypothesis in either year except for household's access to sanitation facilities for 2001 (Table 3). Electoral participation in 1999 is positively associated with household access to sanitation facilities ( $p < 0.01$ ). The insignificant findings for a direct (negative) relationship between turnout and the provision of public goods parallels the findings on dependency land tenure: it is the interaction of turnout and dependent land tenure relations, not the direct effect of either, that is associated with lower levels of public goods provision. This interactive relationship may more nearly fit what our theory predicts. It is the ability of a landlord to deliver votes that attracts the attention of candidates and parties. That ability is a function of the share of voters who are dependent on that landlord for subsistence security. Where that landlord can deliver votes (i.e., high proportions of dependent peasants) and does (high turnout), fewer resources are allocated to public goods.

We hypothesized that the provision of public goods should be negatively related to the number of candidates contesting for elections since heightened competition gives candidates incentives to devote even larger shares of public resources to private benefits for landed patrons

who can deliver blocs of votes (H5). For both time periods, the coefficients for the number of candidates contesting for elections are negative and significant for all measure of public goods provision except life expectancy in the 1996 model. The Election Commission reports that 20 parties ran 1,345 candidates for parliament in 1991. By 1999, those numbers had doubled to 40 parties and 2,238 candidates. As electoral competition intensified (in terms of number of parties and candidates contesting each seat), candidates felt more pressure to promise private benefits to landed patrons in return for the votes those landlords could deliver. This should show up as a shift of resources from public goods to patronage in those districts where the payoff to patronage (in terms of votes) was higher. As a consequence, we see in Table 2 that increases in electoral competition are associated with lower adult literacy rates, and lower mean years of schooling ( $p < 0.05$ ). These relationships persist in the 2001 models as well (Table 4): increases in electoral competition are associated with lower life expectancy, lower adult literacy rates, lower means years of school, fewer households with access to sanitation facilities, and higher infant mortality rates ( $p < 0.01$ ). The findings support our argument that increases in the number of candidates contesting for election lead to heightened competition for the support of rural patrons, resulting in fewer resources being invested in public goods and more resources invested in private benefits to the landed elites. In effect, heightened electoral competition increases the price patrons can extract in return for the votes they can deliver.

What is also apparent from a comparison of Tables 2 and 3 is that in several instances, the hypothesized relationship between a given independent variable and a given indicator of public goods provision differs across the two time periods. We chose these two time periods in part because we expected that the outbreak of armed insurgency in 1996 might affect these relationships. In Table 4, we test that by adding to the models in Table 3 a measure of the

number of people killed in the insurgency. The intensity of insurgent conflict does indeed have a negative and significant impact on the provision of public goods. As expected, higher conflict intensity is associated with lower life expectancy ( $p < 0.05$ ), adult literacy rate ( $p < 0.01$ ), mean years of schooling ( $p < 0.05$ ) and household access to sanitation facilities ( $p < 0.000$ ), and with higher infant mortality rates ( $p < 0.05$ ). Insurgent violence does indeed constrain government capacity to provide public goods. Regarding our theoretical argument, it is noteworthy that adding this variable to the model does not produce any substantial changes in the coefficients for other variables in the model. Thus, while the level of political violence did have a negative effect on the provision of public goods, the strength of patron-client ties and the competition among parties for the support of landed patrons still affect the provision of public goods, independent of the level of political violence.

As for the control variables, population density behaves as expected in both 1996 and 2001 models. Higher population density is related to higher life expectancy, higher mean years of schooling and adult literacy rates, lower infant mortality rates and higher rates of household's access to sanitation ( $p < 0.000$ ). Districts with higher population density include urban areas, where clientelist ties should be weaker. Therefore, candidates have more incentive to appeal directly to voters by promising to provide public goods. Our findings support this expectation. We also find caste and ethnic divisions to be related to the provision of public goods to some extent. There is a positive and significant relationship between caste and ethnic fractionalization and life expectancy in both the 1996 and 2001 models ( $p < 0.000$ ). Similarly, caste and ethnic fractionalization are negatively associated with infant mortality rates ( $p < 0.000$ ) and positively related to household's access to sanitation ( $p < 0.10$ ) in the 2001 models.

