

# Clan-based Polarized Voting: Empirical Evidence

by

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## Abstract

One must take country-specific institutional features into account when analyzing former communist countries' transformation process to new political institutions. We do so for post-communist Albania, where the political influence of clans that has existed for centuries continues to be prominent, even today. By studying the consequences of clans on the regional and political polarization through estimated vote function, we incorporate both formal and informal institutions. The results show major differences across regions in response to government policies. A proper evaluation of democratization in Albania thus requires looking beyond elections *per se* and taking this clan-based polarization into account.

**Keywords:** Clans, polarization, electoral democracy, vote functions

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## 1. Introduction

Over the last decade-and-a-half, the political and economic development of former-communist countries has been sensational. For scholars interested in democratic processes, it is a challenge to try to understand the finesses of what is happening. Both political scientists and scholars in the discipline of public choice have contributed substantially to our understanding of the transformation process from communism. From a political science perspective, it is important to realize that the road to democracy implies not only free and legitimate elections but also deeper political participation and government accountability. One conclusion often put forward is that many ‘transitional countries’ are currently functioning in a gray zone between authoritarianism and democracy.<sup>1</sup> Public choice scholars tend to focus on certain aspects in the political economic development of these countries (such as changes in the popular vote, specific government policies, or trends in the size of government). This literature provides several applications of standard research methods to a cross section of these countries for general insights or to specific countries as case studies.<sup>2</sup> The conclusions in this literature are quite diverse, however, and it is not yet possible to distill general implications from it.

In this paper, we use techniques inspired by the public choice tradition to study a question that is central in the political science literature in this area. We focus on the development of one country in particular, to wit, Albania. More specifically, we will study the political-economic interaction between Albania’s (formal and informal) political institutions on the one hand and government policies on the other. Our focus on one specific country is motivated by the belief (following Douglas North) that it is important for the understanding of many phenomena in post-communist countries that country-specific institutional features are taken into account.<sup>3</sup> In Albania, one of the features that are important to consider is that the political culture and institutions are characterized by the existence of clans.<sup>4</sup> In particular, post-communist transformation in Albania has witnessed various pitfalls caused by clan activities. Of course, Albania is not the only post-communist country where the road to democracy meets obstacles raised by clans. In a series of path breaking studies Kathleen Collins shows how clans have hindered the development of democratic institutions in a variety of countries in Central Asia.<sup>5</sup> Generally speaking, Albania appears to have experienced a more democratic transformation than the countries studied by Collins, however (cf. section 2 and 4).

Elsewhere, we give a detailed analysis of the role of clans in Albanian politics.<sup>6</sup> *Inter alia*, we argue that clans feed on an existing geographical and cultural division of Albanian

society, causing a severe polarization in Albanian politics. In turn, these polarized politics reinforce the existing division. Doll (op. cit.) argues that the polarization dates back many centuries. In this paper we provide an empirical analysis showing that it is still dominant in post-communist Albania. In doing so, we emphasize that clans are an important part of the informal institutions in this country. We then show how this informal institution interacts with one of the important formal political institutions, –to wit, elections– and directly affects voting behavior. Our analysis finds support for the recent literature emphasizing the importance of both types of institutions in the study of ‘new polyarchies’ or political democracies.<sup>7</sup>

For our empirical analysis, we estimate so-called vote functions<sup>8</sup> and are able to show that (i) the informal institution of clan-based political polarization plays an important role in determining how Albanians vote; (ii) neglecting the existence of this polarization can bias not only the conclusions drawn from the application of standard techniques, but also the policy implications based on ideal institutional frameworks.

## **2. Clans and Polarization in Albanian Politics**

Albania has hardly ever had a democratic political system. In about four decades of communist dictatorship it was completely isolated. The political regime was dictatorial and the economic system was completely socialized. In the early 1990s, Albania was the last of the Central and Eastern European countries to allow political pluralism and introduce democratic institutions and market mechanisms.

Since the break up of communism, there have been two major parties in Albania: the Democratic Party of Albania (DPA, in office 1992-1997) and the Socialist Party of Albania (SPA, in office since 1997). In the three elections considered here, the two parties received 70-80% of the votes cast. The remaining votes were spread over more than 25 parties, with no party receiving a share of more than 5%. The fall of the communist regime in 1992 brought the DPA to power. Until 1997, the political regime was characterized by ‘competitive authoritarianism’<sup>9</sup>, while the economy appeared to be growing reasonably well. However, the economic numbers may be biased and moreover the privatization process was used to increase DPA’s popularity through economic favors.<sup>10</sup> In any case, all that was achieved was demolished in 1997, when a collapse of the ‘Pyramid schemes’ led to complete political and economic chaos.<sup>11</sup> The SPA won the 1997 elections and remained in government until the DPA regained power in 2005. After a slow start, some democratic

progress was accomplished reflected in the shift from a competitive authoritarian regime to an electoral democracy.<sup>12</sup> At the same time, the economy has been growing at a constant rate but unemployment remains at high levels. In this paper, we focus on the DPA-run years 1992-1997 and the SPA-run years 1997-2001.

The post-communist political system in Albania is a parliamentary representation, with a mixed first-past-the-post and proportional voting system.<sup>13</sup> The parliament elects the president. The president appoints and discharges the prime minister and the cabinet. Because the parties are structured very hierarchically (Sali Berisha of the DPA has been leading the party since the start of transition and Fatos Nano led the SPA until 2005 and still remains very influential today), political power is heavily concentrated in the hands of a few top politicians of the winning party. When a party wins an election, the leader either becomes president or prime minister himself or appoints someone faithful to him. Moreover, important public officials are replaced by the winner's protégé's. In short, since the start of the transformation process the winner of Albanian elections (either the SPA or the DPA) has virtually obtained unanimous control over public policy.

