

How Bureaucracy Affects Inequality: The Case of Post-Authoritarian Indonesia *

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Abstract: The linkage between bureaucracy and inequality has infrequently been explored by social scientists. The aim of this paper is to build an analytical framework to examine the relationship between bureaucracy and inequality in democratic settings. The framework engages with previous studies on the relationship between democracy and inequality, state capacity and developmental outcome, and on the discussion about clientelism in democracies. This paper demonstrates that the transition to democracy does not necessarily transform detrimental institutions nor replace the existing official position of the previous bureaucracy. Focusing on the output side of the political system in which public officials exercise political authority, this research provides an empirical account of the causal effects of bureaucracy on inequality in the case of post-authoritarian Indonesia. Results of the study suggest that it is important to consider the persistence of bureaucratic clientelism as a form of informal institution in understanding how bureaucracy affects inequality in democracies.

Keywords: bureaucracy, clientelism, democracy, inequality

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Introduction

How does bureaucracy affect inequality in democracies? Numerous efforts have been made to find plausible linkages between democracy and inequality, but this important question has infrequently been explored by social scientists. Despite the substantial literature on democracy and developmental states, scholars in sociology and political science have yet to reach a consensus on the effects of democracy on inequality, particularly in regards to the role of bureaucracy.

Levels of inequality have significantly increased following the transition from authoritarian to democratic regimes in Indonesia despite the existence of electoral institutions that are expected to articulate citizens' interest to advocate for more equal resource distributions. Previous studies on democracy and inequality generally disregards the importance of bureaucracy, which is in a strategic position to use its political authority in distributing state resources through policy-making and program implementation. We cannot begin to understand or disentangle the relationship between democracy and inequality until we first understand the nature of state resource distributions managed by bureaucracy. In fact, the transition to democracy does not necessarily transform detrimental institutions nor replace the existing official position of the previous bureaucracy. With longer tenure in their positions, the bureaucrats have more understanding of the political structure and more opportunities to influence the state processes that significantly affect the level of inequality. Thus, this research addresses at least three fundamental issues: bureaucracy, resource distribution, and inequality.

As the Indonesian state budget allocation for redistributive programs continues to expand each year, studying the role of government agencies and actors in distributing state resource to citizen becoming more essential. In addition, the ratio of state expenditure for redistributive

programs to GDP also increased significantly following the transition to democracy (see Figure 1). This data elucidate the significance of resource distribution to citizen compare to the size of economy measured by GDP. In other words, state resource distribution might have significant roles in shaping the disparity among citizen. Therefore, having previous arguments regarding the market economy as the main forces in constructing inequality in Indonesia is not sufficient to illuminate the whole story of Indonesian inequality.

Figure 1. The Ratio of State Expenditure for Redistributive Programs to GDP

Previous studies fail to pay sufficient attention to the role of bureaucracy in determining level of inequality. Political scientists have published vast amounts of studies that examined the relationship between political participation and inequality in resource distribution. However, most of this work emphasizes only the electoral democracy institutions on the input side and rarely scrutinizes the way bureaucracy shapes the use of political authority in distributing resources on the output side of the political system. Surprisingly, the study of clientelism also disregards the role of bureaucracy in explaining the effects of informal institutions on the outcome of the polity. In addition, sociologists who consider bureaucracy as the essential element of state capacity in the study of state and development have rarely extended the quest of their studies beyond economic growth. It is necessary to understand the role of bureaucracy in order to determine how inequality is constructed and perpetuated in democracies.

This article makes distinctive contributions to the literature on bureaucracy and inequality. First, it gives a theoretical account of why certain components within bureaucracy potentially increase and perpetuate the level of inequality in democracies. The framework and causal mechanism proposed in this paper are relevant in countries that recently undergone

regime transition to democracy. This paper hypothesizes that the transition to democracy does not necessarily transform detrimental institutions nor replace the existing official position of the previous bureaucracy. With longer tenure in their positions, the bureaucrats have more understanding of the political structure and more opportunities to influence political and policy-making processes in regard to redistribution programs. In addition, bureaucracy is a part of the state that directly delivers public services and runs redistribution programs that significantly affect the level of inequality. Thus, this study draws more attention to the output side of the political system in which public officials exercise political authority.

Second, this article provides an empirical examination to account for how bureaucracy affects inequality in the case of post-authoritarian Indonesia. Previous measurement of the quality of bureaucracy has failed to capture the persistence of informal institutions within bureaucracy. The Weberianness Scale (Evans and Rauch, 1999:744-755), for instance, measures only the autonomy feature of bureaucracy from the perspective of non-elected officials. As a consequence, this measurement is insufficient to represent informal institutions such as clientelism that emerge from the interaction between elected officials and non-elected bureaucrats. The Bureaucracy Index used in this paper is also developed using a formal institutions approach which measures the degree to which bureaucracy achieves formal goals and follows formal rules. The lack of significance in this empirical analysis illuminates an essential insight: that considering informal institutions in measuring bureaucracy is critical to gaining a better understanding of how bureaucracy affects inequality. Previous qualitative research about Indonesia has clearly accentuated the apparent existence of clientelism that leads to the desecration of state resource distribution, but this phenomenon has been rarely measured.

Third, this study complements the literature on clientelism by distinguishing bureaucratic clientelism from electoral clientelism. With regard to the different mechanisms, scopes, and outcomes of these linkages, bureaucratic clientelism should be studied distinctly in order to understand the causal mechanism between democracy and inequality.

The aim of this paper is to build an analytical framework to examine the relationship between bureaucracy and inequality in democratic settings. My framework engages with previous studies on the relationship between democracy and inequality, state capacity and developmental outcome, and on the discussion about clientelism in democracies.

The paper is organized as following. The first section presents an overview about Indonesia and also assesses the literature on bureaucracy, inequality, and clientelism. The second section outlines a conceptual understanding of bureaucratic clientelism and accentuates the need to distinguish this particular linkage from electoral clientelism. The following section explains how the quality of bureaucracy is fundamentally related to inequality through an analytical framework. A brief description on the data and method is presented before this paper presents empirical findings and discusses how this study gives a better answer in addressing the main question: how does bureaucracy affect inequality in democracies?

Inequality and Bureaucracy in Indonesia

The Gini coefficient estimates that income inequality in Indonesia has increased significantly following the fall of Suharto's New Order regime (1965-1997). The coefficient decreased to 28.9 in 1999 before it dramatically increased to 38.1 in 2011. Robison and Hadiz (2004) argue that Indonesia's transition to democracy did not necessarily replace the legacy of Suharto's corrupt institutional arrangements, which had facilitated the powerful capitalist class's

capture of state resources. Lower bureaucratic quality enables bureaucrats to more effectively pursue private interests, and this in turn results in higher levels of inequality. Using data sets at the provincial level produced by the governmental statistical agencies and multi-stakeholder organizations, this paper examines the effect of change in bureaucratic quality on the change in inequality from 2008 to 2012 in 33 Indonesia provinces.

Although overall economic growth has increased since the economic crisis, the growth in Indonesia has been benefiting the rich rather than the poor as the trickle-down effects of growth-oriented economic policies are difficult to realize. The gap between the poorest and the richest has widened since the economic crisis in Indonesia (see Figure 2). The gap remained within 21.17% to 22.57% from 1984 to 1996. Furthermore, the trajectory of the gap also increased at an accelerating change. On average, the gap during these years increased by 0.12% every year. After 1998, the gap increased steadily and remarkably, the pace increased to 0.68% every year from 1999 to 2011.

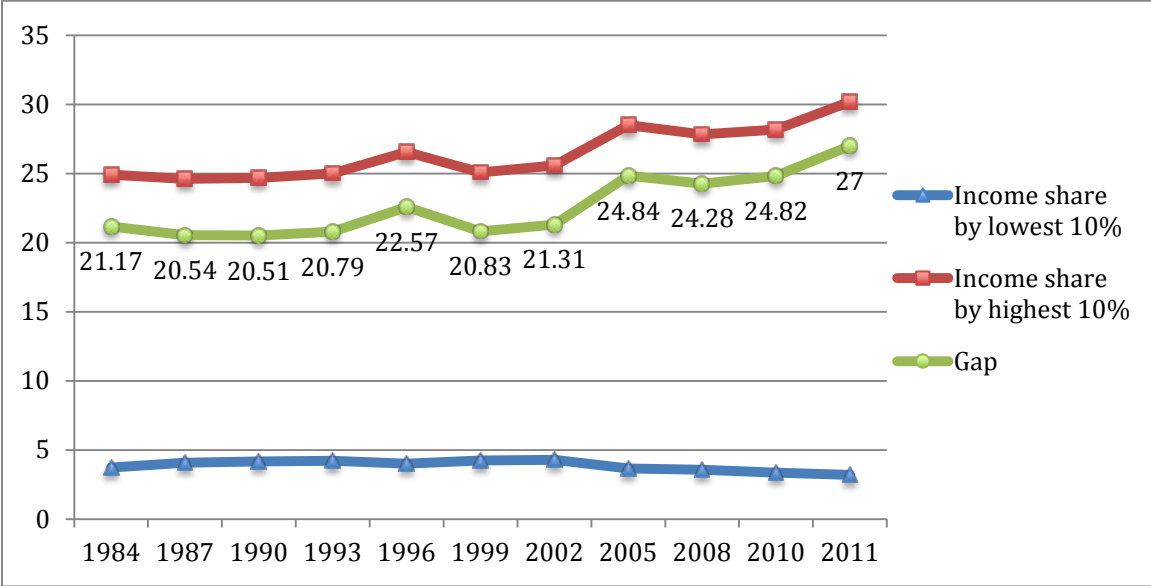


Figure 2. Percentage of income share held by 10% richest and 10% poorest Indonesian, 1984-2011 (Sources: World Bank Group - Data and Statistics, and World Income Inequality Database, UNU-WIDER UN University.)

