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LOCAL ELITES? POLITICAL  
ALIGNMENT AND TRANSFERS TO  
PROVINCES IN TUTELARY  
REGIMES: THE CASE OF IRAN**

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**BUYING LOYALTY OF VOTERS OR LOCAL ELITES?  
POLITICAL ALIGNMENT AND TRANSFERS TO PROVINCES IN  
TUTELARY REGIMES: THE CASE OF IRAN<sup>2</sup>**

The paper investigates the impact of an electoral support for president for short- and long-term transfers between national and provincial governments in tutelary regimes. The research uses the case of Iran; the database covers 330 observations for 30/31 provinces for 2005-2015. The results show that Iranian presidents target short-term transfers for disloyal provincial elites, while long-term transfers do not show political connection with voting patterns. The results also allow for assuming that the key factor for the logic of distribution is a political competition.

JEL Classification: D72, H77, R50.

Keywords: voting alignment, intergovernmental transfers, tutelary regime, regional elites, Iran.

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## Introduction

The effect of political alignment on the finance distribution among local governments is one of the crucial questions in the political economy. Two basic sets of theories explain the logic of intergovernmental transfers: the swing voter (Lindbeck and Weibull, 1987) and the core voter theory (Cox and McCubbins, 1986) set; and the copartisan set (Berry et al., 2010; Brollo, Nannicini, 2012; Fourinaies, Mutlu-Eren, 2015; Wan et al., 2015). While Lindbeck and Weibull argue that politicians buy loyalty of oppositional regions, Cox and McCubbins claim that they reward loyal regions. These logics also may take place at the same time, depending on the context and economic growth (Diaz-Cayeros et al., 2012; Vaishnav and Sircar, 2012; Marques II, Nazrullaeva, Yakovlev, 2016). It is also important to note that swing voter theory is mostly applicable to democracies, while the core voter theory is much more typical for non-democratic political regimes (Stokes et al., 2013).

The copartisan theory bases on an assumption that politicians support regional and local members of parliaments who has the same partisan affiliation and can then claim credit for spending the resources they receive from higher levels of government (e.g. Brollo, Nannicini, 2012; Fourinaies, Mutlu-Eren, 2015; Simon-Cosano et al., 2013; see details at Bohlken, 2018). The absolute majority of the papers regarding the problem also concentrate on either autocracies or democracies

The purpose of the research is to find out how the government distributes resources between voters and local elites among provinces in tutelary regimes, regarding the case of Iran. Tutelary regimes are "regimes in which elections are competitive but the power of elected governments is constrained by nonelected religious (e.g., Iran), military (e.g., Guatemala and Pakistan), or monarchic (e.g., Nepal in the 1990s) authorities" (Levitsky and Way, 2010: 14).

The research uses vote margin as a key independent variable; and short-term and long-term transfers for province per capita are dependent variables. Short-term transfers perform the role of the financing of regional bureaucracies, e.g. local elites<sup>3</sup>. Long-term transfers are de-facto long-term investments for regional development.

The crucial implication of the analysis is the clarification of the role of competitiveness for the pork-barrel politics. The research shows that political loyalty is insignificant for long-term transfers; it matters only for short-term ones. Long-term transfers are developmental investments, and their distribution is influenced only by socioeconomic indicators. However, the short-term

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<sup>3</sup> Author grates prof. Ebrahim Mohseni for the insight.

transfers is an instrument for the provincial elites' loyalty purchasing. In addition, the paper supplements the research of the welfare state in Iran, originally developed by Kevan Harris (2017). It shows that the Iranian political regime bargains with the ordinary voters as well as with the regional elites, that are also represent an important part of the Iranian ruling coalition.

The research is based on an assumption that Iranian national elites (i.e. president) distributes resources among provinces through subnational elites taking into consideration the level of support provided during the previous elections. The president who belongs to one of the factions knows which provinces supported him during the elections, and decides which provinces will receive more support. He uses provincial governments as an intermediary for transfers for voters and specific brokers at the lower administrative levels. The brokers, regarding a pork volume, mobilize voters for the following election to support a candidate from the same faction as the president or from another one.

The research shows that developmental investments are not affected by the political alignment of voters in tutelary regimes. The results may assume that political struggle among factions forces them to distribute the investments carefully to receive as much support as possible from the voters from underdeveloped provinces. However, the short-term elite-oriented transfers are politically biased. The bias may come from the necessity to purchase disloyal brokers at the lower administrative levels.

The tutelary institutions may not have a significant impact for the distribution. They only shape the field of a political struggle, but do not participate in it. The most important concern regarding the issue is the definition of which factions may participate in elections. Otherwise, the participants compete between each other, and only voters decide who wins.

In sum, the results suggest that in a tutelary and hybrid state or regime in which elective institutions possess limited power and influence national elites promote buying loyalty of ordinary voters through the development policy. However, they purchase the loyalty of subnational political elites through politically aligned transfers. They complicate the current distributive politics' theories as they show that tutelary regimes have their own logic of distribution. The national elites purchase loyalty of the subnational ones through the transfers goaled to support the elites at the lower administrative levels. In addition, the developmental transfers are not politically aligned as the transfers are purposed to buy the loyalty of the voters from the underdeveloped provinces, not from the disloyal ones.

The paper organized as follows. The next section discusses previous empirical findings on distributive politics; Section 3 describes the features of tutelary regime in Iran; Section 4 presents methods and the dataset; Section 5 presents empirical results; Section 6 concludes.