Most scholars agree that there is an important cultural and linguistic polarization in Albania.<sup>14</sup> This polarization is geographically based, dividing the country in a northern and a southern region. In addition, this division has an important influence in various aspects of the Albanian society. Politics are one such aspect, the one we focus on. We argue below that the polarization of society facilitates the influence of clans and enhances their political power.

To understand what is meant by the term 'clan' and how clans can be related to a country's politics, we start with an example of what clans are *not*. Consider liberal democracies, where many voters decide on what party to support by considering some individual specific trade-off between private and general interests. Politicians often actively represent the interests of their constituencies or of specific interest groups. Interest groups are groups of voters united by common political or economic interests (independently of their background). Interest groups are not clans, however. The bonds between clan members are much stronger than within interest groups: "Individuals therefore cannot easily enter/exit a clan, as one would a voluntary association or interest group" (K. Collins, 2004, op. cit., p. 232). Similarly, there are other organizations and groups that can be compared to clans.<sup>15</sup> For our analysis, Collin's definition of clans provides an excellent point of departure, however. Given our interest in voting behavior, we use this to distinguish three groups of voters in Albania.

1. *Clans*. Members of a clan are related through "kin and fictitious kin identities as well as

vertical/horizontal bonds stemming from rational calculations of individuals made within a collectivist cultural and historic context” (Collins, 2006: op cit. p. 17). In addition, since clans in a clan-based society have to compete for state resources<sup>16</sup> political interests can be of substantial importance. Policies favoring specific clans are made possible because clans have an important influence within a party. This influence may be enhanced by an existing regional polarization in society, because this allows parties to aim at obtaining votes from one side in this polarization. If clans are also regionally based (as is the case in Albania, see below), a link between clan and party is easily made. When this party wins an election, the clan obtains political power. This power is used to appoint clan members to key positions and to bestow favors onto itself by employing policies that benefit its own region. This close link between clans and parties yields another crucial difference between clans and interest groups: members of a clan are not only sensitive to favorable policies, but also to *which party* is favoring them.

2. *Partisans*. Partisans are non-clan members in a region where a clan is based.<sup>17</sup> Contrary to clan-members, no important positions are allocated to partisans. If the clan controls government, however, partisans realize that policies are intended to favor their region. In this case, economic circumstances are not relevant in their evaluation of the governing party, for example. On the other hand, if the other party controls government, partisans hold it responsible for the development of the economy. As a consequence, an increase in unemployment, for example, will not affect the voting behavior of a partisan of the governing party but will influence the vote of a partisan of the opposition party.
3. *Non-partisans*. Non-partisans are not related to clans. Often, they are from regions where no clans are based. They adapt their vote to government policies, and do not distinguish between which party is responsible for the policy. For example, higher unemployment yields a higher probability of voting for the opposition, irrespective of who is in government.

Partisans and non-partisans dominate in aggregate voting results. Clans themselves are relatively small compared to the whole electorate.<sup>18</sup> In spite of their limited electoral impact, clan-based regional policies affect the partisans, however, and may thus cause a strong political polarization with potentially significant electoral consequences.

In Albania, the two main clans are the Ghegs (a northern-based clan) and the Tosks (a southern-based clan). Doll (op. cit.) argues that they go back far in history. A regional division was first noticeable in 395 AD, and a clan-based polarization may have started as early as 1081, with the introduction of feudalism by the Normans. This polarization

continued during the Ottoman occupation in the 16<sup>th</sup> century, the turbulent years of Albania's independence in 1912, the monarchy in the late 1920s, and was still detectable during communism. In spite of the relatively small numbers, socio-economic policies in both the monarchy and communism were clan-based, with King Zogu favoring the Ghegs and communist leader Hoxha favoring the Tosks. In post-communist Albania, the division in clans continues to run parallel to the societal polarization. The two clans are closely linked to the two main political parties. The northern-based clan is closely related to the democrats (DPA) and the southern-based clan is related to the socialists (SPA).<sup>19</sup>

This analysis of current Albanian politics, the political role of clans, and the electoral impact of partisans yields two hypotheses for the time span under consideration:

*Hypothesis 1*

Government policies in 1992-1997 favor the north, while policies after 1997 favor the south.

*Hypothesis 2*

During a DPA (SPA) government, voters (mainly clan members and partisans) in the south (north) react negatively to economic swings, which they attribute to the government. Voters in the north (south) have a strong alliance with the governing DPA (SPA) irrespective of its economic policies. Non-partisans (mainly) in the central region, where clans play a less important role, always evaluate the government by its policies.

Note that hypothesis 2 focuses on *economic* policies. There are two main reasons to do so. First, economic indicators are generally of a quantitative nature and therefore suitable for formal testing of hypotheses. Second, there is a rich literature (to which we refer in the following section) relating the economic development to voter behavior. Focusing on economic policies enables a comparison of our results to this literature which, in turn, allows us to distill the effects of clan-based polarization. To the best of our knowledge we are the first to empirically test the consequences of clan-based politics in this way.

One might be tempted to conclude from hypothesis 2 that parties should support the 'other side', because that is where votes are to be gained. This is where the fact that the political polarization is based on a clan culture is crucial, however. Hypothesis 2 cannot be considered independently of hypothesis 1. If clans (which dominate politics) no longer support 'their own', the culture falls apart because partisans no longer support 'their' party (clan) and hypothesis 2 no longer holds.

