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The Political Effects of Agricultural Subsidies in Africa: Evidence from Malawi

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Summary. — Across sub-Saharan Africa agricultural subsidy programs have again become a common strategy for combatting rural poverty, increasing agricultural production, and reducing food insecurity. Despite a large literature examining subsidies' effects on output and welfare, little is known about their political effects. This paper examines Malawi's Agricultural Input Subsidy Programme, one of the largest and most expensive programs implemented, which was launched by the government in 2005. We examine whether the incumbent party, the Democratic Progressive Party headed by president Bingu wa Mutharika, benefited from Malawi's subsidy program by examining a longitudinal dataset of 1,846 rural Malawians interviewed in 2008 and again in 2010. The individual-level data show no evidence that the subsidy program was targeted to Mutharika's co-ethnics or co-partisans. Our analysis further demonstrates that the subsidy program increased support for the incumbent party. These results suggest that even when parties are unable or unwilling to target distributional programs at the local level, they may nonetheless derive political benefits. As anti-poverty programs—including agricultural subsidies to small-scale farmers—become increasingly common across the continent, our results suggest that they may help to explain patterns of party affiliation and vote choice, particularly where traditional patterns of partisan affiliation related to ethnic or regional identities are weak.

Key words — fertilizer subsidy, Malawi, Africa, political behavior, distributional politics

1. INTRODUCTION

Do political leaders benefit from anti-poverty programs? There is a large and growing literature on the targeting of government expenditures, but less is known about the political effects of distributive programs, particularly large-scale poverty-reduction efforts that target substantial portions of the population. Across Africa, governments have increasingly adopted agriculture subsidy programs in recent years to combat rural poverty and food insecurity, embracing a strategy common in the 1960s and 1970s before structural adjustment programs reduced such market interventions in the 1990s (Banful, 2011; Chirwa & Dorward, 2013; Jayne & Rashid, 2013; Kelly, Crawford, & Ricker-Gilbert, 2011; Minot & Benson, 2009). While the political appeal of agricultural subsidies in countries where the majority of the population is engaged in smallholder agriculture is obvious, there has been little quantitative research on their effects. [1] In part this lacuna stems from the difficulty of quantifying the political effects of subsidy programs. Because subsidy programs may be targeted, often for political reasons (Banful, 2011; Jayne & Rashid, 2013; Pan & Christiaensen, 2012), researchers must confront the thorny challenge of teasing apart selection effects from potential treatment effects.

This paper contributes to studies of distributive politics by examining Malawi's Agricultural Input Subsidy Programme (AISP), one of the largest and most expensive programs implemented to date. To examine whether the incumbent party, the Democratic Progressive Party (DPP) headed by president Bingu wa Mutharika, benefited from Malawi's subsidy program, we draw on panel data from a survey of 1,846 respondents interviewed in 2008 and again in 2010. We proceed in two steps. We first investigate whether the program was targeted at the local level. We propose that because of informational constraints and the weakness of party institutions at the grassroots level, the subsidy is likely to be untargeted with respect to party support and the main determinant of party allegiances—ethnicity—at the village level. Consistent with these expectations, we find no evidence of partisan or ethnic targeting in our sample area. This finding is interesting in its own right, especially given dominant theories of distributive politics that argue that politicians benefit by targeting material transfers to core supporters or swing voters (e.g., Cox & McCubbins, 1986; Dixit & Londregan, 1996).

The second step in the analysis is to test for potential effects on preferences. While we find no evidence of political targeting at the individual level, we do not claim that distribution was random. Accordingly, testing for political effects requires accounting for potential confounding factors. We employ two alternative methods for addressing possible omitted variables. The first uses a lagged dependent variable (LDV) approach and the second employs a difference-in-difference framework. Both approaches yield similar estimates, indicating that during the period under examination the subsidy increased support for the incumbent party by 6.2–7.5%. While this increase might seem relatively modest, we emphasize that

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this result is the estimated effect of receiving the subsidy in a single year of a multi-year program and that the individual effects of the subsidy are likely to be attenuated because non-recipients may have also benefitted indirectly, for example through reduced food prices.

The main contribution of this paper is to add to the growing empirical literature on the political benefits of poverty-reduction programs (e.g., De La O, 2013; Zucco, 2013). We draw from the new wave of agricultural subsidy programs in Africa to demonstrate that such programs can alter political preferences even in settings like Malawi where entrenched ethno-regional partisan ties might be expected to limit the political effects of government-sponsored programs. In doing so, the paper also contributes to the literature specifically related to the political economy of agricultural subsidies (e.g., Banful, 2011; Mason, Jayne, & van de Walle, 2013; Brazys *et al.*, 2015; Chirwa & Dorward, 2013). The findings have important implications for the larger literature on distributive politics and voter behavior in Africa. The conventional wisdom in scholarship on patronage and clientelism, particularly in Africa, is that ruling parties build and maintain support by channeling material favors to core supporters (e.g., Bratton & van de Walle, 1997). One of the key debates in the empirical literature on voter behavior in Africa's emerging democracies is whether government performance affects voters' political preferences in contexts where ethnicity informs expectations about government patronage flows. The analysis presented here shows that distributive programs can alter political preferences and that they need not be targeted to core supporters (or co-ethnics) to be politically beneficial to incumbents, suggesting that leaders in Africa's emerging democracies (and elsewhere) may be able to enhance their support by implementing anti-poverty programs that do not discriminate against non-partisans or out-groups at the local level.