## **Voting alignment and the resource allocation**

A substantial body of empirical literature on distributive politics focuses on the swing and core voter theories. The swing voter theory (Lindbeck and Weibull, 1987) claims that politicians reward split constituencies without ideological commitment. Regarding the theory, politicians provide support for their constituencies because they cannot reward specifically their supporters. The politicians allocate resources to sway swing voters to turn out for the elections. Dixit and Londregan (1996, 1998) developed the theory for two-party (or two blocs of parties) systems, arguing that competing parties may jeopardize their ideologies by adapting their platforms and proposed pork-barrel policy. Significant number of studies, especially in the cases of the political regimes with competitive elections and unpredictable results (e.g. Case, 2001; Banful, 2011; Wright, 1974; Migueis, 2013; Johansson, 2003; Gregor, 2020; Kauder et al., 2016) justify the model.

On the contrary, core voter theory (Cox and McCubbins, 1986) suggests that politicians tend to increase transfers only for their loyal supporters. The politicians behave in this way to decrease risks as investing in swing voters is more risky compared to core voters. In this way, they encourage already loyal supporters to vote for them. Empirical studies found support for the model mostly regarding regimes with less competitive elections (e.g. Calvo, Murillo, 2004; Koter, 2013; Hiskey, 1999; Schady, 2000). Nevertheless, the core voter model also applies for the political regimes with competitive elections in specific circumstances. For instance, a shift from a single-party dominance to a fractious region coalition takes place, or in the cases when politicians have information about voters' preferences (Larcinece et al., 2013; Rodden and Wilkinson, 2005).

The second set of papers focuses on the partisan alignment of deputies and mayors. The credit claiming logic testifies that copartisan politicians will try to maximize the spending in the constituencies to keep their power for the next electoral cycle. The studies explain the targeting of intergovernmental transfers to lower-lever governments with representatives sharing their partisan affiliation. These studies argue that the targeting primarily by the behavior of incumbents at lower levels of government. The incumbents are able to claim credit among ordinary voters for the spending of grants that they receive from higher-level governments. Moreover, they emphasize that higher-level politicians experience credit spillovers when copartisans (members of the opposition) at lower levels of government receive transfers. Copartisan model is corroborated by the empirical

findings from a diverse political context: it is applicable for democracies as well as for non-democratic regimes (e.g. Berry et al., 2010; Brollo, Nannicini, 2012; Fourmaies, Mutlu-Eren, 2015; Wan et al., 2015; Hankins et al., 2017). These studies argue that incumbents at the subnational levels may increase their popularity among voters by spending transfers from the national level to loyal voters at the subnational one. It means that national politicians aspire to limit the influence of the competing politicians and parties at the lower levels.

All the theories provide hypotheses for an individual level while the research focuses on the regions (Marques II, Nazrullaeva, Yakovlev, 2016). The current research on regional transfers is based on two strong assumptions. Firstly, the elections must be performed in a single district. Thus, regions within the district form a specific electoral group. Secondly, electoral outcomes in a region and an individual support for the incumbent are supposed to be straightforwardly connected with each other. The research assumes that local intermediaries, accountable to national politicians, distribute national transfers among voters and elite. It allows merging of assumptions at the levels of individuals and regions.

The research also relates to another body of literature. González (2016) showed that popular Argentinian presidents mostly support weak and poor regions, while the unpopular ones target the rich ones. Martin (2003) found a significant role of the voters' turnout. Two groups of scholars (Borck and Owings, 2003, Dalle Nogare and Kauder, 2016) estimated the role of the local politicians' lobby. More politically represented regions receive more funds (Masser and Stratmann, 2016). However, formula-based intergovernmental transfers do not eliminate the effect of the political targeting (Banful, 2011).

## **Tutelary regime and distributive politics in Iran**

Iranian political system is theocratic. Idea of Guardianship of the Jurist (*velayat-e faqih*) is at the core of the political system. The first Supreme Leader of Iran Ayatollah Khomeini created a long argument chain and argued that an Islamic jurist should rule during the absence of the Hidden Imam (*faqih*). The new regime was framed to implement Islamic law, but also alongside with the secular law (Namazi, 2019). These characteristics determined the consecutive transformation of the regime