An example of the policies referred to in hypothesis 1 is the way in which the DPA used

the privatization process and numerous appointments to key governmental positions to give political and economic favors to the northern clan. Government policies and their implementation were aimed at the north. For example, in 1994, the unemployment rates were approximately equal in the north and south. Yet, 35.3% of the population in northern regions received social assistance, and only 11.2% in southern districts.<sup>20</sup> When the SPA came to power in 1997, it also appointed individuals mainly based on clan-politics. Gërzhani and Schram (op. cit.) and Case (op. cit.) provide more substantial evidence in support of hypothesis 1. In the following section, we empirically test hypothesis 2.

### 3. Polarized Voting Behavior

For our empirical analysis we consider the results for the Albanian general elections in 1996, 1997 and 2001 and categorize the 35 electoral districts into the regions: northern (11), central (13) and southern (11). Table 1 summarizes the election results and reports the unemployment rate per region. Detailed information about the data used is available from the authors.

**Table 1:** Election results for DPA relative to SPA

	1996		1997		2001	
	Result*	Unemployment	Result*	Unemployment	Result*	Unemployment
North	66.2	11.0%	48.0	16.5%	59.5	23.9%
Central	62.3	13.3%	26.2	18.4%	40.3	14.8%
South	48.4	9.2%	17.8	13.7%	35.1	15.3%
<b>Total</b>	<b>59.1</b>	<b>11.3%</b>	<b>30.4</b>	<b>16.3%</b>	<b>44.7</b>	<b>17.8%</b>

\* 'Result': votes for DPA as a percentage of votes for DPA and SPA.

Note the tremendous decrease in the popularity of the DPA between 1996 and 1997. The difference across regions is also remarkable. Independent sample t-tests (with unequal variance) show that pair-wise differences are statistically significant at the 1% level except (northern-central) in 1996, (central-southern) in 1997 and (central-southern) in 2001. Support for the DPA is therefore significantly lower in the south than in the north. This reinforces the notion of political polarization between the north and south with the northern voters supporting the DPA and the southern voters supporting the SPA. In order to show that this polarization is founded on clan policies, we investigate hypothesis 2, that the response to economic policies is dependent on the governing party, in both regions.

To test hypothesis 2, we need an indicator of economic policies. In the public choice literature, there are numerous examples where the relationship is studied between economic

policies and government popularity.<sup>21</sup> Various indicators have been used in these studies. Nannestad and Paldam (op. cit., p. 216) conclude that the two that consistently affect votes are unemployment and inflation. Unfortunately, data on inflation per district in Albania are not available. Moreover, the Phillips curve relates the unemployment rate to inflation. For this reason, some authors choose to exclude inflation from the analysis even if they have the data available. Therefore, we focus on the unemployment rate as a key indicator of government policy.<sup>22</sup>

All in all, we estimate the vote function:<sup>23</sup>

$$\text{Ln}(V_{\text{GOV}}^{\text{it}}/V_{\text{OPP}}^{\text{it}}) = \beta_0^t + \beta_1^j \text{Un}^{\text{it}} + \beta_2^t D_{\text{GOV}}^t + \varepsilon^{\text{it}}, \quad i=1,\dots,35; t=96,97,01; j=1,2,3, \quad (1)$$

Where  $V_{\text{GOV}}^{\text{it}}$  denotes the vote share of the governing party in district  $i$  in  $t=1996$ ,  $t=1997$ , or  $t=2001$ ;  $j$  denotes the region (1=North, 2=Central, 3=South) that  $i$  lies in,  $\text{Un}^{\text{it}}$  is the unemployment rate in district  $i$  in  $t$ ,  $D_{\text{GOV}}^t$  is a dummy variable indicating the region in which the governing clan is based, and  $\varepsilon^{\text{it}}$  is a white noise error term.  $\beta_0^t$ ,  $\beta_1^j$ , and  $\beta_2^t$  will be estimated with OLS. The model in the appendix yields a reduced form of the type used in (1).

The coefficient  $\beta_2^t$  in (1) allows us to test for the effect that a clan's control over government policies has on partisans' voting in the clan's own region. Furthermore, allowing the coefficient  $\beta_1^j$  to vary enables a test of hypothesis 2 that the voters' reaction to unemployment differs across regions and governments. Formally, hypothesis 2 yields a test of:

$$H_0: \quad 0 > \beta_1^{\text{t1}} = \beta_1^{\text{t2}} = \beta_1^{\text{t3}}, \quad t=1996, 1997, 2001$$

$$H_1: \quad 0 \geq \beta_1^{\text{t1}} > \beta_1^{\text{t2}} > \beta_1^{\text{t3}}, \quad t=1996, 1997;$$

$$0 \geq \beta_1^{\text{t3}} > \beta_1^{\text{t2}} > \beta_1^{\text{t1}}, \quad t=2001$$

Under the null hypothesis, voters in the three regions respond (negatively) to unemployment. The response does not differ across regions. The alternative states that in 1996 and 1997 clan members and partisans in the south (*i.e.*, those that oppose the governing DPA) react negatively and most strongly to unemployment during the DPA government. Non-partisans (mainly located in central regions) react negatively but less strongly. Finally, (DPA-supporting) clan members and partisans in the north show the weakest reaction in 1996 and 1997 (possibly not letting unemployment affect support for the DPA at all). In other words, because the clan-policies of the DPA favor the clan members and partisans in the north, northern voters are the most forgiving to this government. The opposite is predicted in 2001. The SPA clan policies favor clan members and partisans in the south, who are now predicted

to be the most forgiving. The strongest effect of unemployment is now predicted for the north.<sup>24</sup>

Note that  $H_1$  predicts extreme, opposite effects under the two governments. A traditional application of vote functions does not distinguish between regions (predicting  $H_0$ ). Therefore, we first estimate the model imposing the null that all voters respond to unemployment in the same way. The results are given in the 'no polarization' columns of table 2. The coefficient for unemployment is negative in all three elections (indicating that the governing party has less support in regions where the unemployment is higher), and statistically significant in two of the three cases. The explanatory power of this model ( $R^2$ ) is between 0.24 and 0.51. Taken by themselves, these results would support the traditional public choice finding that a government's election result is negatively affected by unemployment.