The aggregate number of civil servants in Indonesia is the largest in absolute terms than that in other Southeast Asian countries. Indonesia had approximately 4.6 million civil servants or 1.3% of the 2012 population. Historically, the size of bureaucracy in Indonesia has increased since the end of Dutch colonization. Following independence, 390,000 civil servants were employed under the Old Order regime. The number significantly increased to more than 2 million after the oil boom under Suharto's regime and further expanded gradually after the transition to democracy in 1998 (Tjiptoherijanto, 2012).

According to standard economic theory, a larger size of the bureaucracy is associated with the possibility of mismanagement and corruption. A corruption case involving Pertamina, the state-owned oil company in Indonesia, in the mid-1970s is one notable example of this theory. Another interesting case from the Indonesian bureaucracy during the New Order is the way Suharto exerted his power to control all aspects of bureaucrats' lives through a mandatory social organization called *Korpri*. Through this organization, Suharto laid great stress on socializing people to follow his ideology by supporting his party, and taking the role of policy implementers at the grassroots level (Vatikiotis, 2004: 109). In this tight-knit web of bureaucracy, Suharto implanted rent seeking and corruption among the bureaucrats. As McLeod (2000:102) stated "...all members of the bureaucracy, and all employees of the state enterprises played an active role along these lines (of corruption and clientelist practices)." Findings of this study show that the effect of bureaucracy on inequality varies among province with the different sizes of bureaucracy.

The quantitative finding in this article supports previous qualitative studies on the various redistribution programs in Indonesia. The quality of bureaucracy, which is constructed by the

level of autonomy and impartiality, has affected uneven resource distribution at the local level. There are at least two important redistribution agendas in which bureaucracy has an important role in affecting inequality: agriculture and decentralization.

Agricultural Development

In Indonesia higher rates of inequality directly relate to the declining productivity in the agricultural sector of the economy. While the manufacturing and service sectors continue to grow, the agricultural sector remains the primary source for Indonesia's workforce despite the sector's decline in productivity. This condition has led to the imbalance of productivity among these sectors, which has in turn resulted in a significant wage disparity within the labor force. Unfortunately, since the fall of Suharto, the Indonesian government has failed to prioritize an agenda for agricultural development which would potentially address the problem of wage disparity.

In order to concentrate his power, Suharto engaged in the effort to remove the root of communist power in the name of unifying Indonesia as a nation. Consequently, the remaining communist movements among the peasants, particularly in Java, posed a measurable security threat. It thus seems likely that his concern about this security led him to foster agricultural development during his regime in order to pacify any potential peasant revolts.

Suharto's generous plan for the agricultural sector resulted in more equal distribution of economic development across Indonesia. One of his more notable achievements was making Indonesia self-sufficient in the production of rice in 1984. He imposed presidential mandates that generously supported the agricultural sector. For instance, he established significant fertilizer subsidies from 1984 to 1990, which averaged 9% of the total developmental budget; he also

initiated provisions for farm credits through local banks across Indonesia.

In contrast to Suharto's generous support, the democratic regimes following his administration have provided less political and financial support to the agriculture sector. Miranti et. al (2013) shows a notable decline in the budget allocation for agricultural development, which led to the decline of the total number of available agrarian financial credit provided by the government as well as the decline of agriculture-related subsidies. In addition, the new democratic regimes appear to have allowed the price of rice, which is the primary food source in Indonesia, to rise without significant controls. The high cost of rice affected 40% of Indonesian workers in the agricultural sector, the majority of whom live in poverty. Nowadays, it is common to find Indonesian peasants who cannot afford enough rice to feed their own families and farmers who cannot obtain sufficient profit from their crops due to the price competition with imported rice from Thailand and India.

Most high-level bureaucrats in the democratic regimes following the transition to democracy are political party leaders appointed by the elected president to lead ministerial agencies. According to the Indonesian Forum for Budget Transparency (FITRA), social aid funds distributed by ministries are prone to exploitation for political interest. This is possible because ministers have full authority to distribute social aid funds to the citizens directly. Since the distribution of social aid programs can help the politician to mobilize votes, ministry leaders usually deliver this aid to the citizens during the election. The agricultural minister is one of the ten ministers who competed for legislative position in the 2014 national election. He ignored the Election Supervisory Committee's request to report social aid funds allocation from 2012 and also dismissed the allegations of the misuse of social aid funds for the electoral campaign (Jong, 2014). Furthermore, the agricultural ministry is well known as a state agency involved in

corruption cases regarding rice and beef import policies as well as the fertilizer subsidy program in the post-Suharto regime. This case illuminates how bureaucracy is prone to abuse for partisan interest and thus affects the redistribution of state resources to the society.

Decentralization

The 1999 decentralization policy in Indonesia provides local governments with more power and responsibilities (see Pepinski and Wihardja, 2010). Yusuf and Resudarmo (2008) argue that in the long term, decentralization will cause disparities between rich and poor regions with regard to their regions' different paces of economic development, which are based on different economic resources. Because the 1999 decentralization policy emphasized only fiscal decentralization to eradicate regional inequality, the government has failed to address income inequality within society. While the intergovernmental transfer mechanism reduces the regional fiscal capacity gap, this policy does not necessarily reduce income inequality (Sagala et al., 2013).

Mahi's (2010) study of decentralization in Indonesia demonstrates that this policy has not significantly improved household economic capacity or reduced inequality. According to Hartono and Irawan (2008), the lack of coordination between central and local governments along with the focus of local governments on generating local income rather than on poverty alleviation efforts has caused the persistence of inequality at the local level (Miranti 2013). In addition, decentralization has caused an increase in the number of local elites who have established family enterprises that monopolized the economic resources in their region. Hayes and Harahap (2011) argue that Indonesian government bureaucracy following the transition to democracy has functioned like a neo-patrimonial bureaucracy. Corruption and other symptoms

of weak institutions have hindered the accountability for resource distribution. Thus, decentralization is one important factor in explaining how the quality of bureaucracy affects the higher levels of inequality in post-Suharto era. The evidence from the case of Indonesia presented in this paper lends credence to the proposition that the quality of bureaucracy (characterized by impartiality and bureaucratic autonomy) is associated with the level of inequality.

Literature Review

The Relationship Between Democracy and Inequality

An extensive body of scholarship on democracy and developmental states has sought to explain the linkages between democracy and inequality. Siwory and Inkeles (1990) have a perfect theoretical typology to illustrate this debate, covering three main arguments: how democracy reduces inequality, increases inequality, or has no systemic effects on inequality (Table 1).

The argument that democracy is responsible for decreasing the level of inequality can be traced back to one assumption: that democracies provide opportunities for individuals to demand income redistribution through various channels of participation. This theme has been popular in the twentieth century among those political scientists concerned with how democracy affects

inequality (e.g., Lipset, 1959; Muller, 1988; Persson & Tabellini, 1991; Saint-Paul & Verdier, 1993).

Table 1
Studies on the Relationship between Democracy and Inequality

Democracy Reduces Inequality	Democracy Increases Inequality	Democracy Has no any Systemic Effects on Inequality
Lipset (1959)	Huntington & Nelson (1976)	Marsh (1979)
Muller (1988)	Beitz (1982)	Bollen and Jackman (1985)
Sirowy & Inkeles (1990)	Chong & Calderon (2000)	Gradstein et al (2001)
Persson & Tabellini (1991)	Chang (2007)	Amirrudin et al (2008)
Saint-Paul & Verdier (1993)		
Milanovic et al (2001)		
Sylvester (2002)		
Reuveny & Li (2003)		
Burkhat (2007)		
Wagle (2009)		

More recent works on this theme, such as Sylvester (2002), incorporate the changes in levels of inequality instead of simply static levels of inequality to examine the effects of democracy on distributional outcomes.. Reuveny and Li (2003) argue that a country's developmental status influences the effect of democracy on inequality. Their work is the first statistical study of the effects of both economic openness and democracy on income inequality. According to their findings, democracy reduces inequality more in developed countries than in less developed countries. The pair also link foreign direct investment (FDI) and trade openness in significantly affecting income inequality in both developed and less developed countries.

Through extensive study of South Asia, Wagle (2009) contends that higher levels of individual freedom under democracy have supported governments in establishing more accountability, thus fostering a decrease in inequality. Civil liberties enable individuals to engage actively in shaping public opinion, as well as to pressure government to establish more equal

conditions in society. This argument is also supported by the renowned Median Voter model (see Meltzer and Richard, 1983), which hypothesizes that democratic governments tend to favor median voter interest regarding redistribution agendas.

The contention that democracy is responsible for increasing inequality is drawn mostly from studies on democratization in developing countries. Huntington and Nelson (1967) underscore that in democratization, greater numbers of privileged groups are more likely to participate earlier in political competition compared to those who are less privileged. Their argument is strongly supported by Beitz (1982) who asserts that, while democracy provides channels for political participation in developing countries, the democratic institutions within those countries fail to guarantee equal opportunities.

More recent studies defending this position make the case that democratization may lead to a higher level of income inequality due to the problem of institutions. Chong and Calderon (2000), for instance, find that among developed countries, institutional quality is negatively linked with income inequality. Chang (2007) maintains that democratization results in greater income inequality in third-wave democracies because of the abuse of political accountability.

Scholars who cast doubt on the relationship between democracy and inequality argue that there are no systematic effects of the former on the latter. Timmons (2010) offers two reasons to support this claim. First, the existing data used to draw conclusions of the relationship, the World Income Inequality Datasets (WIID), does not reflect empirical conditions in most democracies. Second, additional factors have not yet been considered in the measurement, such as the initial distribution of preferences over outcomes, the level of social trust, the quality of governance, and the nature and initial distribution of assets (Timmons 2010: 755-756).

Working in rural China and Pakistan respectively, both Shen and Yao (2008) and Amirrudin et al. (2008) support this skeptical view. Examining grassroots democracy in rural China, Shen and Yao (2008) claim that income redistribution programs initiated by elected local governments do not primarily explain the reduction of income inequality. They believe that increases in public investment benefit poor households more when compared to the rich. This argument is supported by Fan (2004) in his provincial-level research showing that public investment reduces income inequality in poor parts of China. Amirrudin et al. (2008) contend that the absence of strong democratic institutions has discouraged state efforts to promote economic growth and reduce inequality due to unhealthy political battles among elites in the democratic transition period.