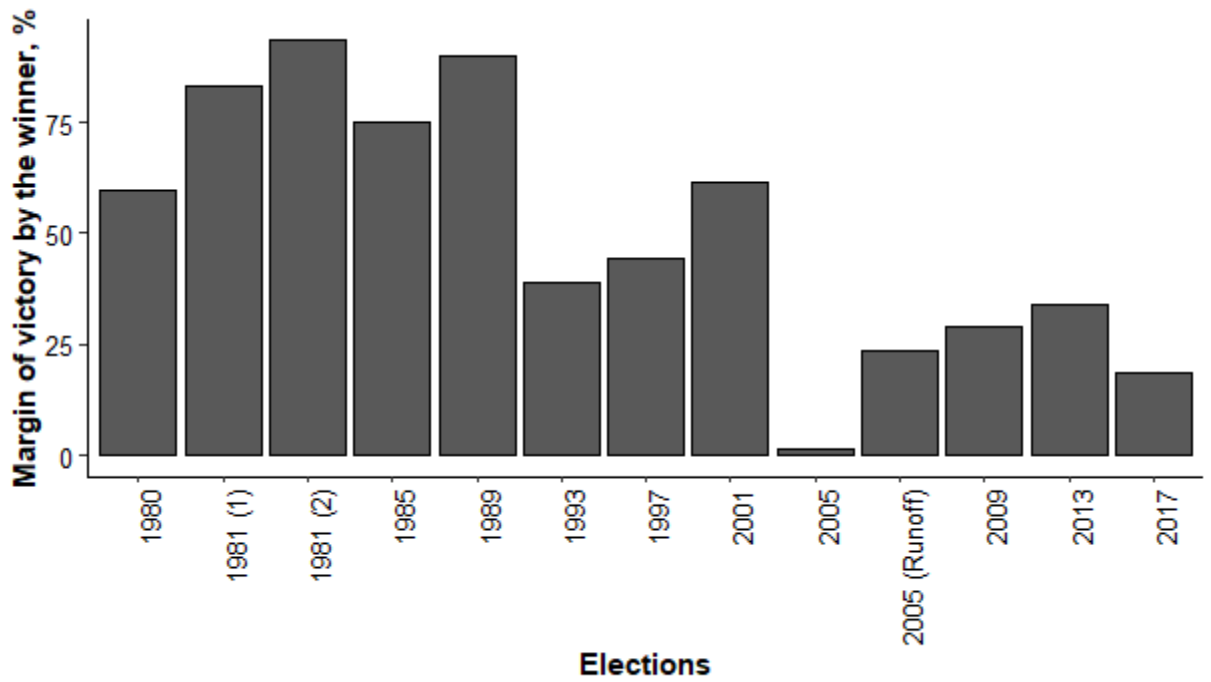
Supreme Leader is a veto-player in Iranian political system. He sets strategic directions for Iranian internal and foreign policy. Only two Supreme Leaders have been ruling in Iran since the Islamic Revolution: Ayatollah Khomeini (1979-1989) and Ayatollah Khamenei (since 1989). He appoints 6 of Islamic jurists for the Guardian Council as well as Head of Judiciary who also

appoints 6 lay jurists for the Council. The Council performs as both the electoral committee and the second chamber of the Parliament: it decides who can participate in elections in Iran, and it checks the laws proposed by Majles (Parliament) for their correspondence with the Constitution and the Shari`a.

President is responsible for an administrative and operation governance in Iran. By Constitution (1979) he controls the budget policy of the country (Ch. 9, art. 126). He is elected by the country electorate (Ch. 9, art. 114) for 4 years. The Guardian Council reviews the list of candidates and Supreme Leader approves it (Ch. 8, art. 110). All the candidates must meet the minimum requirements: Iranian origin, Iranian citizenship, orderliness and organizational skills, a worthy biography and piety, religiosity, faith in the foundations of the Islamic Republic and belonging to the official religion of the country (Ch. 9, art. 115). Thus, the number of participants varies from 2 to 10. Share of approved candidates is approximately 3%, except the 1980 elections when 96 from 124 (74%) participated. It is important to note that president personally appoints heads of provinces.

Among other things, Iranian governors supervise all the referendums and elections, coordinate welfare issues of government employees, control implementation of development programs in their provinces (Description of the governor`s duties, 2020). The functions mentioned above allow us to assume that governors have enough patronal power to distribute pork among other provincial elites.

One-party system dominated by Islamic Republican Party was created in 1980 and dissolved in 1987 because of the intra-elite conflict within the party. Iranian tutelary regime formed in 1990, just after the Constitutional reform (1989), death of Ayatollah Khomeini (1989) and the end of Iran-Iraq War (1988). A multiple number of factions, parties, and labor unions with different political programs emerged during the 1990s, especially after the prominent Presidential elections of 1997, promoting political competition in Iran. The factions and parties coalesce with each other and form electoral blocs to participate in elections at all levels. The organizations must support the Guardianship of the Jurist to be legal. Secular and anti-system parties are forbidden or in exile (Alem, 2011).



Source: (Boroujerdi, Rahimkhani, 2018)

Fig. 1. Margin of victory by the winner for the presidential elections in Iran, 1980-2017

The long-term trend of Iranian presidential elections (see Fig. 1) has been showing the increase in competitiveness since 1980. The first period (1980-1989) is characterized by a victory margin of more than 50%, which could be linked to the establishment of the new state, Iran-Iraq war and the domination of IRP. The victory margin of the second period (1993-2001) vacillates between 25 and 50% and is connected to the Reconstruction and Reformation period when political, social, economic life was liberalized. The period was finished by the first ever elections with two rounds of 2005. The third period (2005 – present) was the most competitive, the vote margin was approximately or below 25%.

The long-term goal of the Iranian distributive politics is the maintaining power by the ruling coalition of clergy, technocratic bureaucracy, and military (Golkar, 2016). To perform this, the coalition created a dual welfare state in the process of internal factions struggle, and included almost all social strata in the scope of the welfare state after Islamic Revolution (Kamal et al., 2015; Harris, 2017). Islamic Republic uses state as well as parastatal and religious-parastatal organizations for the coordination of a distribution process (Jawad, Yakut-Cakar, 2010; Saedi, 2004). The state organizations (Social Security Organization, Civil State Retirement Organization) distribute most of the welfare resources in the country (Harris, 2017). The parastatal organizations distribute the lesser part of the welfare resources. They have large formally non-state budgets (Esfahani. Taheripour, 2002). For example, the budget of Imam Charity Committee (ICC) has been fourth in size just after

