


# How to reduce elite capture: Watch out for local elites during democratic transitions

---

 [voxdev.org/topic/institutions-political-economy/how-reduce-elite-capture-watch-out-local-elites-during-democratic-transitions](https://voxdev.org/topic/institutions-political-economy/how-reduce-elite-capture-watch-out-local-elites-during-democratic-transitions)

Allowing old-regime agents to remain in power during democratic transitions facilitates elite capture, which lowers public good provision

In most developing countries, the poor outnumber the rich. However, this numeric superiority does not typically translate into influence in policymaking. This is the case even in democratic regimes. While there could be multiple reasons for this phenomenon, an extensive literature has suggested that elite capture can explain a great deal. Powerful groups can control the political process through vote buying and clientelism (see, among others, Bardhan and Mookherjee 2000, Acemoglu and Robinson 2008, Finan and Schechter 2012). Despite the potential negative consequences of elite capture, we only have a limited understanding of what factors affect the power of elites and what policies could be implemented to limit their influence in policymaking.

## Democratic transitions as a determinant of elite capture

---

In recent research, we argue that elites oftentimes have their roots in the recent authoritarian past of countries (Martinez-Bravo et al. forthcoming). Non-democratic regimes are fertile grounds for powerful groups to amass resources and consolidate their grip on power. Consequently, the way democratic transitions unfold can have substantial effects on the degree of elite persistence in the subsequent democratic regime.

To examine this, we exploit a natural experiment that took place in the Indonesian transition to democracy and that generated exogenous variation in how easy it was for local elites to perpetuate their hold on power. What happened is the following—after the unexpected demise of the Soeharto regime, Soeharto-appointed mayors were not immediately replaced. Instead, they were allowed to finish their five-year terms before being replaced by newly-elected mayors. Interestingly, the appointment cycles of Soeharto mayors were not synchronised. Hence, mayors that were appointed later in the Soeharto regime were able to stay for more years in office during the democratic transition than mayors that were appointed earlier.

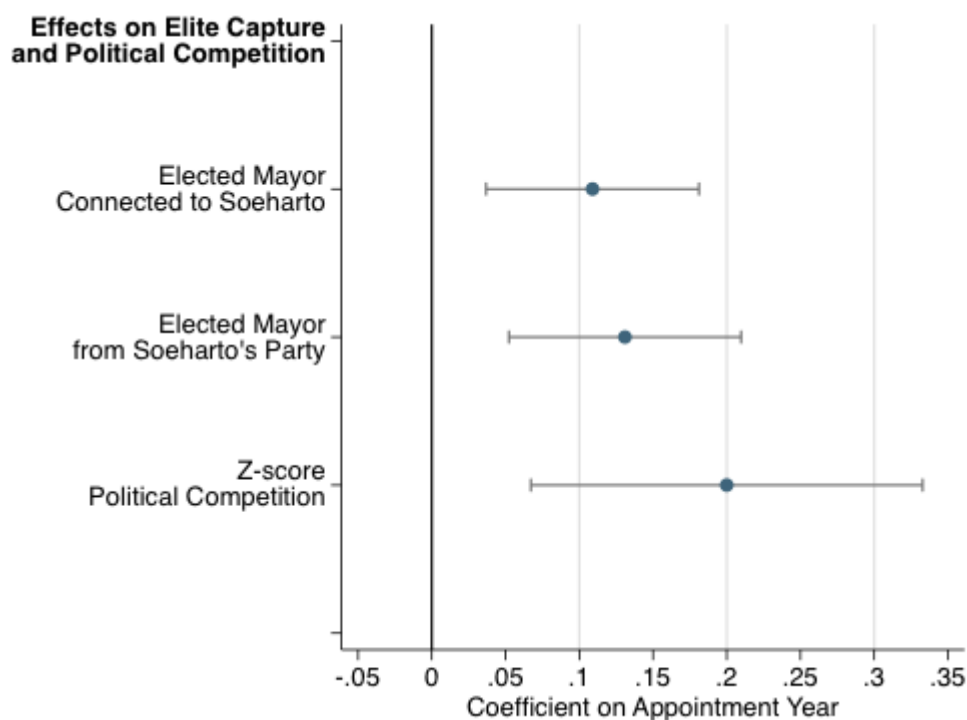
An extensive qualitative literature on Indonesian politics (Hadiz 2010, among others) has documented that the first years of the democratic transition were an intense period in the development of elite capture strategies. The new political scenario forced elites to develop new strategies such as constructing networks of political brokers to buy votes, or striking deals with the local military units to intimidate voters.