In our 1996 models, we find that the per capita development budget (a proxy for the level of wealth in a district) is positively related to life expectancy, adult literacy rate and mean years of schooling ( $p < 0.05$ ). In the 2001 models (Table 3 and 4), however, per capita development budget is negatively related to life expectancy ( $p < 0.05$ ), and positively related to malnourished children under age of five and infant mortality ( $p < 0.05$ ). The 1996 findings are intuitive because, controlling all other factors, per capita development budget should have a positive impact on the provision of public goods. We suspect that the allocation of the development budget across districts is partly a function of land tenure patterns and the degree of patron-client dependency. Where landed elites can deliver large blocs of votes, elected officials should respond with higher development budget allocations. To test this, we changed our dependent variable to per-capita developmental budget allocation for fiscal year 1994/95 and 1999/00 and ran two separate models. Though the development budget is not a direct measure of the provision of public goods, there should be some relationship between per-capita development budget allocation and the provision of public goods. Therefore, these models can also be used as a robustness check on the findings reported in Tables 2 and 3.

#### **Table 5 about Here**

Results reported in Table 5 lend some support to our theory. The 1994/94 budget allocation is not related to the proportion of smallholders in a district, whereas the proportion of dependency households is associated with increases in the budget allocation ( $p < 0.05$ ), which is contrary to what selectorate theory would predict. The logic of selectorate theory implies that larger proportions of smallholder households should produce large development budget allocations, as candidates compete for the support of those voters by providing public goods. What we see instead is that larger development budgets are allocated where larger shares of votes are subject

to the influence of landed elites. The interaction between dependency households and election turnout for 1991 is negatively related to budget allocations ( $p < 0.05$ ): for a given share of dependency households, increases in turnout are associated with smaller development budget allocations. This is what we would expect if landed elites were trading the votes they control for private goods (patronage resources) rather than public goods (development budget). The same findings hold for 1999/00 model as well. In that model, we also find a significant negative relationship between the proportion of smallholders in a district and development budget allocations ( $p < 0.01$ ). In both models, we find a positive and significant relationship between electoral participation and development budget allocation ( $p < 0.01$ ). The positive relationship between dependency households and the allocation of the development budget could indicate that development budget allocations are one way the government compensates landed elites for their electoral support. After all, most of the contracts paid from the development budgets are either granted to the local elites or they determine who gets them. The number of candidates contesting for elections has a negative and significant effect ( $p < 0.10$ ). From these findings, it appears that the elected government has failed to address the interests of either smallholders or those who cultivate land under the dependency tenure arrangement and vote in the elections.

### **Discussion and Conclusion**

Cross-national studies suggest a positive relationship between democracy and the provision of public goods because empowering people with political rights and liberties expands the size of the winning coalition required for leaders to stay in power. This paper examines variations in the level of public goods provision across subunits within a new democracy, Nepal. We presented a theoretical refinement of selectorate theory: in an agrarian economy, existing networks of patron-client ties alter the electoral preferences of peasant voters and create incentives for candidates to

focus on the provision of private goods to landed patrons instead of public goods for peasant voters. It is more efficient for politicians to mobilize local patrons than to appeal directly to peasant voters. Therefore, we expected the provision of public goods across districts in Nepal to be inversely related to the strength of patron-client ties, and the strength of those ties should vary with land tenure patterns.

Findings from this study suggest that the expectations from selectorate theory on the relationship between democratization and government provision of public goods are moderated by patron-client networks in rural agrarian economies. Where large proportions of the population are engaged in subsistence agriculture and land ownership is concentrated in the hands of a relatively small network of landed elites, the transition to democracy will not necessarily produce the expected increase in government provision of public goods. Indeed, we found stronger ties of subordination to local patrons and higher turnout to be associated with lower levels of public goods provision. Landed patrons turn out the votes of their peasant clients in return for private goods payoffs from victorious parties. The empirical tests provide some support for our theoretical arguments. These findings highlight the importance of understanding why electoral democracy sometimes fails to produce public goods for their poorest voters.

These findings also suggest that, when democracy is implemented in rural agrarian societies, it may not necessarily inoculate that nation against the prospects of rural insurgency. The Nepalese insurgency emerged after democratization and, arguably, because the new democratic institutions were not able to enact policies that alleviated the extremes of inequality in land ownership that were endemic to the rural political economy of Nepal. In effect the same landed elites and their allies in the capital were able to capture the institutions of democracy to preserve

their economic interests against the pressures for reform that democracy would otherwise be expected to produce.