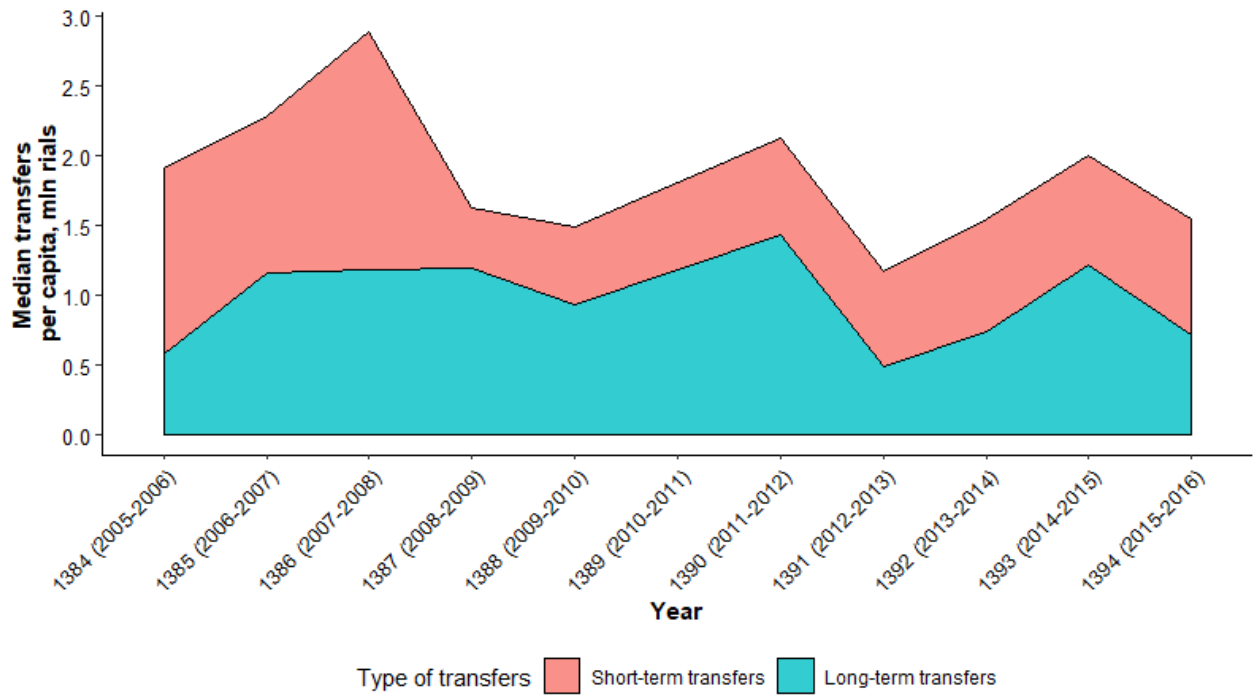


the Ministry of Defence, Police, and Islamic Revolutionary Guards Corps` budget for 2005. Approximately 75% of the ICC`s budget consisted of the state expenditures (Alamdari, 2005).

In addition, the ruling coalition intended to increase economic growth without promoting inequality. Average income grew significantly during 1990-2005, recovering up to the prerevolutionary level. Level of poverty radically decreased, the poorest strata redoubled income, consumption levels, and received an access to basic goods. Moreover, new social groups got access to key public goods such as water and electricity, generally improving the living standards (Salehi-Isfahani, 2006).

President Mahmoud Ahmadijead (2005-2013) changed the strategy of the resource distribution. He thought that the previous strategy was unequivocal. He visited mostly underdeveloped provinces every 23 days to provide support for the developmental projects in small villages and towns. The policy had mixed results. On the one hand, it decreased inequality. On the other hand, his critics claimed that Ahmadinejad ignored the 5-year developmental plan and distributed resources *ad hoc* (Habibi, 2015). The period of the Hassan Rouhani presidency (since 2013) has been characterized by the growth of inequality, mostly connected with sanctions against Iran (Salehi-Isfahani, 2017).