Our hypothesis is that Soeharto mayors that, by chance, were in office for longer during the democratic transition had an advantage in the development of these elite capture strategies. These mayors had more time to re-adjust to the new political scenario. Hence, we expect to find more elite capture and worse outcomes in districts where the last Soeharto mayor was appointed later in the non-democratic regime.

## Old-regime agents in power during the transition lead to more elite capture

We test the above hypothesis using a number of novel datasets that we collected. First, we document that districts where the Soeharto mayor was in office for longer during the transition exhibit greater levels of elite persistence. Figure 1 demonstrates that districts where the last Soeharto mayor was appointed one year later (hence, allowing him to serve one extra year in office during the transition, on expectation), have an 11 percentage point-higher probability of having a subsequent mayor connected to the Soeharto elite. Exposure to Soeharto mayors during the transition increases the likelihood that subsequent mayors are affiliated with Golkar, Soeharto's party. This is consistent with the idea that those districts had more persistence of Soeharto-era elites in power about a decade after the fall of the regime.

**Figure 1** Effects of exposure to Soeharto mayors on elite capture



Note: Point estimates and 90% confidence intervals

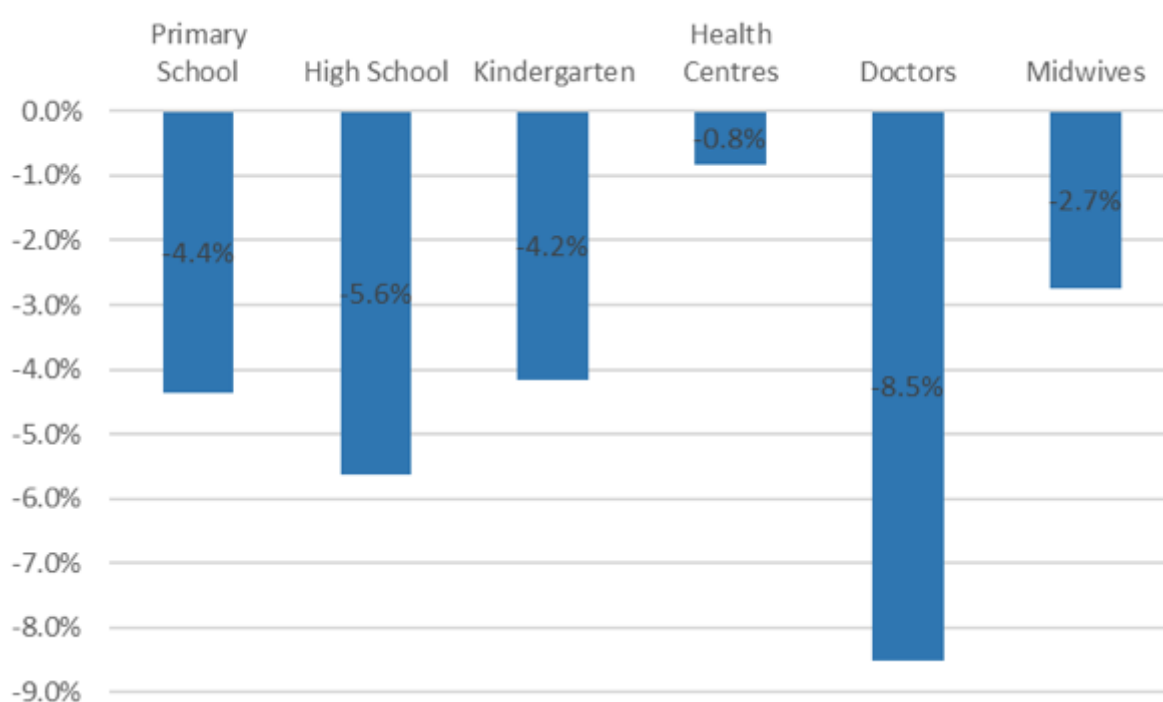
Figure 1 also shows that exposure to old-regime agents in power leads to lower levels of political competition. This is what we would expect from areas with high levels of elite capture—entrenched elites can use a variety of forms to block entry of other political forces in elections.