The findings also suggest some policy prescriptions to improve the provision of public goods in agrarian economies. In an incipient democracy such as Nepal, where most of the people are dependent on local patrons for their subsistence security, giving them the right to vote does not necessarily lead to the election of leaders who will enact policies that bring substantial improvements in their well-being. Their capacity to influence government policy requires first that they achieve economic autonomy from landed patrons. Since the transition to democracy in 1990, there has been some improvement in the standard of living for the poor. The government of Nepal adopted universal primary education, adult literacy programs, and improvements in public health programs. This effect can be seen in our empirical findings on improvements in adult literacy rates, mean years of schooling, number of malnourished children and infant mortality rates. Improvements on these indicators were greater in districts with larger proportions of smallholder households (the land tenure form that is most autonomous from landed patrons). But where larger proportions of households are farming under dependency tenancy arrangements that compel them to vote as directed by their patrons, fewer of these public services are provided.

Nepal has had the additional burden of trying to build and sustain democracy in a decade marked by a Maoist insurgency and the royal coup of 2002. Though the Maoists used violence and intimidation to generate support for a decade-long insurgency (Kramer 2002), studies by Joshi and Mason (2007 and 2008) suggest that those who were dependent on landed patrons for subsistence security joined the Maoist insurgency in larger numbers than those who were more autonomous from landed elites. The insurgents redistributed land and cancelled peasant debts in villages where they took control, and they promised to dismantle (through land reform) the

structural relationship between peasant cultivators and landed patrons (Joshi and Mason 2007 and 2008, also see Raiz and Basu 2007). The Maoists were able to recruit supporters from mid-western and far western parts of Nepal, where not only is the provision of public goods low but land tenure patterns create strong patterns of patron-client dependency. Walter (2004) suggests that improvements in economic well-being are critical to avoiding a recurrence of civil war, and she finds that higher infant mortality rates are associated with greater odds of civil war recurrence. She argues that “individuals choose to re-enlist with rebel organizations when conditions at home are dire” (Walter 2004, 380). The success of post-civil war peacebuilding in Nepal, therefore, is to some extent contingent on the extent to which the government of Nepal pursues policies that improve the material wellbeing for the poorest of its people.

After signing a peace agreement in November 2006, the Maoists transformed themselves into a legal political party named the Communist Party of Nepal-Maoist. They successfully campaigned for the Constituent Assembly election and gained more votes and seats than any of the mainstream political parties. The Maoist party is reported to have used violence and intimidations in their campaign for the Constituent Assembly elections, and this could have affected the electoral turnout in favor of that party. Nevertheless, they also performed exceptionally well in urban areas that were relatively peaceful during and after the insurgency. Even if they had not used violence and intimidation, they likely would have emerged as the largest party in the Constituent Assembly because they were successful at mobilizing marginalized and neglected groups by raising the issue of land reform and fielding candidates from those marginalized groups (also see Lawoti 2009: 301). As such violence was not the driving force for the electoral success of the Maoist party. They received electoral support from peasants, ethnic minorities and other neglected groups who supported them during the

insurgency. If the post-conflict government fails to deliver public goods to those segments of the population, those segments would be susceptible to appeals to renew the armed insurgency.

The impact of patron-client politics on the provision of public goods in Nepal is generalizable to other cases. Patron-client networks are prevalent in rural areas of most new democracies, especially those where large shares of the population are engaged in agriculture. To the extent that nonelites are dependent on landed patrons for subsistence guarantees, those patrons can manipulate these ties of dependency to influence the votes of their clients. This gives local patrons the capacity to deliver the votes of their clients to a party in exchange for exclusive private goods. Where democratization is accompanied by agrarian reforms that weaken peasant dependence on landed patrons, we would expect elected leaders to increase the provision of public goods *versus* private goods in order to build a winning coalition. Such policies should produce improved living standards for households and enhanced economic development for the region, compared to regions where land ownership remains concentrated and peasants remain dependent on landed elites for their subsistence security. After World War II, Japan and Taiwan both went through major land reform programs designed to break the power of traditional rural elites. Land reform in post-war Japan was one of the crucial policy achievements of the United States. It “brought more equitable distribution of assets to the members of rural society” (Kawagoe 1999: 1). Similarly, an authoritarian government enacted land reform in Taiwan with support from the United States (Barraclough 1999: 3). Arguably, this contributed to economic development in both nations by, first, redistributing one source of wealth (land) more equitably. In Japan, land reform influenced the trajectory of democratic development by precluding the prospects of a winning coalition built around powerful rural patrons. Instead, individual voters in rural Japan were favored, and the Liberal Democratic Party adopted development policies that