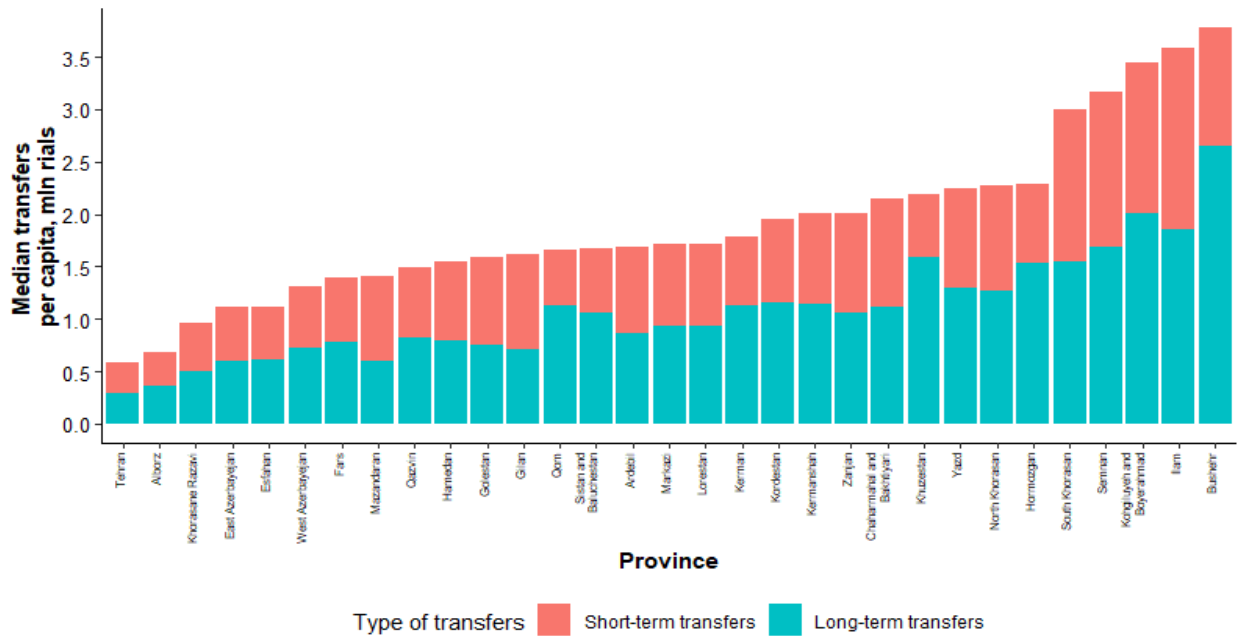
The statistics of transfers for the period of 2005-2015 reflects the key role of short-term transfers for 2005-2009 and their relative equalization with a relative increase of long-term transfers since 2010 (see Fig. 2). The reform of regional governments regarding the Fourth 5-Year Developmental Plan (2005-2009), design of regional developmental programs, and an infrastructure creation may explain the effect (Law of the Fourth..., 2004). An increase of long-term transfers may be explained by the credit subsidy reform of 2009. The previous policy used investments of money into the energy sector. For the reform, energy dividends replaced the financial incentives. The saved resources were used for investments into developmental projects (Guillaume, Zytek, Farzin 2011). However, the reform had short-term effects. After the expiration of the effects, and sanctions enforcing, transfers for provinces decreased (Demirkol et al., 2014).



Source: Iran Statistical Yearbook, various years

Fig. 2. Distribution of short- and long-term transfers in Iran by year, 1384-1394 (2005-2016), current values

The distribution of transfers by provinces (see Fig. 3) shows that short-term transfers have relatively similar values. However, long-term transfers have a very high degree of variation. The distribution may be interpreted in such a way that governments purposefully invest into specific, mostly poor and underdeveloped provinces, while other provinces receive the leftover. These findings partly contradict the existing research (Lob, Habibi 2019), that shows that socioeconomic and developmental disparities between low-income and high-income provinces remain high.



Source: Iran Statistical Yearbook, various years

Fig. 3. Distribution of short- and long-term transfers in Iran by province, 1384-1394 (2005-2016), current values

Regarding the analysis performed in Sections 2 and 4, the following hypotheses are possible:

H1.1. Vote margin is positively connected with the short-term transfers.

H1.2. Vote margin is negatively connected with the short-term transfers.

H2.1. Vote margin is positively connected with the long-term transfers.

H2.2. Vote margin is negatively connected with the long-term transfers.

## Data and Empirical Strategy

It is important to mark that all the data uses Iranian calendar. The calendar year starts at March 21 and ends March 20. To convert the year to Gregorian, a person is supposed to add 622 years to the Iranian year before March 20, or 621 after March 20. The sample consists from 11 Iranian years: 1384-1394 (2005-2016), and covers three electoral cycles.

The research also assumes that all the data provided by the Statistical Centre of Iran for socioeconomic indicators and the Ministry of Interior for elections at least represents trends of the Iranian economics and politics.

Tab. 1. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Victory margin, %	335	-12,44	62,89	30,24	18,23
Political alignment of winner <sub>t-1</sub> (cons = 1)	333	0	1	0,70	0,46
Short-term transfers, mln rials	335	330818	14033801	1918486	1737786
Short-term transfers per capita, mln rials	335	0,21	3,02	0,97	0,53
Long-term transfers, mln rials	332	376129	9544431	2038287	1474301
Long-term transfers per capita, mln rials	332	0,08	5,91	1,12	0,73
Population	335	549000	13270000	2408499	2268661
Economic participation, %	335	26,10	48,60	38,07	3,67
Unemployment, %	335	5,20	20,05	11,42	2,87
GDP per capita, mln rials	335	8339	700899	82429	92572
Urbanization, %	335	46,52	95,38	65,37	12,35
Literacy, %	335	67,28	92,42	84,01	3,96
Persians, %	335	0,00	99,30	41,85	36,02
Valid N (listwise)	330				

Iran Statistical Yearbooks (Iran Statistical Yearbook, v.y.) are a key source of data for the research (see descriptive statistics in Tab. 1). They grant information on GDP, population, short- and long-term transfers. Three observations for long-term transfers are missed. Per capita values were calculated by the author. The yearbooks provide the following definitions for the transfers to provinces.

**Expenses (current) credits:** "credits considered in the 5-Year Development Plan as a whole and in the government general budget in parts to meet government current expenditures as well as expenditures of maintaining the level of government's socio-economic activities" (Iran Statistical Yearbook 1390, 2013: 788). They are titled **short-term transfers** in the study.

**Provision-of-capital-assets (development) credits:** "refers to the credits allocated to specific operations and services which are carried out based on technical, social and economic studies by government organization. These operations and services are conducted during a specific period of time with a specific budget to realize the goals of the 5-Year Development Plan as a fixed investment or conduct a study to create capital assets. The needed resources for conducting these operations and services are funded through ownership of capital assets. This credit is divided into

two types: profit and non-profit" (Iran Statistical Yearbook 1390, 2013: 788). They are titled **long-term transfers** in this study.