Despite the absence of a consensus, most of these works in this set of literature exaggerate the importance of political participation in electoral democracy in determining the level of inequality. The examination of democratic institutions and behaviors on the input side of the political systems, such as electoral democracy, representative government, and voting behavior, is not sufficient for understanding the entire political process that determines the level of inequality within society. The existing literature generally disregards the importance of bureaucracy, which is in a strategic position to use its political authority in distributing state resources through policy-making and program implementation. Although Chong and Calderon (2000) and Chang (2007) incorporate a quality of government variable in the form of institutional reform toward accountable governance, they provide neither a detailed account of the foundation of this variable, nor an explanation of how it may provide a causal mechanism in determining the level of inequality.

Timmons' argument that the existing literature on democracy and inequality has failed to consider other factors that may vary the level of inequality, including the quality of bureaucracy is partially correct. In addition to Timmons' argument, however, there is in fact a systematic effect of democracy on inequality, and this paper present a particular analytical framework in the next section about this mechanism.

This paper cast doubt on the view of Saint-Paul and Verdier (1993) about the behavior of political actors who improve public sector services as they compete for citizen votes in democracies, an activity that reduces dispersion of resource distribution. The pair's perspective is inconsistent with the current scholarship on clientelistic linkages in democracies. Public services and other forms of state resource distribution are regulated through this linkage, and thus do not have any significant effects in decreasing the level of inequality.

Bureaucracy, State Capacity, and Development

The subject of bureaucracy has been more prominent in the literature on developmental states, particularly in regards to its role in economic development. Peter Evans' (1995) *Embedded Autonomy: States and Industrial Transformation*, for example, argues that a strong bureaucracy possessing embedded autonomy can lead the state to successful economic development. Embedded autonomy protects the state from individualistic predation and allows the state agencies to act as coherent entities capable of establishing close ties with market economy groups. Evans underscores the importance of the quality of bureaucracy in defining the state's capacity to strongly affect economic development outcomes. In another study using cross-national analysis, Evans reinforces the assertion that the quality of bureaucracy (which he

measures through the “Weberianess scale”) has significant positive effects on economic growth (Evans and Rauch, 1999).

Hamm, King, and Stuckler (2012), in their studies on various post-communist countries, present a compelling argument about the vicious cycle of a failing state and a failing economy. According to their premise, countries with a weak bureaucracy choose mass privatization due to their lack of capacity in fostering more advanced methods of privatization. Moreover, mass privatization leads to failure at the firm level, which reduces tax revenue. Without proper revenue, the state cannot improve its capacity by adjusting the quality of bureaucracy. This vicious cycle clarifies the need for incorporating the quality of bureaucracy in understanding the path of the state in performing economic development.

Literature in comparative politics has emphasized the role of government agencies in shaping the ability of political actors to affect economic outcomes. However, government agencies cannot directly determine the level of inequality. They rely on the design and implementation of policy to achieve more equal resource distribution. Rueda (2008:170) argues that the causal relationship between government agencies and inequality can be understood by examining separately the effects of governmental partisanship on policy and the effects of policy on economic outcomes. Rothstein (2011: 12-13) echoes the same approach by outlining the input and output sides of a political system in order to achieve a more comprehensive understanding of how the quality of government affects the degree of redistribution. The input side refers to access to the policymaking process, while the output addresses the way political authority is exercised in implementing policies.

Within this set of literature, scholars who consider the importance of bureaucracy in determining economic development outcomes have rarely extended their point of interest beyond

economic growth. While examining this growth as the dependent variable is worthwhile, there has been no consensus among social scientists and economists regarding the effects of economic growth on the level of inequality. The issue of resource distribution in the discussion of state capacity and development is vital, particularly because state capacity in determining economic outcome does not necessarily affect the more equal distribution of resources in a society.

Previous theories of how bureaucracy generates a dilemma for democracy should be incorporated into the discussion of bureaucracy and inequality in order to illuminate the gap in the body of scholarship regarding state capacity and development. Etzioni-Halevi (1983) offers a very useful theory with regard to this dilemma. She believes that bureaucracy as a non-representative agency poses a threat to democracy because it may gain the ability to disregard the democratic process and retain greater efficacy through state domination. On the other hand, bureaucracy is indispensable for allocating enormous state resources through policy implementation, with a principle of impartiality in maintaining the accountability of democratic procedures.

The linkage between bureaucracy and representative democracy is critical in determining the efficacy of bureaucracy in distributing the state's resources. This paper conceptualizes this linkage as the interaction of different level of public officials, covering both sharing of power in decision-making and implementation authority (see Shepsle, 1979 and Ostrom, 1986). Despite the substantial gaps within the literature regarding state capacity, impartiality and autonomy as conceptualized in this set of literature are the most important factors in determining the quality of bureaucracy.

Bureaucracy in Democracies

For over a century, many scholars in sociology and political science have discussed the relationship between bureaucracy and democracy. Sociologists grapple with the bureaucratic ideal type and its transformation into a less democratic version due to disproportionate control by political interests (see Michels 1915; Weber: 1946; Selznick 1949). In the field of political science, scholars concern themselves with political control over bureaucracy.

Classical theories have laid an important foundation to address the relationship between bureaucracy and democracy. Marx (1970: 47) argues that as a part of the state, bureaucracy is a tool to guarantee the material interests of the bourgeoisie who have established themselves as the ruling class. While Marx assimilates his views on bureaucracy within his theories about an economically dominant ruling class, Mosca (1939) sees bureaucracy as a central feature of a politically dominant ruling class (Etzioni-Halevi, 1983: 14). He argues that bureaucracy represents a ruling class that allows it to exert more power over the majority. Furthermore, the representative system does not necessarily limit the power of the ruling class because they can direct the entire government agencies in the pursuit of personal and partisan electoral ambition. Meanwhile, Michels (1915) believes that dominant classes in a democracy secure their supremacy through a large bureaucracy. Even organizations that initially espouse democratic principles are eventually organized toward oligarchic institutions.

According to Weber (1968), bureaucracy and democracy have been intertwined throughout the history of modern Western nations and have become more inseparable in the twentieth century. Despite considering bureaucracy as the most efficient form of organization, Weber argues that bureaucracy is a “precision instrument” in the hands of those who control it. He underscores the subordination of bureaucracy to its political master in democratic settings,

officials who gain their power from democratic procedure through political competitions. Therefore, any attempts by the democratic state to establish greater social or economic equality are ironic, because the more the state tries to extend equality by expanding entitlements, the more it must rely on the bureaucracy that serves the interest of competing political actors in democratic settings (Maley 2011:48). Weber states,

“It is clear that the bureaucratic organization of a social structure, and especially of a political one, can and regularly does have far reaching economic consequences. But what sort of consequences? Of course, in any individual case it depends upon the distribution of economic and social power, and especially upon the sphere that is occupied by the emerging bureaucratic mechanism. The consequences of bureaucracy depend therefore upon the direction which the powers using the apparatus give to it.” (Weber, 1968: 989)

Modern theories allow for more extensive studies on the dynamic interaction between state apparatus and elected officials in democratic settings. Kauffman (1985), for example, proposes an argument about bureaucratic politics wherein the apparatus supports particular policies or ideas by playing with bureaucratic rules. He contends that the survival of bureaucracies in a democracy is determined by bureaucratic politics rather than by a bureaucracy’s responsiveness and effectiveness.

Farazmand (2010: 249) explains the roles of bureaucracy from the perspective of political economy. First, bureaucracy serves as the machinery of the government, imposing the will of powerful elites. More developed countries have a stronger bureaucracy, while bureaucracy in developing countries has a greater opportunity to influence political and policy making processes. The second role of bureaucracy is to maintain and improve the politico-economic system of its masters. This role is related to the classical theories that view bureaucracy as the instrument of the ruling class.

Bureaucracy in democratic settings has played an important role in expanding capacity

to provide a greater variety of public services. Meier and Bohthe (2007) present a comprehensive discussion on how bureaucracy has penetrated and influenced nearly all facets of people's lives. Bureaucrats perform many functions delegated by their principals who have gained legitimacy from the electoral process. De Figueiredo (2002) supports this argument by examining the role of political uncertainty among elected officials who believe they will lose their legitimacy. This political uncertainty can affect their frequency of delegating functions to administrative officials in order to insulate policies from elected officials in the future. Consequently, not only does bureaucracy assume more power, but also more people may depend on bureaucracy as the public service provider distributing the state's resources to society.

It is worth noting that Avner Greif (2008: 18,22) combined these arguments into a single concept called *administration power*, "the extent to which the ruler's choices and outcomes are influenced by potential defiance by those with administrative capacity...who have capacity to sanction the rulers". Greif contends that bureaucracy that has endowed administration power significantly affects economic development outcomes, due to its capacity to drive the ruler to make specific decisions.

The classical theorists have established prominent theories about 1) the subordinate position of bureaucracy against the power holders' interest within the state and 2) how democratic representative institutions are not always immune to these interests. While the view of bureaucracy as the most effective form of organization is also plausible, classical theorists have not furthered the discussion to explain the strategic position of bureaucracy in using office-holding powers to influence resource distribution, despite being subordinate within a democracy.

Furthermore, modern theorists who consider the dynamic relationship between bureaucracy and democracy have only partly addressed this critical issue. De Figueiredo (2002), Meier and Bohthe (2007), and Farzmand (2010), for example, have expanded the discussion about the important role of bureaucracy in influencing resource distribution through public sectors in democracies, but have not established a causal mechanism between bureaucracy and inequality. These works also lack empirical evidence since there have been few efforts to operationalize the quality of bureaucracy in influencing resource distribution.