## More elite capture translates into lower public good provision

---

In a second set of results, we show that districts with longer exposure to Soeharto mayors during the transition also exhibit lower levels of public goods. The main results are summarised in Figure 2—those districts have fewer school facilities, health centres, doctors, and formally trained midwives. This is consistent with the extensive literature in political economy that suggests that elite capture is detrimental for public good provision—if mayors can easily be re-elected using vote buying or voter intimidation techniques, their incentives to provide public goods would be severely weakened. This result is remarkable, since there were no differences in public good provision across districts with different appointment timings before the fall of the Soeharto regime.

**Figure 2** Effects of exposure to Soeharto mayors on public good provision



*Note:* The above figure depicts percentage change in standard deviations of the different outcomes due to an additional year of exposure to Soeharto mayors during the transition.

In the paper, we provide further evidence that suggests that elite capture is the reason behind the deterioration of public goods during the democratic transition. In districts where the Soeharto mayors were in office for longer, citizens were less likely to vote out subsequent mayors that provided few public goods. This result is consistent with those districts experiencing higher levels of elite capture and weaker political accountability.

## The importance of understanding incentives of elites during democratic transitions

---

In many developing countries, the degree of influence of elites in local politics widely differs across regions. The results of this paper suggest that, in order to understand this variation, we need to study the incentives to invest in elite capture strategies during critical historical periods. Democratic transitions are major instances of such critical

junctures—new parties are created, new laws are passed, and new institutions are developed. The vacuum of national political changes can create substantial opportunities for powerful groups to develop strategies to capture power at the local level (see Martinez-Bravo 2014 for another example of these dynamics at the village level).

The results of this paper also speak to a long-standing debate in political science about the optimal speed of democratic transitions (O'Donnell and Schmitter 1986). While slow transitions may suffer from fewer authoritarian reversals, the evidence in this paper suggests that they can have substantial costs at the local level, as elites have more time to find ways of capturing the new democratic system. Expediting the process of leader turnover at the local level or imposing temporary checks and balances, might be beneficial measures for new democracies.

## References

---

Acemoglu, D and J A Robinson (2008), "Persistence of power, elites, and institutions", *American Economic Review* 98(1): 267-293.

Bardhan, P K and D Mookherjee (2000), "Capture and governance at local and national levels", *American Economic Review* 90(2): 135-139.

Finan, F and L Schechter (2012), "Vote-buying and reciprocity", *Econometrica* 80(2): 863-882.

Hadiz, V R (2010), *Localising power in post-authoritarian Indonesia: A Southeast Asia perspective*, Stanford University Press, Stanford, CA.

Martinez-Bravo, M (2014), "The role of local officials in new democracies: Evidence from Indonesia", *American Economic Review* 104(4): 1244-1287.

Martinez-Bravo, M, P Mukherjee and A Stegmann (forthcoming) "The non-democratic roots of elite-capture: Evidence from Soeharto mayors in Indonesia", *Econometrica*.

O'Donnell, G and P C Schmitter (1986), *Transitions from authoritarian rule: Tentative conclusions about uncertain democracies*, JHU Press, Baltimore, MD.