The short-term transfers are assumed as an instrument of the elite bargaining, while long-term transfers are presumed to be an instrument of the ordinary voters bargaining. The difference between them is a transfer recipient. The short-term transfers serve to support regional bureaucracies for performing their functions. The long-term transfers are investments into provincial economies, they support provinces, not provincial governments.

The short-term transfers may promote mobilization of specific groups of voters, connected with regional governments. The long-term ones may increase participation of the voters affected by the program. The theoretical expectations about the transfers are the following: the long-term transfers are supposed to be used to mobilize swing voters as they are designed to improve the quality of life in underdeveloped regions. The short-term transfers are about to mobilize core voters as they are linked with regional governments, those are under control of a president.

The raw data on the voting was extracted from *Postrevolutionary Iran: A Political Handbook* (Boroujerdi, Rahimkhani, 2018). The vote margin was calculated by the author. The results of the second round of 2005 Presidential elections used in the research as the round was crucial for both participants.

Political alignment of the winner reflects the affiliation of the presidential candidate who received the majority in a particular year and province. 1 refers to the conservative candidate, while 0 refers to non-conservative (reformist or moderate) candidate.

Economic participation rate is the share of the economically active population aged 10 or over to the total population aged 10 or over.

Urbanization and literacy indicators reflex effectiveness of the welfare state in Iran. They were extracted from the National Population and Housing Censuses (Statistical Centre..., 2011, 2018). Though the data represented only through 3 points available by the Censuses: 1385 (2006-2007), 1390 (2011-2012), 1395 (2016-2017) using a linear connection<sup>4</sup> between the points to reproduce the missed data.

Ethnicity and Religious Services Participation Survey is a source for the data on the share of Persians (Ethnicity..., 2019). The variable matters as Iran provides discriminative ethnic policy

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<sup>4</sup> The variable value of the 2006 year was subtracted from the variable value of 2011, divided on the number of years (5), and added to the consequential years. The same procedure was repeated for 2011 and 2016, respectively.

(Saleh, 2013). The survey's data not cover the period of 1384-87 (2005-08) and 1392-1394 (2013-2016), therefore, the author used the mean values for the available year. In addition, there are some outliers. They had been recalculated as means of the neighbor years, or as the values of the previous year.

The first step of the analysis uses crosscorrelation to estimate the possible lagged connections between voting margin and short and long-term transfers. The second step of the research adopts lagged linear regression with fixed effects per year. The study does not utilize provincial fixed effects due to a large number of provinces (30-31) and relatively limited number of observations (up to 330). The following regression equation (1) estimates the model:

$$y_{it} = VM_{it-1} + \alpha_{it-1} + X_{it-1} + \varepsilon_{it-1} \quad (1)$$

where  $y_{it}$  is the value of grants per capita allocated to specific province  $i$  at time  $t$  by the government;  $VM_{it-1}$  represents the lagged treatment effect of the vote margin;  $\alpha_{it-1}$  is the lagged year fixed effect;  $X_{it-1}$  is the lagged effect of control variables;  $\varepsilon_{it-1}$  is an error term.

## Results

Cross-correlation tests (see Fig. 4) shows that victory margin may be connected with short-term transfers regarding one-year lag. On the other hand, the test does not show any specific connection of the variable with long-term transfers.

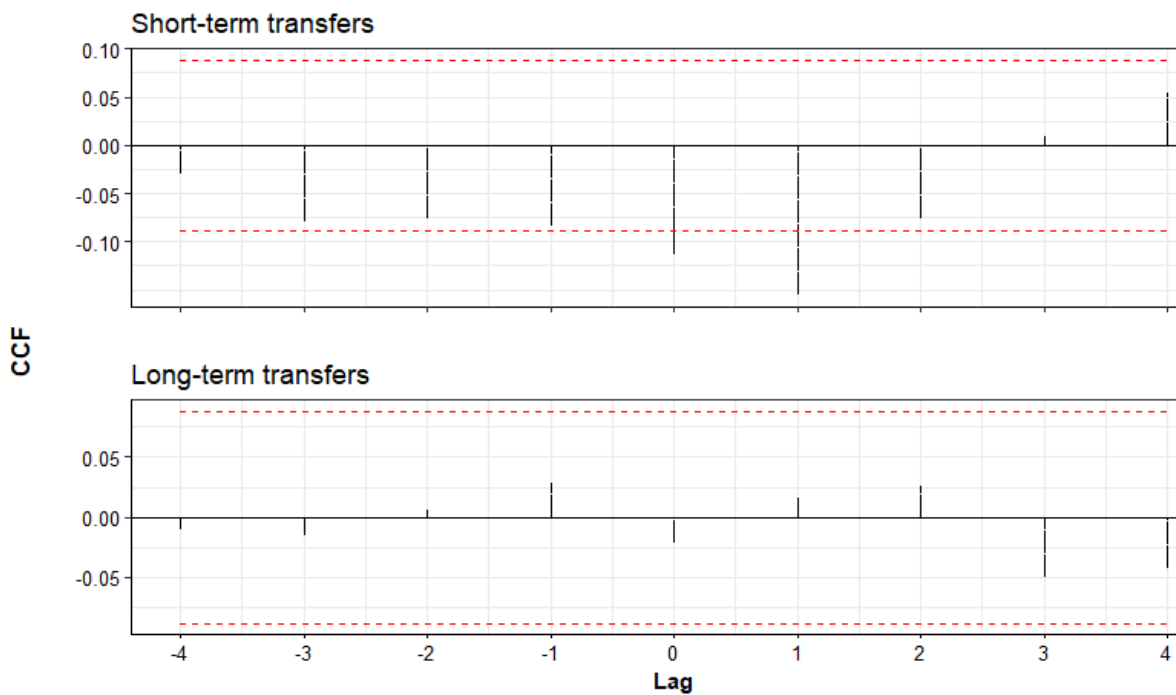


Fig. 4. Cross-correlation function of the victory margin for the presidential elections (%)