2. THE POLITICAL EFFECT OF ANTI-POVERTY PROGRAMS

Should incumbent leaders expect to reap political rewards from implementing anti-poverty programs? On the one hand, the answer may seem obvious. The theoretical literature on retrospective voting suggests that voters reward parties that implement desired policies (Ferejohn, 1986). To the extent that distributive programs lead to real improvements in welfare, voters may well compensate the incumbent at the ballot box. Studies from emerging democracies in the developing world find evidence of such a link. De La O (2013) shows that in Mexico a large-scale anti-poverty cash transfer program that provided benefits to low-income families increased voter turnout and support for the incumbent party. In Brazil, Zucco (2013) reports similar effects when examining a cash transfer program aimed at low-income families with children. Manacorda, Miguel, and Vigorito (2011) show that a short-term poverty relief program in Uruguay had similar effects, increasing support for the incumbent party that launched the program. Pop-Eleches and Pop-Eleches (2012) examine a program that distributed coupons to poor families for the purchase of reduced-priced computers and found that beneficiaries were significantly more likely to support parties of the governing coalition. Finally, Harding (2014) and Harding and Stasavage (2014) present evidence from Ghana and Kenya that voters reward incumbents for improving roads and expanding access to primary education.

There are at least two channels through which targeted subsidy programs like the agricultural subsidy we examine in this paper might affect voter preferences. First, retrospective theories of economic voting suggest that when such programs have a positive effect on individual economic welfare, voters will reward the party responsible for implementing the program. Agricultural programs are highly visible initiatives that have a direct effect on material well-being for large numbers of citizens. In Malawi, for example, studies have shown a strong positive relationship between expanded fertilizer use resulting from the subsidy program and crop yields (Shively & Ricker-Gilbert, 2013). Others have linked the subsidy to dramatic increases in maize output that reduced food insecurity and brought down the price of maize in local markets (Denning *et al.*, 2009; Dorward, Chirwa, & Jayne, 2010). Existing studies suggest that subsidy programs have contributed to improved evaluations of incumbent job performance in Malawi and elsewhere (Cooksey, 2012; Ferree & Horowitz, 2010). This is important, because, as Harding and Stasavage (2014) argue, voters are more likely to reward incumbent leaders for programs that can be directly attributed to those political actors.

Second, the clientelism literature suggests an alternative mechanism through which subsidy programs might affect voter behavior. In contexts where the distribution of valued benefits is controlled by party agents, citizens may trade their vote for material transfers (Bratton & van de Walle, 1997; Lemarchand, 1972; Stokes, 2005). By this logic, the receipt of subsidy coupons might be expected to strengthen patron-client bonds, solidifying support for the party that controls access to state largess. However, for reasons described below, we expect the clientelist mechanism to be less relevant in the Malawian context that we study because of weak local-level party infrastructure.

At the same time, there is reason to be skeptical about the potential of anti-poverty programs to influence political preferences, particularly in African contexts where voter preferences are often driven by ethnic and regional identities. Longstanding approaches to political behavior in Africa suggest that voters hold strong preferences for candidates and parties associated with their own ethnic communities and only trust co-ethnics to deliver benefits to their group (Bates, 1983; Horowitz, 1985; Posner, 2005; van de Walle, 2007). Where ethnicity underlies political preferences, voters may be unresponsive to material transfers and may be hesitant to give incumbents credit for distributive programs, even when such programs do not discriminate by ethnicity or partisanship.[2] Moreover, the clientelism literature suggests an additional reason why voters may be unmoved by anti-poverty programs: where local monitoring systems are weak, voters may simply accept government favors but continue to vote according to pre-existing preferences (Nichter, 2010).

The existing empirical literature from African cases has so far offered mixed findings on the connection between government performance and voter preferences. Several recent studies provide evidence in favor of retrospective voting theories (Bratton, Bhavani, & Chen, 2012; Ferree, 2006; Harding, 2014; Harding & Stasavage, 2014; Posner & Simon, 2002). Other studies, however, suggest that in some cases ethnicity can trump performance (e.g., Bratton & Kimenyi, 2008). With the exception of Harding (2014) and Harding and Stasavage (2014), these works tend to focus on broad performance measures, rather than specific anti-poverty programs. As such, we still know relatively little about the potential effect of particular policy initiatives.

There is good reason to be skeptical about the political effects of anti-poverty programs in the Malawian context in particular. In four of five elections after the return to competitive politics in 1994, electoral results exhibited a clear