There is a limitation on Greif's argument that administration power is the key to bureaucratic capacity in defying the rulers and influencing state development outcomes. Greif's conception of administration is not necessarily relevant to the context of developing countries, wherein informal institutions are more powerful than formal ones in determining their arrangements within the state. Although Greif also notes the term *weak administrators* within his typology of administration power, his account is still unable to explain the case of clientelistic bureaucracy. Clientelism in Indonesian bureaucracy, for instance, comprises more than just weak administrators who are controlled by the rulers. It covers mutual linkages, as well as negotiations between administrators and their principals, with the latter constituting a rigid clientelistic linkage.

Clientelism and Resource Distribution

The literature on clientelism in developing countries emerged as a component of scholarly efforts to understand the variation in patterns of linkage among politicians, citizens, and political parties following the transition to democracy. Hicken (2011) and Hopkin (2006) both argue that the concept of clientelism is problematic, lacks consensus, and is often unclear

because of the various types of political linkage which can be defined using this term. This tenuous understanding of clientelism has led scholars to overvalue the linkage between politicians and political parties with their constituencies, and thus undervalue the informal institutions that appear within the bureaucracy of the state formal organization. Studying informal rules in the interaction between politicians and non-elected bureaucrats is necessary step toward understanding clientelism as an embedded informal institution in the political system as a whole.

Most scholars who study political linkage in democracies tend to focus on analyzing clientelism as a strategy of electoral mobilization. Previous studies of Indonesian politics, for instance, examine clientelism primarily on the input side of the political system, such as in electoral competition (Hamayotsu, 2013; Allen, 2012) and clientelistic parties (Slater, 2004; Ufen, 2013; Fukuoka, 2013). There are also numerous studies on clientelism in Latin America that focus on the linkage between politicians and their constituencies (Archer, 1990; Auyero, 2001; Carey & Siavelis, 2006; Levistky, 2007). Moreover, there are prominent scholars of clientelism, such as Wantchekon (2003), Stokes (2007), and Robison & Verdier (2013) that offer studies on how politicians distribute material resources to potential voters in exchange for electoral support. In this paper attempts to knit these theories into a comprehensive picture of political clientelism.

However, other scholars have put considerable effort into dismantling the concept of clientelism by presenting an array of considerations to distinguish this concept from other closely related political phenomena. Kitschelt and Wilkinson (2007), for example, identify contingent direct exchange, predictability, and monitoring as substantial attribute dimensions to distinguish clientelism from programmatic politics. Hicken (2011) also highlight key elements of

clientelism, namely dyadic relationships, contingency, hierarchy, and iteration to differentiate it from other forms of political exchange, such as pork barrel, vote buying, and program-based linkage. In addition, Piattoni (2001) offers a dividing line between patronage and clientelism since these concepts are often used interchangeably. Despite the fruitful efforts to differentiate clientelism from other forms of political linkage, scholars have rarely explored the various linkages that construct clientelism itself ¹.

Most of the work on clientelism has yielded a substantial explanation of the electoral clientelistic linkage by elaborating the connections between political agents competing in electoral democracy and citizen constituents. These studies, however, have not paid much attention to the existence of non-elected officials operating in strategic positions within the state.

In the literature on distributive politics, the discussion of informal rules that perpetuate particular linkages between politicians and non-elected bureaucrats is also limited. Stokes, Dunning, Nazzareno, & Brusco (2013), for instance, do not distinguish non-elected authority from elected authority in their prominent account of distributive politics. Although Muller (2007) acknowledges clientelistic linkage in the various types of bureaucracy, he focuses solely on how bureaucracy has been controlled by politicians to distribute resources conditionally in exchange for electoral support. Theories of bureaucracy should be incorporated into the discussion of clientelism in order to explain how the entire set of institutions influence the distribution of resources.

¹ Gans-Morse, Mazzuca, and Nichter (2013) for example, explore the various type of electoral clientelism to differentiate the concept of vote buying from other linkages in which politicians deliver the benefits to their constituencies during electoral campaign (p.3-4). Archer (1990), Roniger (2004), and Hopkin (2006) both present the different between “old” and “new” clientelism. The first refers to traditional patron-client relationship in peasant societies, while the later represents the distribution of resources in exchange for political supports in the modern societies.

Piattoni (2001) offers a substantial contribution by separating the supply side from the demand side of clientelism. She argues that on the supply side, bureaucrats' lack of independence from partisan pressures is one of the reasons that politicians employ a clientelistic strategy. Piattoni present an important point that the quality of bureaucracy may influence the clientelistic distribution of state resource in the demand side of clientelism. However, her work has not suggested that bureaucrats could actively engage in a clientelistic linkage with politicians without necessarily receiving partisan pressure from the actors outside the bureaucracy.

Why does bureaucracy matter in clientelism? Scholars who study patronage and bureaucracy have partially answered this question.. These scholars base their theories on representative bureaucracy in the United States (see Niskanen, 1974; Pfiffner, 1987; Sylvia, 1989; Koven, 1992; Bearfield: 2009). According to Koven (1994), the discussion about patronage is prominent in understanding the conflict between bureaucratic and democratic principles. Patronage allows interest groups intend to hold strategic positions and thus inhibit autonomous officials' opportunity to influence the resource distribution to citizens. In addition, patronage is a common strategy maintained by politicians to place their own supporters in the public sector hierarchy using appointment strategies. This linkage allows politicians to control government agencies that have direct authority over resource distribution to the people.

However, the concept of patronage is limited to one particular interaction between elected officials and non-elected bureaucrats, i.e., the operation of appointment strategy to secure the office and to control resource distribution. This limitation also applies to the concept of patronage perceived by scholars who differentiate patronage from clientelism (see Hicken, 2011: 295; Stokes et al, 2013: 14). This paper demonstrates that political clientelism operating within bureaucracies consists of various linkages among elected officials, existing bureaucrats, and

appointed officials. Patronage is only one type of these linkages. In this paper, these various linkages are referred to as bureaucratic clientelism.

Bureaucratic Clientelism and Electoral Clientelism

This paper also aims to construct a conceptual understanding of bureaucratic clientelism, focusing on how the concept is useful in examining the informal rules within bureaucracy that influence the distribution of resources.

The term “bureaucratic clientelism” owes its origin to Christos Lyrantzis (1984) who first coined it in his prominent work, *Political Parties in Post-Junta Greece: A Case of “Bureaucratic Clientelism.”* He examines how the independent Greek political system was built upon clientelistic relations initiated by political parties as a strategy to mobilize mass support and communicate with their constituencies. The state developed under a high level of foreign interference, and the state’s operation was extensively powered by ruling parties and their clientelistic networks (102). The state dominated almost every aspect of socio-political and economic domains. Lyrantzis argues that this central role of the state and the strong clientelistic nature of Greek political parties have generated bureaucratic clientelism. According to him,

“Bureaucratic clientelism is a distinct form of clientelism and consists of systematic infiltration of the state machine by party devotees and the allocation of favours through it. It is characterized by an organized expansion of existing posts and departments in the public sector and the addition of new ones in an attempt to secure power and maintain a party’s electoral base. When the state has always a central role in both economic and political development, it is very likely that the parties in government turn to the state as the only means for consolidating their power, and this further weakens their organization and ideology.” (p. 103-104)

Bureaucratic clientelism requires a convoluted combination of party mechanisms and the bureaucrats to direct the allocation of resources to the parties’ constituencies. Studying the case of The Panhellenic Socialist Movement party (PASOK) in post-1974 Greece, Lyrantzis concludes that bureaucratic clientelism has weakened the effective performance of public service

but prioritized the “provision of parasitic jobs for the political clientele of the ruling sectors, in exchange for their political support (p.104).”

It seems to me that Lyrintzis’ definition of bureaucratic clientelism is insufficient to represent various linkages in the interaction between politicians as elected officials and non-elected bureaucrats. In the case of transition to democracy, for instance, non-elected bureaucrats are likely to maintain their position despite the replacement of elected officials who act as their principals. These existing bureaucrats occupy positions at various levels, from strategic policymaking and program design in essential state agencies to street-level delivery of public goods to citizens. The linkage is not caused merely by the effort of government parties to consolidate their power using appointment strategies or expanding the state organization in maintaining their electoral base. Lyrintzis’ argument is accurate that bureaucratic clientelism likely operates after the election period and governs the mechanism by which the state apparatus and the politicians’ clientelistic networks determine the politics of distribution. In contrast to Lyrintzis, bureaucratic clientelism comprises many kinds of clientelistic linkage that have different consequences for state resource distribution.

In this paper, bureaucratic clientelism is defined as *a part of political clientelism consisting of hierarchical exchanges between politicians and non-elected bureaucrats that affect the control of resource distribution for the purpose of garnering or maintaining political support from targeted constituencies*. The emphasis of this definition is on the role of bureaucrats in the strategic clientelistic relationship between politicians and citizens. Further investigation into the role of bureaucrats in shaping clientelism is essential for understanding how this linkage affects resource distribution to citizens. This paper distinguishes bureaucratic clientelism from electoral clientelism. In both types of clientelism, there are intermediaries in the relationship between

politicians and citizens. In electoral clientelism, the intermediaries are brokers while in bureaucratic clientelism they are bureaucrats.

In his dissertation, *Politics and Poverty: Electoral Clientelism in Latin America*, Nichter (2010) distinguishes electoral clientelism from relational clientelism based on their differences in timing and threats. He suggests that electoral clientelism manifests as politicians deliver material goods to citizens during electoral campaigns and become entangled with the threat of opportunistic defection by constituencies; whereas relational clientelism appears after voting and involves the threat of opportunistic defection by both politicians and constituencies (p.2). Following Nichter's distinction, this paper identifies bureaucratic clientelism as falling within the category of relational clientelism. Bureaucratic clientelism explains how politicians deliver benefits to their constituencies using bureaucrats as the intermediaries, and this kind of linkage likely manifests and sustains itself after the election period when the politicians hold office. Despite comprehensively elaborating the various types of electoral clientelism, Nichter has not explained the typology of relational clientelism. The present paper does not claim to elaborate a comprehensive explication of all varieties of relational clientelism². Rather, this paper illuminates only one type of relational clientelism that involves the role of bureaucrats within the clientelism.