and the distribution of transfers in Iran (mln rials per capita) in Iran

**Tab. 2. OLS model, dependent variable: short-term transfers per capita**

	<i>Dependent variable:</i>					
	Short-term transfers					
	(1)	(2)	(3)	(4)	(5)	(6)
Victory margin <sub>t-1</sub> , %	0.001 (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.002** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)
Political alignment of winner <sub>t-1</sub> (cons = 1)		0.101** (0.047)	0.042 (0.048)	0.037 (0.047)	-0.049 (0.048)	-0.044 (0.048)
Log10 of population <sub>t-1</sub>		-0.306*** (0.017)	-0.309*** (0.016)	-0.290*** (0.017)	-0.297*** (0.016)	-0.297*** (0.016)
Economic participation <sub>t-1</sub> , %		-0.003 (0.003)	0.001 (0.003)	0.002 (0.003)	0.0001 (0.003)	0.001 (0.003)
Unemployment <sub>t-1</sub> , %		0.016*** (0.004)	0.015*** (0.004)	0.014*** (0.004)	0.016*** (0.004)	0.017*** (0.004)
Log10 of GDP per capita <sub>t-1</sub> , mln rials			0.095*** (0.022)	0.121*** (0.022)	0.083*** (0.023)	0.083*** (0.023)
Urbanization <sub>t-1</sub> , %				-0.004*** (0.001)	-0.008*** (0.001)	-0.008*** (0.001)
Literacy <sub>t-1</sub> , %					0.024*** (0.005)	0.023*** (0.005)
Persians <sub>t-1</sub> , %						0.0003 (0.0004)
Constant	1.378*** (0.060)	6.037*** (0.273)	5.045*** (0.348)	4.695*** (0.353)	3.633*** (0.394)	3.653*** (0.395)
Year fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	331	302	302	302	302	302
Adjusted R <sup>2</sup>	0.647	0.850	0.859	0.865	0.876	0.876
Residual Std. Error	0.313 (df = 319)	0.204 (df = 287)	0.198 (df = 286)	0.194 (df = 285)	0.185 (df = 284)	0.186 (df = 283)
F Statistic	56.051** * (df = 11; 319)	122.500*** (df = 14; 287)	122.951*** (df = 15; 286)	121.120*** (df = 16; 285)	126.262*** (df = 17; 284)	119.112** * (df = 18; 283)

Note:

\* \*\* \*\*\* p < 0.01

**Tab. 3. OLS model, dependent variable: long-term transfers per capita**

	<i>Dependent variable:</i>					
	Long-term transfers					
	(1)	(2)	(3)	(4)	(5)	(6)
Victory margin <sub>t-1</sub> , %	-0.0004 (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.003* (0.002)	-0.003 (0.002)	-0.003 (0.002)
Political alignment of winner <sub>t-1</sub> (cons = 1)		0.148 (0.125)	-0.036 (0.125)	-0.047 (0.123)	0.045 (0.130)	0.091 (0.130)
Log10 of population <sub>t-1</sub>		-0.476*** (0.044)	-0.483*** (0.042)	-0.445*** (0.044)	-0.438*** (0.044)	-0.441*** (0.043)
Economic participation <sub>t-1</sub> , %		-0.050*** (0.009)	-0.039*** (0.009)	-0.036*** (0.009)	-0.033*** (0.009)	-0.024*** (0.009)
Unemployment <sub>t-1</sub> , %		0.004 (0.012)	0.002 (0.011)	-0.0003 (0.011)	-0.002 (0.011)	0.010 (0.012)
Log10 of GDP per capita <sub>t-1</sub> , mln rials			0.300*** (0.057)	0.354*** (0.059)	0.395*** (0.062)	0.403*** (0.061)
Urbanization <sub>t-1</sub> , %				-0.008*** (0.003)	-0.003 (0.004)	-0.004 (0.004)
Literacy <sub>t-1</sub> , %					-0.025** (0.012)	-0.035*** (0.013)
Persians <sub>t-1</sub> , %						0.003*** (0.001)
Constant	0.653*** (0.128)	9.928*** (0.724)	6.797*** (0.909)	6.081*** (0.932)	7.209*** (1.078)	7.397*** (1.068)
Year fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	329	300	300	300	300	300
Adjusted R <sup>2</sup>	0.163	0.465	0.512	0.524	0.529	0.540
Residual Std. Error	0.667 (df = 317)	0.541 (df = 285)	0.517 (df = 284)	0.510 (df = 283)	0.507 (df = 282)	0.502 (df = 281)
F Statistic	6.813*** (df = 11; 317)	19.582*** (df = 14; 285)	21.902*** (df = 15; 284)	21.573*** (df = 16; 283)	20.778*** (df = 17; 282)	20.469*** (df = 18; 281)

Note:

\* \*\* \*\*\* p<0.01



**Tab. 4. OLS model, robustness for political business cycle, dependent variable: short-term transfers per capita**

	<i>Dependent variable:</i>						
	Short-term transfers						
	(1) t-3	(2) t-2	(3) t-1	(4) T	(5) t+1	(6) t+2	(7) t+3
Victory margin, %	-0.001** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.002*** (0.001)	-0.001* (0.001)	0.0001 (0.001)
Constant	2.468*** (0.340)	3.750*** (0.385)	3.653*** (0.395)	3.144*** (0.385)	2.966*** (0.411)	2.689*** (0.441)	2.557*** (0.478)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	240	271	302	333	303	273	242
Adjusted R <sup>2</sup>	0.791	0.860	0.876	0.871	0.877	0.882	0.887
Residual Std. Error	0.142 (df = 223)	0.172 (df = 253)	0.186 (df = 283)	0.189 (df = 313)	0.190 (df = 284)	0.192 (df = 255)	0.195 (df = 225)
F Statistic	57.578*** (df = 16; 223)	98.618*** (df = 17; 253)	119.112*** (df = 18; 283)	119.447*** (df = 19; 313)	120.970*** (df = 18; 284)	120.869*** (df = 17; 255)	118.755*** (df = 16; 225)

*Note:* \* \*\* \*\*\* p < 0.01

**Tab. 5. OLS model, robustness for political business cycle, dependent variable: long-term transfers per capita**

	<i>Dependent variable:</i>						
	Long-term transfers						
	(1) t-3	(2) t-2	(3) t-1	(4) T	(5) t+1	(6) t+2	(7) t+3
Victory margin, %	-0.007** (0.002)	-0.005** (0.002)	-0.003 (0.002)	-0.003 (0.002)	-0.001 (0.002)	-0.0004 (0.002)	-0.002 (0.002)
Constant	8.189*** (1.268)	7.462*** (1.150)	7.397*** (1.068)	6.455*** (0.996)	5.738*** (1.049)	5.148*** (1.043)	4.783*** (1.067)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	238	269	300	330	300	272	242
Adjusted R <sup>2</sup>	0.536	0.540	0.540	0.552	0.563	0.584	0.621
Residual Std. Error	0.529 (df = 221)	0.512 (df = 251)	0.502 (df = 281)	0.488 (df = 310)	0.484 (df = 281)	0.453 (df = 254)	0.434 (df = 225)
F Statistic	18.130*** (df = 16; 221)	19.535*** (df = 17; 251)	20.469*** (df = 18; 281)	22.309*** (df = 19; 310)	22.393*** (df = 18; 281)	23.398*** (df = 17; 254)	25.731*** (df = 16; 225)

*Note:*

\* \*\* \*\*\* p<0.01

Results of the regression analysis (see Tab. 2 and Tab. 3) show that voting alignment was significant for short-term transfers and insignificant for long-term transfers. Negative link between voting alignment and transfers to provinces for short-term transfers persists for all specifications except for the first one. For the long-term transfers, the significant negative link is significant for second, third and fourth specifications. However, the level significance is lower than 0.01.

The estimates reveal the same pattern. Supporting Hypothesis 2.1, Iranian presidents prefer to buy the support of swing subnational elites. In addition, they do not target provinces with disloyal or loyal electorate straightforwardly. Instead, they invest money in unpopulated, illiterate, rural provinces with lower levels of economic participation. It is also important to note that the effect of political disloyalty for short-term transfers is very limited compared with the socioeconomic indicator: even the staunchest opposition provinces may increase transfers by only 0.002-0.003 mln rials per capita. Therefore, H2.1 only supported, other hypotheses rejected.

One more claim is the explanatory power of the models. It is relatively high for short-term transfers (~0.87-0.88) and significantly lower for long-term transfers (~0.54-0.55). The results may be interpreted in a way that long-term transfers distribution are determined not only by basic socioeconomic factors.

Robustness check of the models (see Tab. 4 and Tab. 5) also supports the idea. Victory margin influence on short-term transfers keeps significant for lagged models with lags varied from -2 till +1. However, regarding long-term transfers it is marginally significant only for -3 and -2 years lagged models.

## **Conclusion**

Taken together, the findings provide robust support for political factors` influencing distribution of short-term transfers in Iran. The results support the swing voter theory for local elites and reject other theories. They point to the interesting explanation on the nature of distributive politics in tutelary regimes as well as for the specificity of Iran.

The research shows that political competition and executives' rotation typical for tutelary regimes play a crucial role for the distribution of resources. Iran follows a similar pattern to the USA, Hungary, Sweden and so forth. Tutelary institutions do not play a significant role regarding the logic of distributive politics by provinces. The claim may help us better understand the nature of distributive politics as it provides a possible explanation of the logic for the loyalty buying in the different types of political regimes.

The next important conclusion allows us to develop the understanding of Iranian welfare state. As Harris (2017) marked, the regime of Islamic republic purchased loyalty of electorate by the expansion of welfare state for all social stratum. Supporting him, the research shows that political loyalty is insignificant for long-term transfers; it matters only for short-term ones. Long-term transfers are developmental investments, their distribution is influenced only by socioeconomic indicators. However, the short-term transfers is an instrument for the provincial elites` loyalty purchasing. The estimates show that Iranian welfare state bargains not only from the ordinary voters, but also from the subnational elites.

All in all, the research reveals a significant role of political competition for the distribution of resources in tutelary regimes. In addition, it partly uncovers the role of provincial elites for the support of the competing factions in Islamic Republic of Iran. Furthermore, the study elucidates the role of socioeconomic factors for the distribution of resources for the electorate.

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