avored rural populations. In Peru, the junta that seized power in 1968 adopted a land reform program that broke the power of large commercial plantations in the coastal regions. Where land reform was less extensive – i.e., in the Andean highlands, where fewer peasants received land and less land was redistributed – Sendero Luminoso guerrillas found their most fertile recruiting grounds for their insurgency that began on the day that Peru held its first post-coup democratic elections. The guerrillas found little support for their movement among peasants on the coast who benefitted from the conversion of sugar plantations to cooperatives (Mason and Schwartzfager 1989; Mason 1998, 2004). Vanhanen (1997) suggests that a more equitable distribution of resources such as land is related to the demand for political rights. Effective land reform gives landownership to peasant households, ethnic minorities and other marginalized groups. Redistributing land leads to the fragmentation of land but it increases number of smallholders. Having land of their own, smallholders rely less on local patrons for farm work, emergency loans. They can meet their own subsistence from their own land. In agrarian economies, land is the source of political power and as the distribution of wealth becomes more equal with an increase in the number of smallholder households, elected governments have to deliver public goods in order to increase their chances of getting reelected. Therefore, international efforts to support democratization in agrarian societies should also consider whether the prospects for democratic development and survival are enhanced by reforms that weaken or dismantle clientelist networks. In order to advance agrarian societies toward democracy and development, reform initiatives should also focus on empowering peasant households through landownership. As Samuel Huntington (1968:375) famously asserted, “no group is more conservative than a landowning peasantry, and none is more revolutionary than a peasantry that owns too little land or pays too high a rental.”

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**Figure 1: Social Control Mechanism and Provision of Public Goods/Redistribution in Democracy**

Social Control Mechanism	Cost of Mobilization		
		Diffused	Concentrated
	Diffused	Untargeted (Urban)	Mixed
Concentrated	Mixed	Targeted (Rural)	

Table1: Descriptive Statistics.

Variables	Mean	Std. Dev.	Min	Max
Infant Mortality Rate (in 1000)	70.893	31.384	24.010	173.830
Life Expectancy at Birth (2001)	60.922	5.939	44.070	71.330
Adult Literacy Rate (2001)	44.611	12.190	19.600	73.500
Mean Years of Schooling (2001)	2.514	0.833	1.250	5.940
Malnourished Childern<5	53.022	12.015	26.670	90.000
% Household Access to Sanitation	37.470	20.526	9.040	92.300
Life Expectancy at Birth (1996)	55.799	6.247	36.000	67.000
Adult Literacy Rate (1996)	35.455	10.966	15.130	70.620
Mean Years of Schooling (1996)	2.072	0.794	0.813	5.354
Electoral Participation 1999	63.938	10.919	0.000	80.839
Electoral Participation 1991	64.429	8.194	36.728	85.800
Number of Contestants 1999	29.840	26.544	1.000	159.000
Number of Contestants 1991	17.933	13.993	2.000	69.000
% Smallholders Households	18.184	12.976	0.162	63.641
% Dependency Households	26.205	18.858	5.569	96.236
Dependency*Election 1999	1701.237	1320.015	0.000	5878.448
Dependency*Election 1991	1749.424	1361.561	242.045	6221.139
Per Capita Development Budget 1999/00	1.162	1.066	0.340	5.792
Per Capita Development Budget 1994/95	0.497	0.734	0.116	5.479
Population Density per Square Km. (2001)	256.533	388.178	4.000	2739.000
Population Density per Square Km. (1991)	199.813	265.094	2.000	1710.000
Caste and Ethnic Fractionalization Index	0.795	0.101	0.543	0.942
Total Killed (1000)	.1715333	.1605376	0	.951

Observation = 75

Table 2: Democracy, Clientelism and Provision of Public Goods 1996.