**Table 2:** Estimated vote functions

Variable	DPA Government				SPA Government	
	1996		1997		2001	
	no polari- zation	polarization	no polari- zation	polarization	no polari- zation	polarization
Constant ( $\beta_0$ )	-0.124 (0.791)	0.690 (3.186)*	-0.982 (4.101)*	-0.693 (2.703)**	0.377 (1.729)	0.148 (0.798)
$\beta_1^{\text{north}}$		-1.068 (0.310)		1.081 (0.661)		-2.161 (2.615)*
$\beta_1^{\text{central}}$	-3.001 (3.336)*	-1.807 (1.165)	-2.484 (2.048)**	-3.218 (2.460)**	-1.746 (1.714)	1.669 (1.455)
$\beta_1^{\text{south}}$		-7.266 (3.032)*		-5.909 (3.152)*		0.993 (0.422)
$\beta_2^{\text{north}}$	0.972 (5.950)*	0.124 (0.789)	1.306 (5.373)*	0.429 (0.836)	---	---
$\beta_2^{\text{south}}$	---	---	---	---	0.408 (2.135)**	0.245 (0.609)
$R^2$	0.29	0.37	0.51	0.59	0.24	0.58

Notes: For the analysis in 2001, we dropped the outlier district 'Skrapar'. This is explained in endnote 24. Inclusion of Skrapar increases the coefficient  $\beta_1^{\text{south}}$  to 3.956 (1.854). Though large, the coefficient is still not significant at the 5%-level. The coefficient  $\beta_2^{\text{south}}$  reduces to  $-0.107$  (0.267) and the other coefficients remain unchanged; \*=statistically significant at the 1%-level; \*\*=statistically significant at the 5%-level.

The explanatory power increases substantially when we allow the coefficients to vary across regions ('polarization' columns of table 2). These results show important differences across regions and elections. In the north, when the DPA is in government voters do not react statistically significantly to unemployment. In the center and south, negative responses to the unemployment level are observed. The strongest (negative) response is found in the south. A formal test of  $H_0$  versus  $H_1$  shows that the equalities in  $H_0$  are rejected in favor of the

inequalities of  $H_1$  ( $p < 0.01$ ) in both years. It is remarkable how much the results change in 2001, when the SPA is in government. Though the aggregate ('no polarization') result resembles the 1996 and 1997 results, the disaggregate results differ substantially, in the predicted direction. The north is no longer forgiving. There is a negative and statistically significant effect of unemployment on support for the government. In contrast, voters in the center and south, who were not forgiving for the DPA government, show no statistically significant effects. Once again, a formal test of  $H_0$  versus  $H_1$  shows that the equalities in  $H_0$  are rejected in favor of the inequalities of  $H_1$  ( $p < 0.01$ )

The rejection of  $H_0$  means that our results support hypothesis 2, that the existence of clans cause partisans to respond asymmetrically to government policies. The fact that this result is observed in the (opposite) predicted direction for the two distinct governments makes it especially strong. In particular, the notion of a politically polarized country based on two clans (cf. hypothesis 1) finds support. Note that if we had not taken account of this polarization, we would have concluded that the effect of unemployment on the vote is similar to that found in numerous studies. Finally, the results for the central region are interesting. In 1996, this is closer to that for the north than that for the south. This changes in the direction of the results for the south in 1997 and 2001. It may be the case that (changing patterns of) internal migration to Tirana (in the center) is starting to affect the extreme north-south polarization (as suggested by ICG 2001, *op. cit.*, for example). It is still too early to judge, however.

#### **4. Conclusions**

The specific history of any nation -but especially of a nation going through a transformation process from communism- is very important to understand its political development. A key element throughout Albania's history is a cultural and geographical polarization coinciding with the existence of clans. This paper argues that after the fall of communism, this divide has continued to exist. Because the division in clans runs parallel to the societal division, the political polarization reinforces society's polarization. We have shown that clan-based politics -which constitutes a path-dependent-informal institution- systematically affect voting behavior. Moreover, we have shown that a proper evaluation of democratization in Albania requires looking beyond elections *per se* and taking this clan-based polarization into account.

The fact that the polarization of Albanian politics is a consequence of clan-favoring

policies follows from the differential electoral response to unemployment that we observe. Regional polarization would imply distinct voting across regions, for example with northern voters supporting the DPA and southern voters voting for SPA. The fact that northern voters are forgiving towards the DPA but not towards the SPA, while the reverse holds for southern voters, cannot be explained by regional polarization *per se*. The observation that DPA policies favor a northern clan (and partisans) and SPA policies support a southern clan (and partisans) does provide a rationale for this observation.