Table 2 shows the characteristics of electoral and bureaucratic clientelism. The relationship categories are adapted from Muno (2010) and Hicken (2011). This table also presents new points to distinguish the linkages: the actors involved, abused formal rules, causes, and consequences of both types of clientelism.

² The studies by Auyero (2001) and Levitsky (2003) present more discussion on relational clientelism that involves a further exchange relationship after the election period in Argentina.

Table 2. Characteristics of Electoral Clientelism and Bureaucratic Clientelism

Characteristics	Electoral Clientelism	Bureaucratic Clientelism
• Relationship		
➤ Dyadic	Usually mediated through chain of broker linkages	Vertically connected within the hierarchy of bureaucracy
➤ Asymmetric	Large gap of asymmetric relationship between patron and clients.	Small gap of asymmetric relationship between patron and clients.
➤ Personal and enduring	Unstable linkages, manifested strongly in election periods.	Stable linkages, sustained over time during period of office
➤ Reciprocal	Emphasis on the exchange of material goods	Emphasis on the exchange of immaterial goods (protection, promotion, rewards)
➤ Iteration	Less likely repetitive and simultaneous exchange, maintained through monitoring functions within networks.	More likely repetitive and simultaneous exchange
• Actors	Patron: politicians (candidate); intermediaries: party devotees, brokers; client: voters	Patron: politicians (elected officials); intermediaries/client: non-elected bureaucrats; client: voters
• Abused formal rules	Electoral conduct	Autonomous and impartiality principles of bureaucracy, representativeness of elected officials
• Cause	Low level of empowerment of the citizens, weak social movement, clientelistic party mechanism, limited institutionalization of democratic rules inside the party	Inherited informal institutions from pre-democracy ruling bureaucrats, weak leadership, lack of independence of state apparatuses from partisan pressures
• Consequences	Commodification of voting, electoral fraud	Rent-seeking activities, discriminatory policies, corruption, conditionality and particularity of resource distribution

In order to clarify the distinction between electoral and bureaucratic clientelism, it is important to examine the relationship characteristics of each form of clientelism. Throughout history, clientelism has been identified as exchanges between individuals that potentially develop

into certain types of relationships. Hopkin (2006) asserts that this dyadic characteristic is more likely found in the traditional rather than the new version of clientelism. He notes that studies of clientelism focus on the relationship between individuals and party organizations. In contrast to Hopkin, clientelism is built upon chains of personal linkages among individuals that develop into more multifaceted networks although it involves the interests of organizations. It is thus important to examine personal linkages to understand the mechanisms of how clientelism works.

In electoral clientelism, the dyadic nature of clientelism is shown in the relationship between politicians and party devotees or brokers, and between brokers and citizens³. There is a large gap between politicians and citizens due to the hierarchical structure of the intermediaries' networks and party organization. The linkage between patron and clients is unstable and usually short-lived as this form of clientelism manifests strongly during the election period. The case of brokers' clientelistic network during Colombia's 1986 elections, for instance, is identified by Archer (1990) as an unstable chain of linkages and not durable. Electoral clientelism as comprehensively explained by Nichter is characterized by the exchange of material goods for political support in the form of votes. Although the exchange emerges as an iterated interaction, it is not likely to be repetitive unless the politicians or their parties maintain their vote-garnering strategy in future elections. The benefits exchanged in electoral linkage include money, scholarships, medicine, and any others good that can attract voters' consideration to cast their votes for the politicians⁴.

³ Further discussions about the various kinds of intermediaries within clientelistic linkages are presented by Weingrod 1968, Kitschelt & Wilkinson 2007, Stokes 2007, Muno 2010. Some works in this body of literature refer the networks of these intermediaries as *political machine*.

⁴ Magaloni et al. (2007) and Stokes et al. (2013) assimilate extensive examples of the types of material goods that circulate in the electoral clientelism linkage.

Generally, electoral clientelism comprises an array of practices that abuse formal rules of electoral conduct. A comprehensive analysis of vote buying in Brazil by Gans-Morse et al. (2013), for instance, illuminates how this type of electoral clientelism has forced the citizenry to participate in compulsory voting that is contradictory to ideal electoral conduct. Khemani (2010) shows that politicians in the Philippines, Indonesia, and Kenya have abused decentralization rules by allocating grant-financed local jurisdictions for vote buying activities to parties in the local elections. Discussion about the misuse of state resources for clientelistic exchange between politicians and their constituencies is worth noting in order to explain how electoral and bureaucratic clientelism work jointly as an integrated mechanism.

There are many factors that influence politicians' preferences for electoral clientelism in mobilizing political support. Low levels of empowerment in the grassroots correlate to the weak social mobilization that ideally articulate political interest from below through an election scheme. Piatoni (2001) shows how poor communities are more likely to be involved in vote buying offers from politicians. In addition, Hilgers' study (2008) about the Partido de la Revolucion Democratica (PRD) in Mexico presents a compelling argument about factors that shape electoral clientelism, specifically the limited institutionalization of democratic rules inside the party. It is also clear that the direct consequence of electoral clientelism is the commodification of voting by political machines that potentially leads to electoral fraud.

In bureaucratic clientelism, the dyadic relationships emerge between elected officials and non-elected bureaucrats are obvious. The chain of personal linkage develops vertically within the hierarchy of bureaucracy. The gap between politicians and citizens is relatively small and depends on the position of elected officials in the structure of bureaucracy: the higher the position of politicians, the larger the gap between them and their constituencies. Compared to

parties' organizations and their clientelistic networks, the chain of bureaucratic clientelistic linkages is more persistent since bureaucrats remain in their positions during their tenure. In contrast to the complicated networks of brokers or party devotees, the hierarchy within bureaucratic clientelism is well organized and usually adopts the existing structure of the governmental organizations. Furthermore, this relationship involves repetitive and simultaneous exchange during the period of office of the elected officials.

The types of goods that circulate in bureaucratic clientelism can vary greatly depending on the nature of the relationship between elected politicians and non-elected bureaucrats. In the patronage relationship, the clients receive appointments to hold particular positions within the office in exchange for their political support to the patrons. When the newly elected politicians have to negotiate with the existing bureaucrats, the reciprocal exchange is quite different. In exchange for political support to maintain their clientelistic resource distribution, politicians may offer bureaucrats who are running systemic corruption or rent-seeking activities protection from the rule of law. This situation occurs if the motives of bureaucrats and politicians are aligned in seeking to capture state resources for their personal interests. In another scenario, politicians offer promotions and extra rewards to bureaucrats in exchange for political support for politicians to interfere policy making on resource distribution.

It is important to distinguish bureaucratic clientelism from electoral clientelism. First, identifying the two concepts separately can increase clarity in understanding different relationships that develop in different periods of time. Electoral clientelism typically appears during an election period, while bureaucratic clientelism occurs after the election and during the tenure in office of the elected official. Second, these different linkages involve different actors functioning as intermediaries between politicians and citizens. As a result each type of linkage

has a distinctive mechanism, cause, and consequences. Third, because both linkages are integral components of political clientelism, identifying them as separate concepts can illuminate a comprehensive picture of how political clientelism works in democracies.

How Bureaucracy Affects Inequality: An Analytical Framework

While the literature on political science, sociology, and development studies provides substantial insights in examining the relationship between bureaucracy and inequality, it also has many limitations and gaps that hinder scholars from a comprehensive examination of this relationship. This section presents an analytical framework to examine how improperly performing bureaucracy within democracies can affect levels of income inequality.

Bureaucracy poses contradictory roles in democratic settings. To some extent, bureaucracies are subject to political control, but they are also able to make autonomous choices among divided political interests. Doo-Rae Kim argues that “conditions of democratic control and bureaucratic autonomy are not incompatible: the interactions among political actors not only create the condition in which government agencies must respond to the will of the elected officials but also provide the opportunity for the agencies to reflect their own preferences in policy outcomes” (Kim, 2008: 50). The divergence of preference among elected policy makers has expanded the boundary of politically feasible options, providing greater autonomy for bureaucratic agencies. Thus, democratic control and bureaucratic autonomy can emerge side by side within the interaction of state agencies.

Bureaucratic autonomy is also an important feature in determining the quality of the bureaucracy. Theda Skocpol (1985: 9) defines autonomy as the capacity of state agencies to independently formulate and pursue its goals without interference from external forces. Peter

Evans (1995:45) adds that by underlining the importance of the state's capability to formulate collective goals, it can constrain bureaucrats from pursuing their individual interests. In summarizing Skopcol and Evans' ideas of autonomy, Caughey (2009) concludes that feature of bureaucratic autonomy require a capability for both differentiation and coherence. Caughey builds his thesis on the contextual definition of bureaucratic autonomy as a property of government that is organized by non-elected public officials.

Bureaucratic autonomy consists of two vital properties: independent goal formation and capacity to achieve desired outcomes. Independent goal formation refers to a coherent set of collective goals that are widely recognized and endorsed by members of the organization, and derived through a process that could potentially have differentiated preferences. Autonomous preference must also be accompanied by the capacity to achieve desired outcomes: the agency's capacity to implement preferences as a function of its organizational resources that are free from external constraints. Political actors can constrain the autonomy of a bureaucratic agency through prevention of action, reversal, and punishment. Thus, in democratic settings, bureaucratic autonomy depends on the nature of the relationship between political actors, particularly between elected politicians and non-elected bureaucrats.

Carpenter (2001a) offers meaningful contributions to the study of bureaucratic autonomy through his historical case studies. He makes the case that, bureaucratic autonomy requires three necessary conditions: political differentiation, organizational capacity, and political legitimacy. His interpretation of political differentiation is in line with Skopcol's (1985), arguing that bureaucratic agencies that are irreducible and distinct from those of other societal and political actors, and interests. Organizational capacity is necessary to provide the space for bureaucratic officials to engage in policy experimentation and effectively act on their

preferences. Bureaucratic autonomy also requires legitimacy, with officials having access to diverse networks of citizens and political leaders to support their programs and implemented policies.