	Life expectancy	Adult Literacy	Mean Years Schooling
Electoral Participation 1991	-0.044 (0.094)	-0.129 (0.128)	-0.006 (0.009)
Number of Contestants 1991	-0.015 (0.056)	-0.214 (0.123)**	-0.013 (0.007)**
% Smallholders Households	0.103 (0.048)**	0.348 (0.070)****	0.021 (0.005)****
% Dependency Households	0.008 (0.197)	0.294 (0.455)	0.045 (0.035)*
Dependency*Election 1991	0.001 (0.003)	-0.001 (0.007)	-0.000 (0.001)
Per Capita Development Budget 1994/95	0.748 (0.455)**	1.575 (0.944)**	0.127 (0.058)**
Population Density per Square Km. (1991)	0.006 (0.002)***	0.016 (0.005)***	0.001 (0.000)****
Caste and Ethnic Fractionalization Index	29.834 (7.996)****	13.779 (14.707)	0.708 (0.900)
Constant	30.398 (7.860)****	20.581 (12.441)**	0.911 (0.878)
<i>N</i>	75	75	75
<i>R</i> <sup>2</sup>	0.472	0.527	0.618
F-stat	11.51	27.34	30.41
F-stat p-value	0.000	0.000	0.000

All tests are one tail tests. Standard errors are in parenthesis. Robust standard error reported for all model. \*\*p<0.05, \*\*\*p<0.01, \*\*\*\*p<0.000

Table 3: Democracy, Clientelism and Provision of Public Goods 2001.

Variables	Life Expectancy	Adult Literacy Rate	Mean Years Schooling	Malnourished <5 yrs	% HH Access to Sanitation	Infant Mortality
Electoral Participation 1999	0.104 (0.103)	0.074 (0.210)	0.008 (0.012)	0.124 (0.213)	0.999 (0.319)***	-0.409 (0.564)
Number of Contestants 1999	-0.124 (0.032)****	-0.189 (0.075)***	-0.015 (0.005)***	0.087 (0.076)	-0.687 (0.135)****	0.646 (0.167)****
% Smallholders Households	0.045 (0.046)	0.477 (0.078)****	0.022 (0.005)****	-0.313 (0.077)****	0.315 (0.172)*	-0.277 (0.245)
% Dependency Households	0.406 (0.200)**	0.652 (0.403)*	0.052 (0.025)**	-0.051 (0.383)	2.204 (0.665)***	-1.857** (1.100)
Dependency*Election 1999	-0.005 (0.003)**	-0.006 (0.006)	-0.001 (0.000)*	-0.004 (0.006)	-0.030 (0.010)***	0.025 (0.016)*
Per Capita Development Budget 1999/00	-1.161 (0.761)*	-0.119 (1.540)	0.021 (0.078)	2.126 (1.357)*	-2.081 (2.569)	6.091 (4.443)*
Population Density per Square Km. (2001)	0.009 (0.002)****	0.012 (0.004)****	0.001 (0.000)****	0.001 (0.005)	0.041 (0.008)****	-0.047 (0.011)****
Caste and Ethnic Fractionalization Index	36.731 (6.887)****	20.283 (16.480)	0.993 (0.975)	-11.415 (14.559)	49.977 (28.917)*	-189.222 (38.012)****
Constant	25.694**** (6.794)	11.497 (14.476)	0.380 (0.895)	62.580 (14.634)****	-66.014 (23.433)***	244.738 (36.441)****
<i>N</i>	75	75	75	75	75	75
<i>R</i> <sup>2</sup>	0.440	0.509	0.637	0.388	0.382	0.432

All tests are one tail tests. Standard errors are in parenthesis. Robust standard error reported for all model. \*\*p<0.05, \*\*\*p<0.01, \*\*\*\*p<0.000

Table 4: Democracy, Clientelism and Provision of Public Goods 2001.

Variables	Life Expectancy	Adult Literacy Rate	Mean Years Schooling	Malnourished <5 yrs	% HH Access to Sanitation	Infant Mortality
Number of Contestants 1999	-0.113 (0.031)****	-0.174 (0.075)***	-0.013 (0.005)***	0.093 (0.075)*	-0.613 (0.142)****	0.595 (0.172)****
% Smallholders Households	0.052 (0.049)	0.483 (0.077)****	0.023 (0.004)****	-0.305 (0.077)****	0.378 (0.175)**	-0.306 (0.254)
% Dependency Households	0.239 (0.076)***	0.558 (0.172)***	0.041 (0.013)***	-0.279 (0.171)**	0.459 (0.363) <sup>†</sup>	-1.216 (0.444)***
Dependency*Election 1999	-0.003 (0.001)***	-0.005 (0.002)**	0.0003 (0.000)*	-0.001 (0.002)	-0.004 (0.005)	0.015 (0.006)***
Per Capita Development Budget 1999/00	-1.289 (0.662)**	-0.704 (1.308)	-0.010 (0.066)	2.576 (1.489)**	-0.445 (1.991)	6.926 (4.002)**
Population Density per Square Km. (2001)	0.008 (0.002)****	0.010 (0.004)***	0.001 (0.000)****	0.002 (0.005)	0.038 (0.009)****	-0.043 (0.011)****
Caste and Ethnic Fractionalization Index	34.039 (7.158)****	15.008 (17.006)	0.652 (0.957)	-10.525 (14.779)	43.564 (31.094)*	-176.362 (39.874)****
Total Killed (1000)	-7.422 (3.632)**	-12.985 (5.308)***	-0.875 (0.340)**	0.540 (6.710)	-26.786 (7.501)****	34.425 (20.145)**
Constant	35.629 (5.770)****	23.057 (13.681)**	1.305 (0.764)**	68.969 (11.565)****	3.689 (24.877)	202.539 (33.012)****
<i>N</i>	75	75	75	75	75	75
<i>R</i> <sup>2</sup>	0.469	0.533	0.660	0.386	0.378	0.455