An interesting question, of course, is *why* clans play such an important role in Albania. There are two possible explanations. One is related to path dependence, namely the existing regional division, which facilitates the clan-based polarization that has existed in Albania for centuries. The other explanation is based on the fact that formal governmental institutions are still underdeveloped. It has been argued that rational expectations imply that political candidates must make promises that they can actually fulfill if elected.<sup>25</sup> This does not necessarily hold for electoral democracies where government institutions have remained underdeveloped, however.<sup>26</sup> This may give rise to serious agency problems, making promises of political candidates more difficult to enforce. In turn, this may lead voters to rely more heavily on other social structures. In other words, as long as formal governmental institutions do not function properly, other informal institutions will actively fill the vacuum.<sup>27</sup>

Finally, contrary to the central Asian countries studied by Collins (op. cit.), clans have not led to a significant failure of democracy in Albania. With all its pitfalls, Albania complies with basic (electoral) democratic norms.<sup>28</sup> This, however, implies that Albania has to look beyond the electoral minimum and focus on institutional building if it intends to achieve democratic consolidation. While on the one hand our findings for Albania confirm Collins' analysis of Central Asia about the importance of clans, the difference between the political development in Albania and that in the countries she studies raises an important question of why clans hinder the development of democracy more in some countries than in others. An interesting next step would be to compare the role of clans across nations in search of an answer to this question.

## Appendix

In this appendix, we provide a simple model of voting behavior that yields a vote function of the type used in equation (1).

A voter  $l$  of type  $k \in \{\text{DPA-clan, DPA-partisan, non-partisan, SPA-partisan, SPA-clan}\}$  in voting district  $i \in \{1, \dots, 35\}$  of region  $r \in \{\text{north, central, south}\}$  attributes utility  $U_g^{kil}$  to government party  $g \in \{\text{DPA, SPA}\}$  and  $U_o^{kil}$  to opposition party  $o \in \{\text{DPA, SPA}\}$ ,  $o \neq g$ <sup>29</sup>:

$$\begin{aligned} U_g^{kil} &= \alpha_{rg}^k + \beta_r D_{rg}^k (Un^i - Un^*) + \varepsilon_g^l, l \in i \in r \\ U_o^{kil} &= \alpha_{ro}^k + \varepsilon_o^l, l \in i \in r \end{aligned} \quad (A1)$$

where  $Un^i$  denotes the unemployment level in district  $i$ ,  $Un^*$  some (unknown) target unemployment that voters compare actual unemployment to, and  $\alpha_{rg}^k$ ,  $\alpha_{ro}^k$  and  $\beta_r$  are unknown parameters, with  $\alpha_{rg}^k$ ,  $\alpha_{ro}^k \geq 0$  common to voters of the same type and region and  $\beta_r (< 0)$  common to all voters within  $r$ .  $\varepsilon_g^l$  and  $\varepsilon_o^l$  are i.i.d. error terms. The term  $D_{rg}^k$  is a dummy variable determining the extent to which a government's economic policy (wrt unemployment) enters the utility function. This is determined by our assumptions on the behavior of clan-members, partisans and non-partisans. More specifically:

$$\begin{aligned} D_{n,g=DPA}^{Dc} &= D_{s,g=SPA}^{Sc} = 0; D_{n,g=SPA}^{Dc} = D_{s,g=DPA}^{Sc} = 1; \\ D_{n,g=DPA}^{Dp} &= D_{s,g=SPA}^{Sp} = 0; D_{n,g=SPA}^{Dp} = D_{s,g=DPA}^{Sp} = 1; \\ D_{c,g}^{np} &= 1, g \in \{\text{DPA, SPA}\}, \end{aligned} \quad (A2)$$

where we use the abbreviations: Dc="DPA-clan"; Sc="SPA-clan"; Dp="DPA-partisan"; Sp="SPA-partisan"; np="non-partisan"; n="north"; c="central"; s="south". These equations reflect the assumptions that clan members and partisans do not consider unemployment caused by a government of their 'own' party relevant for their vote, but do hold the government of the other party accountable.<sup>30</sup> Non-partisans hold both parties accountable for unemployment, when in government.

Next, we consider the parameters  $\alpha_{rg}^k$  and  $\alpha_{ro}^k$ . These represent 'baseline allegiances' of voter type  $k$  in region  $r$  to the government and opposition party, respectively. The most simple kind of polarization considered here, assumes that clans and partisans in the north (south) have a positive allegiance to the DPA (SPA) (with clans being more extreme than partisans) irrespective of whether or not this party is in government and that all other values of  $\alpha_{rg}^k$  and  $\alpha_{ro}^k$  are equal to zero:

$$\begin{aligned} \alpha_{n,g=DPA}^{Dc} &= \alpha_{n,o=DPA}^{Dc} \gg \alpha_{n,g=DPA}^{Dp} = \alpha_{n,o=DPA}^{Dp} > 0; \alpha_{s,g=SPA}^{Sc} = \alpha_{s,o=SPA}^{Sc} \gg \alpha_{s,g=SPA}^{Sp} = \alpha_{s,o=SPA}^{Sp} > 0; \\ \alpha_{r,p}^k &= \alpha_{r,0}^k = 0, \text{otherwise} \end{aligned} \quad (A3)$$

