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'Direct Democracy and Resource Allocation: Experimental Evidence from Afghanistan¹

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Abstract

Direct democracy is designed to better align policy outcomes with citizen preferences. To test this proposition, we randomized whether 250 villages across Afghanistan selected projects by secret-ballot referenda or by consultation meetings. We find that referenda reduce the influence of local elites over both project type and location. Consistent with previous experimental results, we also find that referenda improve villagers' perceptions of the local economy and of the quality of local governance. However, we find no systematic evidence that selecting projects via referenda increases the average impact of such projects.

Keywords: political institutions, field experiment, electoral system, direct democracy

I. Introduction

Decentralization efforts in some developing countries have been undermined by the diversion of public resources by local elites (Bardhan 2002, Bardhan and Mookherjee 2006). Direct democracy, which promises to better align project resource allocation outcomes with public preferences, is one tool that has been used to address this problem (Matsusaka 2004, 2005). However, while recent evidence (Olken 2010) shows that direct democracy can improve the legitimacy of allocation processes *per se*, it also casts doubt on whether direct democracy can substantively affect allocation outcomes. Uncertainty thereby exists as to whether direct democracy is an effective tool to reduce elite capture over the allocation of public resources.

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