A high quality of bureaucracy requires two conditions. The first condition is the enforcement of impartiality rules within bureaucracy. The use of bureaucratic authority should not be based on partisan consideration and interests. Second, high quality of bureaucracy is determined by the presence of bureaucratic autonomy. Under such autonomy, bureaucracy performs independent goal formation, has the capacity to achieve desired outcomes, and is characterized by its legitimacy.

The quality of bureaucracy also affects the achievement of development outcomes. Government agencies that exercise political power through fair, conscientious policymaking and policy implementation is central to the social well being of the majority (Rothstein, 2011). Olson (1996) notes that poor quality of government leads to the capture of the state's resources by those who prosper at the expense of the poor.

A study by Chong and Calderon (2000) on the relationship between institutional quality and income development finds that in less developed countries, institutional quality is linked with income inequality. Transitions to democracy have resulted in greater income inequality among those democracies that fail to establish high quality of government (Chang: 2007).

Bureaucratic clientelism have hindered the creation of a high quality of bureaucracy because this linkage clearly constructed through the violation of autonomy and impartiality principles. The persistence of bureaucratic clientelism within the state leads to the creation of discriminatory policies and partiality in programmatic distribution of the state's resources, and thus affects inequality. Furthermore, asymmetrical relationship between politician and non-

elected officials that is dominated by clientelistic exchange intensify rent-seeking activities at the various levels of bureaucracy.

This paper offers an analytical framework to examine the relationship between bureaucracy and inequality in a democratic setting. It assimilates the relationship between electoral and bureaucratic clientelism as an integral mechanism that affects resource distribution to the citizens (see Figure 3). This is a very basic analytical model that does not capture a complete set of linkages between politicians and citizen, but it is nonetheless useful for examining of how clientelism works within a democracy.

In a democratic setting, institutional arrangements engage both elected officials and non-elected officials to accomplish shared goals of development. Institutional arrangement is interactions among different actors within the state for a collective action either following formal or informal rules. It should be noted that in most cases, non-elected officials are not losing their office following a transition to democracy. Bureaucratic agencies are already in place when a new representative democracy leads to new political actors, with bureaucrats situated as "the players of policy creation and implementation" (Carpenter, 2001b). Baromandi and Cusak's study about institutions and income inequality also provides an example of how effective government can shape the distribution of the labor market and disposable income, reducing the level of inequality (2008: 127-168). Thus, the quality of bureaucracy is important in ensuring that those policymaking and policy implementations are projected to achieve redistribution outcomes that may improve the economic and social equality of the majority.

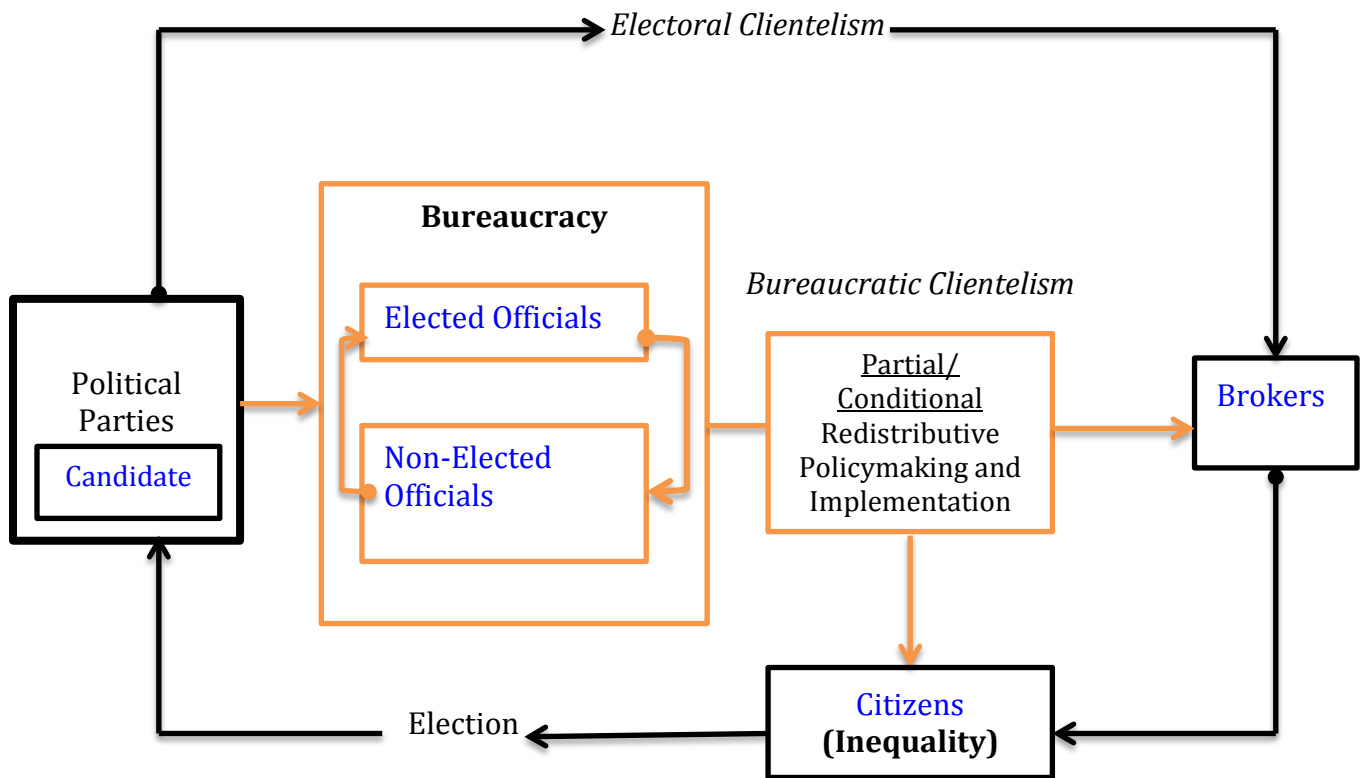


Figure 3. Model of the relationship between bureaucracy and inequality

In my analytical model, bureaucracy refers to governmental agencies that are organized by elected and non-elected public officials through various institutional arrangements. These arrangements in a democratic setting allow for intense interactions among legislators, elected officials, and bureaucrats in decision-making procedures, as well as in program implementations. The core of this analysis is on how the quality of bureaucracy is constructed within the dynamics of these institutional arrangements.

For clientelistic political parties in democracies, obtaining control of strategic political offices within the state is the ultimate goal that enables them to gain authority to control the distribution of state resources for their own interests. These parties compete in an election in order to promote their candidates to the highest official position of government office. During

the election period, parties implement various strategies to establish a strong electoral clientelistic linkage (see the outline of Figure 3). They build clientelistic networks that are supported by party devotees and brokers in order to distribute benefits to targeted citizens in exchange for political support. According to one theory of voter behavior in elections, citizens have incentives to translate their votes into instruments in order to extract material benefits from the candidates (Chandra, 2007) but they face “no risk of opportunity defection, because candidates deliver all benefits before the voting day” (Nichter, 2010:5). Under this system, parties use broker dense networks to monitor the exchange.

After the election, winning candidates are inaugurated as elected officials who usually hold the principal position within the bureaucracy. They experience various situations that determine whether or not they can establish bureaucratic clientelism within their office. Bureaucratic clientelism is possible if the elected officials have the capacity to control subordinate officials and establish a dyadic, asymmetric, and reciprocal relationship in exchange for political support. Thus, there are two possibilities once the clientelistic parties’ candidates gain official authority. They create a patronage relationship by implanting party devotees into the office, or they use their power and party supports to tame the existing bureaucrats.

When the elected officials have established clientelistic linkage with non-elected bureaucrats, they have incentives to effect redistributive policymaking and policy implementation toward the fulfillment of their parties’ interests (See the interior of Figure 3). For example, they can drive the distributive politics to deliver benefits to specific groups of citizens in exchange for past or future political support in the form of votes. They are also in a strategic position to collect rents on policy implementation for maintaining their clientelistic linkage with the bureaucrats in exchange for political support. These political supports can be in the form of

loyalty and compliance to the informal rules that are imposed by the elected officials. For instance, bureaucrats agree to always prioritize the politicians' supporters in the implementation of redistributive policies at the grassroots level. Politicians are also able to link their subordinate apparatus to distribute benefits to the brokers' networks that in turn deliver the benefits to the targeted citizen.

This analytical framework is useful for understanding the mechanism of how bureaucracy affects inequality. It does so by incorporating this mechanism in a comprehensive political process within a democracy. A comprehensive political process comprises the input side of the political system in the form of an election as well as the way state apparatuses exercise their authority in redistributing the state's resources on the output side of the political system. Bureaucracy has an essential function in the creation of a redistribution policy and its implementation. However, the existence of bureaucratic clientelism has impeded the quality of the bureaucracy by distributing benefits to society in partial or conditional ways and in turn leads to increased levels of inequality.

The following section presents an empirical account to examine how bureaucracy affects inequality in the case of post-authoritarian Indonesia. There are significant caveats associated with this analysis. First, the measurement for the quality of bureaucracy is limited, since it has been constructed using only a formal institutions approach. It measures the achievement of various state agencies based on planned documents and formal written rules within the bureaucracy. Thus, this measurement has yet to be able to capture informal institutions such as bureaucratic clientelism. Second, the measurement disregards the asymmetric relationship between elected officials and non-elected bureaucrats within the state agencies. However, the measurement can represent the state agencies' capability in distributing

state resources through delivering public service and allocating the state budget for development programs.