A voter will vote for the government party if the utility attributed to  $g$  exceeds that of opposition party  $o$ . Using (A1) this gives for the probability that voter  $l$  will vote for  $g$ ,  $p_g^{ki}$ :

$$\begin{aligned} p_g^{ki} &= \Pr\{U_g^{kil} > U_o^{kil}\} = \Pr\{\alpha_{rg}^k + \beta_r D_{rg}^k (Un^i - Un^*) + \varepsilon_g^l > \alpha_{ro}^k + \varepsilon_o^l\} = \\ &= \Pr\{\varepsilon_o^l - \varepsilon_g^l < \alpha_{rg}^k - \alpha_{ro}^k + \beta_r D_{rg}^k (Un^i - Un^*)\} = F(\alpha_{rg}^k - \alpha_{ro}^k + \beta_r D_{rg}^k (Un^i - Un^*)), \end{aligned}$$

where  $F$  denotes the cumulative distribution function of  $\varepsilon_o^l - \varepsilon_g^l$ . If  $\varepsilon_g^l$  and  $\varepsilon_o^l$  are (independently and) exponentially distributed, the difference,  $F$ , is a double exponential distribution, which gives:

$$\begin{aligned}
p_g^{ki} &= \frac{e^{a_{rg}^k - a_{ro}^k + \beta_r D_{rp}^k (Un^i - Un^*)}}{1 + e^{a_{rg}^k - a_{ro}^k + \beta_r D_{rp}^k (Un^i - Un^*)}} \\
p_o^{ki} &= 1 - p_g^{ki} = \frac{1}{1 + e^{a_{rg}^k - a_{ro}^k + \beta_r D_{rp}^k (Un^i - Un^*)}},
\end{aligned} \tag{A4}$$

where  $p_o^{ki}$  denotes the probability that voter  $l$  of type  $k$ , in district  $i$  will vote for the opposition party. Let  $n^{ki}$  denote the number of voters of type  $k \in \{Dc, Dp, np, Sc, Sp\}$  in district  $i$ . The expected number of  $k$ -voters in  $i$  voting for  $g$  is given by  $E_g^{ki} = n^{ki} p_g^{ki}$ . For simplicity, we now assume that there are no DPA- (SPA-)clan members or partisans in the south (north), and that there are only non-partisans in central, *i.e.*,  $i \in \{c, s\} \Rightarrow n^{Dc, i} = n^{Dp, i} = 0$ ;  $i \in \{n, c\} \Rightarrow n^{Sc, i} = n^{Sp, i} = 0$ . For each district, the expected number of votes for each party when in government,  $E_g^i$ ,  $g \in \{DPA, SPA\}$ , can now be determined depending on the region the district lies in.

$$\begin{aligned}
i \in north : & \begin{cases} E_{DPA}^i = n^{Dc, i} p_{g=DPA}^{Dc, i} + n^{Dp, i} p_{g=DPA}^{Dp, i} + n^{np, i} p_{g=DPA}^{np, i} \\ E_{SPA}^i = n^{Dc, i} p_{g=SPA}^{Dc, i} + n^{Dp, i} p_{g=SPA}^{Dp, i} + n^{np, i} p_{g=SPA}^{np, i} \end{cases} \\
i \in central : & \begin{cases} E_{DPA}^i = n^{np, i} p_{g=DPA}^{np, i} \\ E_{SPA}^i = n^{np, i} p_{g=SPA}^{np, i} \end{cases} \\
i \in south : & \begin{cases} E_{DPA}^i = n^{Sc, i} p_{g=DPA}^{Sc, i} + n^{Sp, i} p_{g=DPA}^{Sp, i} + n^{np, i} p_{g=DPA}^{np, i} \\ E_{SPA}^i = n^{Sc, i} p_{g=SPA}^{Sc, i} + n^{Sp, i} p_{g=SPA}^{Sp, i} + n^{np, i} p_{g=SPA}^{np, i} \end{cases}.
\end{aligned} \tag{A5}$$

For a direct empirical application of this general model, one needs to know the number of clan members, partisans and non-partisans in each region, as well as their votes. In general, this information is not available. For our application, we use the fact that the number of partisans exceeds the number of clan members by far:  $n^{Dc, i} / n^{Dp, i} \approx 0$ ,  $i \in \{n\}$ ;  $n^{Sc, i} / n^{Sp, i} \approx 0$ ,  $i \in \{s\}$ . In addition, we assume that the number of non-partisans in the north and south is negligible, compared to the number of partisans:  $n^{np, i} / n^{Dp, i} \approx 0$ ,  $i \in \{n\}$ ;  $n^{np, i} / n^{Sp, i} \approx 0$ ,  $i \in \{s\}$ .<sup>31</sup>

From (A5) we can now derive for election results with the DPA in government:

$$\left[ \begin{array}{l}
i \in \text{north} : \frac{E_{DPA}^i}{E_{SPA}^i} = \frac{n^{Dp,i} \frac{e^{a_{n,g=DPA}^{Dp} - a_{n,o=SPA}^{Dp}}}{I + e^{a_{n,g=DPA}^{Dp} - a_{n,o=SPA}^{Dp}}}}{n^{Dp,i} \frac{I}{I + e^{a_{n,g=DPA}^{Dp} - a_{n,o=SPA}^{Dp}}}} = e^{a_{n,g=DPA}^{Dp}} \\
i \in \text{central} : \frac{E_{DPA}^i}{E_{SPA}^i} = \frac{n^{np,i} \frac{e^{\beta_c (Un^i - Un^*)}}{I + e^{\beta_c (Un^i - Un^*)}}}{n^{np,i} \frac{I}{I + e^{\beta_c (Un^i - Un^*)}}} = e^{\beta_c (Un^i - Un^*)} \\
i \in \text{south} : \frac{E_{DPA}^i}{E_{SPA}^i} = \frac{n^{Sp,i} \frac{e^{a_{s,g=DPA}^{Sp} - a_{s,o=SPA}^{Sp} + \beta_s (Un^i - Un^*)}}{I + e^{a_{s,g=DPA}^{Sp} - a_{s,o=SPA}^{Sp} + \beta_s (Un^i - Un^*)}}}{n^{Sp,i} \frac{I}{I + e^{a_{s,g=DPA}^{Sp} - a_{s,o=SPA}^{Sp} + \beta_s (Un^i - Un^*)}}} = e^{-a_{s,o=SPA}^{Sp} + \beta_s (Un^i - Un^*)}
\end{array} \right. \quad (A6)$$