All tests are one tail tests. Standard errors are in parenthesis. Robust standard error reported for all model. \*p<0.10, \*\*p<0.05, \*\*\*p<0.01, \*\*\*\*p<0.000

Table 5: Democracy, Clientelism and Developmental Budget Allocation 1994 and 2001.

Variables	Per Capita Development Budget 1994/95	Per Capita Development Budget 1999/00
Electoral Participation 1991	0.025 (0.009)***	
Number of Contestants 1991	-0.005 (0.004)*	
Electoral Participation 1999		0.098 (0.027)****
Number of Contestants 1999		-0.005 (0.004)*
% Smallholders Households	-0.003 (0.004)	-0.017 (0.006)***
% Dependency Households	0.077 (0.037)**	0.227 (0.040)****
Dependency*Election 1991	-0.001** (0.000)	
Dependency*Election 1999		-0.003 (0.001)****
Population Density per Square Km. (2001)		0.000 (0.000)
Population Density per Square Km. (1991)	-0.001 (0.001)**	
Caste and Ethnic Fractionalization Index	-2.387 (1.314)**	-2.237 (1.212)**
Constant	0.774 (0.870)	-3.062 (1.859)**
<i>N</i>	75	75
<i>R</i> <sup>2</sup>	0.265	0.553

All tests are one tail tests. Standard errors are in parenthesis. Robust standard error reported for all model. \*\*p<0.05, \*\*\*p<0.01, \*\*\*\*p<0.000

## Endnotes

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<sup>1</sup> One of the reasons related to the performance of radical parties is perhaps related to the electoral institutions that have failed also to integrate ethnic minorities in the political process. For more discussion on inclusive political institutions and democracy in Nepal, see also Lawoti (2005).

<sup>2</sup> On May Day of 2000 the issue of bonded labor became more intense when nineteen bonded laborers of a former government minister lodged complaints demanding freedom and minimum wage for their work. Support from human rights NGOs and INGOs forced the government to declare emancipation of all bonded laborers in July of 2000, freeing about 15,000 households (83,000 people) from this form of debt servitude. After gaining their freedom, they demanded subsistence security from the government, and the government responded by offering to distribute about 0.6 hectare of land to each household. When the government delayed implementing this plan, some of the bonded laborers were forced to return to their former landlords. Some of the younger ones joined the Maoist insurgency (World Organization Against Torture, 2005).

<sup>3</sup> Since the 2001 Population Census does not provide the number of landless peasant households, we estimated their numbers by using the difference between the total households reported in the Population Census of 2001 and the total agriculture households from Agriculture Census of 2001. We contacted the Deputy Director of the Central Bureau of Statistic of Government of Nepal who confirmed that the concepts of “agriculture holdings” and “households” used in the agricultural census and the population census of 2001 respectively are almost the same.

<sup>4</sup> As indicated by the population census of 2001, there are 65 caste and ethnic groups in Nepal.

The ethnic and caste fractionalization index is calculated with the formula,  $1 - \sum_{i=1}^M \left(\frac{n_i}{N}\right)^2$  where, N

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is the total population and  $n_i$  is the number of people belonging to the *ith* group.  $M$  is the total number of ethnic and caste groups. The formula captures the probability that two randomly selected people belong to different groups. The index takes values between zero (for a perfectly homogeneous district) and one (for a perfectly heterogeneous district). Also see Posner (2004) on measuring ethnic fractionalization.