

Authors

Raymond Guiteras
North Carolina State University

Mushfiq Mobarak
Yale University

Does Development Aid Undermine Political
Accountability? Leader and Constituent Responses to a
Large-Scale Intervention*

RAYMOND GUITERAS
University of Maryland

AHMED MUSHFIQ MOBARAK
Yale University

March 30, 2014

Abstract

We study political economy responses to a large scale intervention in Bangladesh, where four sub-districts consisting of 100 villages (12,000 households) were randomly assigned to control, information or subsidy treatments to encourage investments in improved sanitation. In theory, leaders may endogenously respond to large interventions by changing their allocation of effort, and their constituents' views about the leader may rationally change as a result. In one intervention where the leaders' role in program allocation was not clear to constituents, constituents appear to attribute credit to their local leader for a randomly assigned program. However, when subsidy assignment is clearly and transparently random, the lottery winners do not attribute any extra credit to the politician relative to lottery losers. The theory can rationalize these observations if we model leaders' actions and constituent reactions under imperfect information about leader ability. A third intervention returns to program villages to inform a subset of subsidy recipients that the program was run by NGOs using external funds. This eliminates the excess credit that leaders received from treated households after the first intervention. These results suggest that while politicians may try to take credit for development programs, it is not easy for them to do so. Political accountability is not easily undermined by development aid.

KEYWORDS: General Equilibrium Effects of Interventions, Political Economy, Sanitation
JEL CODES: O43, Q56, P16

*Contact: guiteras@econ.umd.edu or ahmed.mobarak@yale.edu. We thank the Bill and Melinda Gates Foundation for financial support, Jim Levinson, Wateraid-Bangladesh, and Village Education and Research Committee (VERC), Bangladesh for their collaboration, and Mahera Khan, Amanda Modersum-Kon, Rifajet Mubashir, Ariadna Vargas, Mehrab Bhattacharjee, Moham Ali, Laura Finney for excellent research assistance and field support. Jose Antillon-Hughes, Pedro Del Rio, Paul Gertler, Sugrout Koss, Rohini Prasad, Alex Zoune and seminar participants at ASSA 2014, Columbia University, Johns Hopkins SAS, University of Virginia, Boston College, Bill and Melinda Gates Foundation, Yale School of Forestry & Environmental Studies, Yale Political Economy Seminar, and Yale School of Management provided helpful comments. All errors are our own.

Does Development Aid Undermine Political Accountability? Leader and Constituent Responses to a Large Scale Intervention

We study political economy responses to a large scale intervention in Bangladesh, where four sub-districts consisting of 100 villages (12,000 households) were randomly assigned to control, information or subsidy treatments to encourage investments in improved sanitation. In theory, leaders may endogenously respond to large interventions by changing their allocation of effort, and their constituents' views about the leader may rationally change as a

result. In one intervention where the leaders' role in program allocation was not clear to constituents, constituents appear to attribute credit to their local leader for a randomly assigned program. However, when subsidy assignment is clearly and transparently random, the lottery winners do not attribute any extra credit to the politician relative to lottery losers. The theory can rationalize these observations if we model leaders' actions and constituent reactions under imperfect information about leader ability. A third intervention returns to program villages to inform a subset of subsidy recipients that the program was run by NGOs using external funds. This eliminates the excess credit that leaders received from treated households after the first intervention. These results suggest that while politicians may try to take credit for development programs, it is not easy for them to do so. Political accountability is not easily undermined by development aid.

May 13, 2015