Putting these together, with a DPA government, we have:

$$\ln \frac{E_{DPA}^i}{E_{SPA}^i} = d_n a_{n,g=DPA}^{Dp} - (1 - d_n - d_c) a_{s,o=SPA}^{Sp} + d_c \beta_c (Un^i - Un^*) + (1 - d_n - d_c) \beta_s (Un^i - Un^*), \quad (A7)$$

where  $d_n$  ( $d_c$ ) is a dummy indicating that  $i \in n$  (c). A similar equation can be derived for the elections when the SPA is in office.

Eq. (A7) reduces to equation (1) in the main text, with the error term reflecting the difference between expected ( $E_g^i$ ) and the observed votes ( $V^i$ ) for the government. A constant term is added to the regression equation to allow for a non-zero mean of the error distribution and for the term in  $Un^*$ .<sup>32</sup> A term  $d_n \beta_n Un^i$  ( $d_s \beta_s Un^i$ ) is added to the model to test our prediction that  $\beta_n D_{n,DPA}^{Dp} = 0$  ( $\beta_s D_{s,SPA}^{Sp} = 0$ ) for DPA (SPA) governments. This is supported by our data.

<sup>1</sup>For examples from political science, see Th. Carothers (2002), “The End of the Transition Paradigm,” *Journal of Democracy* 13: 5–21; L. Diamond (2002), “Thinking about Hybrid Regimes,” *Journal of Democracy* 13.2 (2002) 21–35; S. Levitsky and L. Way (2002) “The rise of competitive authoritarianism” *Journal of Democracy* 13 (2): 51–65; A. Schedler (2002), “The menu of manipulation,” *Journal of Democracy* 13 (2): 36–50.

<sup>2</sup>Examples of such research are A. Shleifer (1997), “Government in Transition,” *European Economic Review* 41 (3–5): 385–410; and J. Fidrmuc (2000), “Political Support for Reforms: Economics of Voting in Transition Countries” in *European Economic Review* 44 (8): 1491–1513.

<sup>3</sup>D.C. North (1990): “*Institutions, Institutional Change and Economic Performance*”, Cambridge: Cambridge University Press. See also M. McFaul, “The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World,” *World Politics* 54 ( January 2002); and Th. Carothers (op. cit.).

<sup>4</sup> See, for example, A. Klosi (1997), “Albania: ‘Koha Jone’ Journalists Analyze Crisis”; from the Frankfurt/Main Frankfurter Rundschau, 24 April 1997; or B. Doll (2003), “The Relationship between the Clan System and Other Institutions in Northern Albania”, *Journal of Southeast European and Black Studies* 3 (2): 147–162.

<sup>5</sup> See, for example, K. Collins (2002), “Clans, Pacts and Politics in Central Asia”, *Journal of Democracy* 13 (3): 137–52; ... (2004), “The Logic of Clan Politics; Evidence from the Central Asian Trajectories”, *World Politics* 56.2: 224–261; or ... (2006), *Clan Politics and Regime Transition in Central Asia*, Cambridge: Cambridge University Press.

<sup>6</sup> See K. Gërzhani and A. Schram (2000), “Albanian Political-Economics: Consequences of a Clan Culture”, *Journal for Institutional Innovation, Development and Transition* 4: 5–14.

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<sup>7</sup> See G. O'Donnell (1996), "Illusions about Consolidation," *Journal of Democracy* 7: 34-51. See also D. North (op. cit.), A. Schedler (op. cit.), or L. Diamond (op. cit.).

<sup>8</sup> As mentioned above, this method is commonly used in the field of Public Choice. For overviews, see M. Paldam (1991), "How Robust is the vote Function? A Study of Seventeen Nations over Four Decades"; in H. Norpoth, M. Lewis-Beck and J.-D. Lafay (Eds.), *Economic and Politics: The Calculus of Support*. Ann Arbor: University of Michigan Press, 9-31; or D. Mueller (2003), *Public Choice III*, Cambridge University Press, Cambridge, U.K.

<sup>9</sup> S. Levitsky and L. Way (op. cit.)

<sup>10</sup> Various studies analyze Albania's political and economic development since communism. See, for example, A. Shala (1997), *The Albanian Crisis – A View from Within*. A Transnational Institute publication, Den Haag, the Netherlands; Ministry of Public Economics and Privatization (1997), "The Privatization Strategy of the Companies with State Capital in Sectors with a Special Importance for the Economy", unpublished manuscript; United Nations Development Program (2000), "Albanian Human Development Report 2000", *United Nations Development Program*, Tirana; or K. Gërzhani (2005), "Politico - Economic Institutions and the Informal Sector in Albania" in D. Bezemer (ed.), *On eagle's wings. Ten years of market reform in Albania*; New York: NovaScience Publishers: 81-95.

<sup>11</sup> For details about the pyramid schemes and their consequences, see K. Sadiraj (1999) "*Albania: Transition to a Market Economy*", Thesis publishers, Amsterdam or D. Bezemer (2001), "Post-socialist Financial Fragility: The Case of Albania", *Cambridge Journal of Economics* 25/1: 1-23.