How Bureaucracy Affects Inequality in The Case of Post-Authoritarian Indonesia

Data and Models

This paper incorporates the case of Indonesia because this largest Southeast Asian country has recently undergone transition to democracy, thus the legacy of bureaucracy from previous authoritarian rulers has been potentially influenced the state process in the following regimes. In addition, Indonesia has the largest bureaucracy agencies in Southeast Asia region. This study uses dataset from 33 provinces in Indonesia. Findings from sub-national level observation may reflect the phenomena at the national level because the democracy also has just implemented their decentralization policy. In fact, many bureaucracy agencies at the local level are highly influenced by political actors from the central government.

This study employs *different score model* using *linear fixed effects approach* to examine the relationship between the quality of bureaucracy and inequality at the provincial-level in Indonesia because this model is useful to analyze the impact of variables that vary over time. The linear fixed effect approach is suitable for the cases in my research because each province has its own characteristics that may influence change in the Bureaucracy Index as the main predictor variables and this approach helps me to control each province's inherent time-invariant characteristics that may bias the outcome within the relationship.

Data for the case of Indonesia come from three main sources. The first main source is the Indonesian Governance Index Assessment 2008 by [The Partnership for Governance Reform](#), a

multi-stakeholder organization working with government agencies and civil society organizations (CSOs) to advance reform at both national and local levels. This assessment describes Indonesian provincial governance performance in 89 quantified indicators that generate the Bureaucracy Index. The Bureaucracy Index measures provincial governance performance in the areas of public service, local revenue collection, the regulation of local economies, regulatory framework, budget allocation, development coordination, and development monitoring. The index is a composite of objective data that comprises government-published documents and primary data that were collected through local surveys and interviews with public administration experts at the provincial-level in Indonesia.

The second data source is the National Socioeconomic Survey (SUSENAS) by Statistics Indonesia, a state statistics agency that initiated this survey in 1964. SUSENAS describes various socioeconomic indicators. This paper employs Gini coefficients, Human Development Index, population, and poverty variables that are generated from SUSENAS supplemental modules 2007 to 2010 that cover a sample of 240,000 households and supplemental modules 2011 and 2012 that cover a sample of 300,000 households sample across different provinces in Indonesia. The third is Local Government Financial Statistics Survey also by Statistics Indonesia. This survey covers 491 districts in all provinces of Indonesia and measures local revenue, government expenditure, and local economic development.

This paper employs the change in Gini coefficient from 2008 to 2012 for the case of Indonesia for the provincial-level analysis. The change in Gini is generating by subtracting the two years Gini coefficient; therefore this variable can represent the progress of inequality starting from the year the independent variable, Bureaucracy Index, was first measured. The effects of change in the Bureaucracy Index on the change in Gini coefficient should be measured in a

three-year or longer observation period because, practically, the success of government agencies in achieving their goals cannot be measured in a short period of time. Change in the Bureaucracy Index is the determinant of the change in Gini coefficients within this empirical analysis. The change in this index signifies the change in bureaucratic quality. The index covers five principles of bureaucracy as sub-indices: participation, fairness, accountability, transparency, efficiency, and effectiveness.

MODEL 1

$$\Delta \hat{Y}_i = \Delta \beta_0 + \beta_1 \Delta \text{Bureaucracy}_i + \beta_2 \Delta \text{Controls}_i$$

Model 1 measures the expected relationship between dependent and independent variables. According to Allison (2009:7), the fixed effects approach can control time-invariant unobservable predictors. Thus, this paper does not incorporate any time-invariant confounding variables in this model. Population, Human Development Index (HDI), and number of civil servant as control variables in this model. Furthermore, Allison also underlines that the fixed effects regression usually cannot produce a significant coefficient as the random effects estimates does because “fixed effects estimates use only within-individual differences that essentially discarding any information about differences between individuals.” (ibid, p.3).

MODEL 2

$$\Delta \hat{Y}_i = \Delta \beta_0 + \beta_1 \Delta \text{Bureaucracy}_i + \Delta \beta_2 \text{Mechanisms}_i + \beta_2 \Delta \text{Controls}_i$$

Model 2 is a mechanism model to identify any potential underlying mechanisms that explain the effect of bureaucratic quality on inequality. Different mechanism variables that might be affected by bureaucratic quality and at the same time affect the variation of inequality are incorporated in this model. These mechanisms variable consists of poverty, economic growth,

financial resources, and provincial government expenditure on health, education, and social protection services.

Poverty measurements consist of poverty level, Poverty Gap Index (PGI), and Poverty Severity Index (PSI). Kaplan and Makoka (2005) provide a useful and comprehensive elaboration of these poverty measurements. Poverty level (P_0) or head count index is the proportion of the poor population living below the poverty line in a particular area. This is an adequate measure to examine the overall output of poverty eradication efforts. The PGI measures the depth of poverty or the average distance of the income of the poor population from the poverty line; it is useful in determining the minimum cost to eradicate poverty. The poverty severity index (PSI), or the squared poverty gap index captures the inequality among the poor population living below the poverty line and it emphasized the largest poverty gaps. It is useful in examining the impact of redistribution policy in the form of direct cash transfer programs as this index reflects the mobility of the poor population upward to the poverty line.

Kuznets (1955) incorporates GDP (Gross Domestic Product) to construct an economic growth variable that he uses to predict the trajectory of inequality, while Evans (1995) and Evans & Rauch (1999) also incorporate GDP growth measurements in their study of bureaucracy and economic growth. Theoretically, bureaucracy affects economic growth, and there is extensive literature on the relationship between inequality and economic growth. Thus, Gross Regional Domestic Product (GRDP) growth at current market prices is treated as one of the mechanism variable in the relationship between the bureaucratic quality and inequality. GRDP growth shows the growth of the production of goods and services at the provincial regional economy level in a certain time interval and thus may reflect economic growth.

MODEL 3

$$\Delta \hat{Y}_i = \Delta \beta_0 + \beta_1 \Delta \text{Bureaucracy}_i + \beta_2 \text{Government Size Index} + \beta_2 \Delta \text{Controls}_i$$

MODEL 4

$$\Delta \hat{Y}_i = \Delta \beta_0 + \beta_1 \Delta \text{Bureaucracy}_i + \beta_2 \text{Government Size Index} + \beta_2 \Delta \text{Controls}_i + \beta_1 \Delta \text{Bureaucracy}_i \times \text{Government Size Index}$$

According to Lee (2005) the size of government is associated with distributional outcome. In addition, standard economic theory recognizes that the size of government is related to the possibility of mismanagement and corruption. In order to see the variation of effects in the various sizes of government at the provincial-level, interaction models are performed in Model 3 and Model 4. These models only represent the case of Indonesia provincial level government. The size of government index is constructed by combining the number of civil servants and the number of sub-districts at the provincial-level with an even proportion of weight. Three different levels from this constructed variable are small, medium, and large size of government. This analysis shows the variation of effects of bureaucratic quality on inequality in region of different sizes.

Table 3. Means and Standard Deviations at the Indonesian Provincial Level

Variable	Mean	Std. Dev.
<i><u>Independent Variable</u></i>		
Change of Bureaucracy Index (2008-2012)	.2240909	.9913638
<i><u>Dependent Variable</u></i>		
Change of Gini Index (2008-2012)	5.757576	3.61447
<i><u>Control variables</u></i>		
Change in population (2008-2012)	492438.3	672986.4
Change of HDI (2008-2012)	2.058486	.2929709
Number of civil servant change (2008-2012)	11679.12	7749.714
<i><u>Mechanism Variables</u></i>		
Change of poverty level (2008-2012)	-3.604848	1.946267
Change of PGI (2008-2012)	-.8790909	.6901829
Change of PSI (2008-2012)	-.2890909	.3028651
Change of GRDP Growth (2008-2012)	.8581818	2.650373
Prov. health expenditure (2008-2012)	169553.5	587853.9
Prov. education expenditure (2008-2012)	251719.1	1830326
Prov. social protection (2008-2012)	33334.64	80836.58
<i><u>Government Size x Change of Bureaucracy Index (2008-2012)</u></i>		
Small x Change of Bureaucracy Index (2008-2012)	-	-
Medium x Change of Bureaucracy Index (2008-2012)	-.0171212	
Large x Change of Bureaucracy Index (2008-2012)	.1625758	
Number of Observation:		33

Preliminary Result

Model 1 shows that change in the Bureaucracy Index and the change in Gini coefficient are negatively related (see Table 4). This result supports my analytical framework that the lower the quality of bureaucracy, the higher the inequality in a particular socioeconomic area.

Table 4. Coefficients for Change in Gini Coefficient in Indonesia 2008 to 2012

Independent Variable	Model 1		Model 2	
	Coef.	S.E	Coef.	S.E
Change of Bureaucracy Index (2008-2012)	-.73	(.67)	-.29	(.77)
<i>Mechanism Variables</i>				
Change of poverty level (2008-2012)			-.62	(.68)
Change of PGI (2008-2012)			10.85	(7.8)
Change of PSI (2008-2012)			-25.69	(15.96)
Change of GRDP Growth (2008-2012)			-.05	(.33)
Prov. health expenditure (2008-2012)			6.33	(6.41)
Prov. education expenditure (2008-2012)			-3.92	(3.3)
Prov. social protection (2008-2012)			.000064	(.00005)
<i>Control Variables</i>				
Change in population (2008-2012)	-1.82	(1.00)	4.63*	(1.55)
Change of HDI (2008-2012)	-1.27	(2.24)	-1.13	(3.01)
Number of civil servant change (2008-2012)	-.0000991	(.00008)	-.0001	(.0001)
Constant	9.78*	(4.79)	8.49	(5.79)
Adjusted R ²	-0.0403		-0.1019	
N	33		33	

Note: Standard errors are in parentheses. † $p < 0.1$, * $p < .05$, ** $p < 0.01$

The effect size of change in bureaucratic quality on the change in inequality is quite small, where the decrease of one unit in change in the Indonesian Bureaucracy Index is associated with only .73 units increase in the change in Gini coefficient. In the case of Indonesia, a slight change in Gini coefficient represents a significant variation in the factual inequality with respect to the large population and the trajectory of income inequality after the transition to democracy. In the case of Indonesia, a slight change in Gini coefficient represents a significant variation in the factual inequality with respect to Indonesia's large population and the trajectory of income inequality after the transition to democracy. Due to the limited number of observations (n=33) and the application of the fixed effects regression, the effect change in the Bureaucracy Index on change in Gini coefficient is not statistically significant ($p < 0.1$).