<sup>12</sup> L. Diamond (op. cit.). In particular, see Table 2, where the Freedom House score for Albania in 2001 is 3.4.

<sup>13</sup> For details about the Albanian political system, see International Crisis Group (2001), "Albania's Parliamentary Elections 2001", *ICG Balkans Briefing Paper*, 23 August 2001.

<sup>14</sup> See, for example, A. Rama (op. cit.); A. Shala (op. cit.); L. Haefner (1999), "The Role of Regions in Albania", *Newsletter Albanien* (Swiss non-profit journal for the cooperation with Albania), 24 December 1999; or G. La Cava and R. Nanetti (2000), "Albania: Filling the vulnerability gap", *World Bank Technical Paper no. 460*. The World Bank.

<sup>15</sup> For a careful example of such comparisons see K. Collins (2004; op. cit., in particular p. 232-234).

<sup>16</sup> See Collins (2002, op. cit.) for evidence for Afghanistan.

<sup>17</sup> We are aware of the argument that clan-based politics are not necessarily equivalent to region-based politics (Collins, 2002, op. cit.). Our analysis is based on Albania, where this happens to be the case.

<sup>18</sup> In her 2002 paper in this journal, Collins estimates clans in central Asia to range in size from 2,000 to 20,000 members. Even if clans in Albania may be larger (because there only two in the country, as will be explained below), their numbers remain low in comparison to the complete electorate. For the 1930s Doll (op. cit.) gives as a rough estimate that members of the Gheg and Tosk clans comprised approximately 10% of the population. For further discussion of the size of clans, see K. Gërzhani and A. Schram (op. cit.) or A. Case (2001), "Election Goals and Income Redistribution: Recent Evidence from Albania", *European Economic Review* 45: 405-423.

<sup>19</sup> See Klosi (op. cit.); Gërzhani and Schram (op. cit.); La Cava and Nanetti (op. cit.); or Vickers and Pettifer (op. cit.).

<sup>20</sup> See A. Gajo (1999), "An Assessment of Land Management and Policy in Albania", *Master thesis*. Institute of Social Studies, Den Haag.

<sup>21</sup> For an overview, see P. Nannestad and M. Paldam (1994): "The VP-function: A Survey of Literature on Vote and Popularity Functions after 25 years", *Public Choice* 79: 213-245; or Mueller (op.cit.).

<sup>22</sup> J. Fidrmuc (op. cit.) concludes that unemployment is the most acute consequence of economic transition from communism. In addition, J. Bell, (1997), "Unemployment Matters: Voting Patterns during the Economic Transition in Poland, 1990-95", *Europe-Asia Studies* 49(7): 1263-1291 concludes for Poland that unemployment constitutes the most important economic variable for explaining voting patterns. Therefore, we believe that our restriction to unemployment rates as an economic indicator used to evaluate government policies will not seriously bias our results.

<sup>23</sup> For more about the vote function, see F. Schneider and B. Frey (1988), "Politico-Economic Models of Macroeconomic Policy", in: Th. Willet, (ed.), *Political Business Cycles*. Durham: Duke University Press, 240-275; Paldam (op. cit.), or Mueller (op. cit.).

<sup>24</sup> When analyzing the 2001 data, we had to deal with one outlier, the southern mountain district, Skrapar. This is the birthplace and electoral zone of the socialist prime minister in this period, Meta. His government enacted various policies favoring this district. Aside from "passing out important jobs to supporters from his native district, Skrapar" (ICG 2001, op. cit.), he gave priority to the reconstruction of the main road to this district, decreasing the travel time from Tirana from about 5.5 to 3.5 hours. As a consequence, support for the SPA was extreme, with a 85-15 split between SPA and DPA. Nevertheless, unemployment in this remote district was by far the highest in the south, at 25%. Due to these extreme numbers, we drop this outlier from the analysis below. A note, accompanying table 2, presents the results including Skrapar.

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<sup>25</sup> See R. Myerson (1993): “Incentives to cultivate favored minorities under alternative electoral Systems”; *American Political Science Review* 87/4: 856-869.

<sup>26</sup> A. Schedler (op. cit) argues that a characteristic of electoral democracies is that though they manage to run fair elections they “fail to institutionalize other vital dimensions of democratic constitutionalism, such as the rule of law, political accountability, bureaucratic integrity, and public deliberation.” (p. 37).

<sup>27</sup> As argued in K. Gërxhani (2004); “Tax evasion in transition: Outcome of an institutional clash? Testing Feige’s conjecture in Albania”, *European Economic Review* 48: 729-745.

<sup>28</sup> According to the Economist Intelligence Unit democracy index in 2006, the overall score for Albania is 5.91 while the score for the central Asian countries is on average 2.8.

<sup>29</sup> For ease of presentation, we only consider one election and drop the time index  $t$ .

<sup>30</sup> In (A2) we do not define  $D_{rg}^k$  for DPA- (SPA-) clan members or partisans outside of the north (south), because we will assume below that these are restricted to their ‘own’ region. Similarly, we will not account for non-partisans in the north or south.

<sup>31</sup> Our empirical results support this latter hypothesis. If non-partisans had a significant impact in the north or south, we would observe a negative relationship between unemployment and support for the government party DPA (SPA) in the north (south), which we reject.

<sup>32</sup> A consequence of the inclusion of a constant term is that the coefficients  $\beta_2$  in table 2 cannot straightforwardly be interpreted as the parameters  $a_{n,g=DPA}^{Dp} - a_{n,o=SPA}^{Sp}$  or  $a_{s,g=SPA}^{Sp} - a_{n,o=DPA}^{Dp}$ .