Table 5. Coefficients for Models with Interaction between Government Size and Change in Bureaucratic Quality in Indonesia

Independent Variable	Model 3		Model 4	
	Coef.	S.E	Coef.	S.E
Change of Bureaucracy Index (2008-2012)	-.77	(.72)	-.86	(1.0)
<i>Control Variables</i>				
Change in population (2008-2012)	-1.3	(1.09)	1.71	(1.19)
Change of HDI (2008-2012)	-1.34	(2.34)	-1.03	(2.49)
Number of civil servant change (2008-2012)	-.00008	(.00009)	-.00006	(.0001)
<i>Government Size Index</i>				
---Small	--	--	--	--
Medium	-.76	(1.89)	-.86	(1.97)
Large	-.074	(1.82)	.35	(2.26)
<i>Interaction Terms</i>				
Government Size Index x Change of Bureaucracy Index (2008-2012)				
Small			--	--
Medium x Change of Bureaucracy Index (2008-2012)			.71	(1.76)
Large x Change of Bureaucracy Index (2008-2012)			-.60	(2.25)
Constant	9.9*	(4.91)	9.01	(5.45)
Adjusted R ²	-0.1132		-0.1917	
N	33		33	

Note: Standard errors are in parentheses. . † $p < 0.1$, * $p < .05$, ** $p < .001$

Model 2 shows some potential causal variables that may explain the underlying causal mechanism in the relation between change in bureaucratic quality and change in inequality. Previous research underlines the role of poverty (Henderson and Hulme, 2003) and economic growth (Evans and Rauch, 2009) as the variables that link bureaucratic quality and inequality level. The results of Model 2 support the arguments from the previous literature on the role of those mechanism variables in the relation between change in bureaucratic quality and change in inequality. The measurements show that the effect of change in the Bureaucracy Index on change in Gini coefficient in the first model decreases in the second model. A key finding in this result is

that the amount of provincial government expenditures on key services such as health, education, and social protection can serve as mechanisms through which the quality of bureaucracy influences inequality. In other words, the amount of resources that is distributed to the society through various redistribution programs fails to reduce inequality.

The results from Model 3 and Model 4 as presented in Table 5 show the relationship between change in bureaucratic quality and change in inequality is consistent with the result in Model 1. Despite the fact that none of these results are statistically significant, the direction of the relationship varies in the different levels of government size. The coefficient for bureaucracy on inequality is $-.86$ for the smallest government. In the interaction terms for the medium and large size of government, the effect actually decreases and remains in negative direction. This result is consistent with the argument that bureaucracy affects inequality either in the small and large government size.

Conclusion

This study presents a theoretical account of the essential role of bureaucracy in shaping inequality of resource distribution in democracies. This attempt has extended the discussion about bureaucracy beyond the issue of economic growth. This study also asserts that state capacity in promoting economic growth does not necessarily lead to more equal distribution of resources in a society. While economic growth increases significantly following the transition to democracy, the gap between the poorest and the richest has widened. The growth in Indonesia has benefited the rich rather than the poor as the state has failed to redistribute resources impartially to the citizens.

Theorists who believe that bureaucracy is the most effective form of organization to govern the state have not furthered the discussion in an important way. They do not explain the

strategic position of the bureaucracy, despite being subordinate within a democracy, in using office-holding powers to influence resource distribution. This paper incorporates the discussion of clientelism in order to understand how the entire set of institutions influences the distribution of resources. This paper contends explicitly that bureaucratic clientelism is the informal institution which competes with bureaucratic formal institutions to affect the distributive politics. Bureaucratic clientelism is defined as the hierarchical relationship between politicians and non-elected bureaucrats that enables the control of resource distribution for the purpose of garnering or maintaining political support from targeted constituencies.

This paper also offers an analytical model to examine the relationship between bureaucracy and inequality in a democratic setting that assimilates the relationship between electoral and bureaucratic clientelism as an integral mechanism that affects resource distribution to the citizens. Thus, this model comprises electoral democracy on the input side of the political system as well as the way state officials' exercising their authority in distributive politics on the output side of the political system. This analytical model presents a systematic way of thinking about how bureaucracy affects inequality among democracies.

The empirical analysis contributes to the presupposition that it is essential to consider the persistence of informal institutions in understanding the state process. The formal nature of bureaucracy has hindered the efforts of scholars in examining the presence of informal institutions, such as bureaucratic clientelism, in determining the impact of bureaucracy within the operation of the state. The result of this empirical analysis is limited in its significance. Because the data refer primarily to the formal functions of bureaucracy, they are insufficient to fully elucidate how bureaucratic clientelism that emerges from the relation between politicians and non-elected officials dominates distributive politics and thus affects inequality. They may,

however, reflect the theoretical framework that this relation substantially shapes the distribution of resources.

Future empirical research in examining how bureaucracy affects inequality through bureaucratic clientelism is necessary to gain a better understanding of the state's role in distributing resources to society. It is challenging but vital to extend the research by producing more reliable data that can represent the interaction between bureaucratic clientelism and formal rules within bureaucracy. Under current conditions, it is impossible to gather a comprehensive quantitative data on bureaucratic clientelism because this phenomenon is contrary to the interest of clientelistic government in garnering political support through illegal means. To pursue the investigation, a qualitative approach may fit best to assess how bureaucratic clientelism affects the outcome of state processes in distributing its resource to citizens in democracies.

Appendix: Confidential Interval Tables

MODEL 1 (Indonesia). Coefficients for Change in Gini Coefficient 2008 to 2012

Independent Variable	Coef.	S.E	[95% Conf. Interval]	
Change of Bureaucracy Index (2008-2012)	-.73	(.67)	-2.11	.63
<i>Control Variables</i>				
Change in population (2008-2012)	-1.82	(1.00)	-2.24	1.87
Change of HDI (2008-2012)	-1.27	(2.24)	-5.86	3.32
Number of civil servant change (2008-2012)	-.0000991	(.00008)	-.00027	.000077
Constant	9.78*	(4.79)	-.03	19
Adjusted R ²	-0.0403			
N	33			

Note: Standard errors are in parentheses. † $p < 0.1$, * $p < .05$, ** $p < 0.01$

MODEL 2 (Indonesia). Coefficients for Change in Gini Coefficient 2008 to 2012

Independent Variable	Coef.	S.E	[95% Conf. Interval]	
Change of Bureaucracy Index (2008-2012)	-.29	(.77)	-1.90	1.31
<i>Mechanism Variables</i>				
Change of poverty level (2008-2012)	-.62	(.68)	-2.05	.80
Change of PGI (2008-2012)	10.85	(7.8)	-5.4	27.1
Change of PSI (2008-2012)	-25.69	(15.96)	-58.99	7.59
Change of GRDP Growth (2008-2012)	-.05	(.33)	-.74	.62
Prov. health expenditure (2008-2012)	6.33	(6.41)	-7.05	.0000197
Prov. education expenditure (2008-2012)	-3.92	(3.3)	-0.00001	2.96
Prov. social protection (2008-2012)	.000064	(.00005)	-.00004	.00017
<i>Control Variables</i>				
Change in population (2008-2012)	-6.18	(1.24)	-2.77	3.70
Change of HDI (2008-2012)	-.29	(3.51)	-7.43	5.15
Number of civil servant change (2008-2012)	-.0001	(.0001)	-.00034	.00010
Constant	8.49	(5.79)	-3.59	20.57
Adjusted R ²	-0.1019			
N	33			

Note: Standard errors are in parentheses. † $p < 0.1$, * $p < .05$, ** $p < 0.01$

**MODEL 3. Coefficients for Models with Interaction between Government Size
and Change in Bureaucratic Quality**

Independent Variable	Coef.	S.E	[95% Conf. Interval]	
Change of Bureaucracy Index (2008-2012)	-.77	(.72)	-2.25	.70
Control Variables				
Change in population (2008-2012)	-1.3	(1.09)	-2.37	2.11
Change of HDI (2008-2012)	-1.34	(2.34)	-6.16	3.47
Number of civil servant change (2008-2012)	-.00008	(.00009)	-.0002	.0001
Government Size Index				
---Small	--	--		
Medium	-.76	(1.89)	-4.65	3.12
Large	-.074	(1.82)	-3.81	3.66
Constant	9.9*	(4.91)	-.30	20.17
Adjusted R ²	-0.1132			
N	33			

Note: Standard errors are in parentheses. . † $p < 0.1$, * $p < .05$, ** $p < .001$

**MODEL 4. Coefficients for Models with Interaction between Government Size
and Change in Bureaucratic Quality**

Independent Variable	Coef.	S.E	[95% Conf. Interval]	
Change of Bureaucracy Index (2008-2012)	-.86	(1.0)	-2.92	1.20
<i>Controlled Variables</i>				
Change in population (2008-2012)	1.71	(1.19)	-2.43	2.46
Change of HDI (2008-2012)	-1.03	(2.49)	-6.18	4.12
Number of civil servant change (2008-2012)	-.00006	(.0001)	-.0002	.0001
<i>Government Size Index</i>				
---Small	--	--		
Medium	-.86	(1.97)	-4.93	3.20
Large	.35	(2.26)	-4.31	5.03
<i>Interaction Terms</i>				
<i>Government Size Index x Change of Bureaucracy Index (2008-2012)</i>				
Small	--	--		
Medium x Change of Bureaucracy Index (2008-2012)	.71	(1.76)	-2.92	4.36
Large x Change of Bureaucracy Index (2008-2012)	-.60	(2.25)	-5.26	4.05
Constant	9.01	(5.45)	-2.23	20.26
Adjusted R ²	-0.1917			
N	33			

Note: Standard errors are in parentheses. . † $p < 0.1$, * $p < .05$, ** $p < .001$

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