



Local representation and strategic voting: Evidence from electoral boundary reforms

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ABSTRACT

We analyze whether voters value local political representation by exploiting municipal mergers, which increase the number of candidates available to voters and intensify political competition. In the Finnish open-list proportional representation system, voters rank the candidates within parties, and thus, concentrating votes to local candidates increases the extent of local representation. Using a difference-in-differences strategy, we find that the vote distributions become more concentrated in municipalities less likely to gain local representation after the mergers. Moreover, the effect is much larger in municipalities where the benefits of local representation to voters are large. The latter result disentangles voters' responses from the responses of other political actors. The results are important also for designing local government mergers, which are an important policy tool in many countries. They highlight that concerns over deteriorating local democracy due to mergers have merit, because voters have preferences for local representation. At the same time, the vote concentration patterns we find alleviate these concerns.

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1. Introduction

Received literature in both economics and political science shows that representation in a legislative body matters for the geographic distribution of centralized spending and the type of public spending in general.² Representation should be important also at the local level. If households sort into local communities based on their preferences concerning local public goods as suggested by Tiebout (1956), a local candidate is likely to share voters' preferences over the service-tax bundle that the local public sector offers. In addition, voters' preferences are likely to be heterogeneous with respect to the geographic location of the services. Moreover, local governments cater to these heterogeneous preferences from a common pool of funds, which implies that voters need a local representative to ensure their own share of the spending (Weingast et al., 1981) and to prevent others from spending too much (Baron and Ferejohn, 1989).

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² See e.g. Knight (2005 and 2008), Dragu and Rodden (2011), Albouy (2013) and Jennes and Persyn (2015) for evidence on the geographic distribution of centralized spending and Pande (2003) and Chattopadhyay and Duflo (2004) concerning spending that benefits minority groups.

In this paper, we analyze whether voters value local political representation by studying how voters in municipal council elections reacted to a recent wave of municipality mergers in Finland.³ Here local representation refers to the candidates residing in the voters' pre-merger municipalities who are elected to the post-merger municipal council. Using the terminology coined by Duverger (1954), a municipal merger can be seen as an electoral boundary reform that results in both *mechanical* and *psychological* effects. The mechanical effects of a merger result from the way it changes the set of voters that are able to vote for a given candidate, the set of candidates competing against each other and the number of seats over which they compete. The mechanical effects are likely to lead to psychological effects, i.e. behavioral responses by political actors.

For our purposes, the essential feature of the Finnish local election system is that each voter casts a single vote to a single candidate meaning that voters (not parties) decide which candidates are elected from a given list. Therefore, votes contain information on voter preferences over individual candidates. From the voters' point of view, the electoral boundary reforms have two major components. First, a merger can be seen as an expansion of the voters' choice set, because in the merged municipalities voters can also vote for new non-local candidates. If the location of candidates is not relevant to voters, at least some voters should find a better match from the new larger set of alternatives. If so, the vote distribution of a municipality (when measured at the pre-merger level) should be less concentrated after a merger as votes are scattered to a larger number of candidates. If, however, voters prefer local over non-local candidates, they should keep on voting them regardless of the new choices available. This, in turn, should result either in no change or in a more concentrated vote distribution depending on the number of local candidates in the post-merger elections. According to a standard revealed preference argument, if we observe a voter choosing a local candidate over a non-local candidate when both are available, this choice reveals a preference for local over non-local candidates.

Second, by increasing political competition, a merger profoundly affects the extent of local representation, i.e. the expected number of representatives from voters' pre-merger municipalities in the post-merger municipal council. If voters value local representation and act strategically, i.e. take into account election probabilities, voters should concentrate votes to those local candidates that have a genuine chance of winning a seat from a non-local candidate. This means that vote concentration should increase with the strategic incentives.

The boundary reforms naturally facilitate a difference-in-differences (DID) analysis where the unit of observation is the pre-merger municipality and voting data come from elections before (2004 elections) and after (2008 elections) the merger wave. The key aspect of our analysis is that we can decompose a merged municipality into the original pre-merger municipalities and trace back the vote distributions of individual candidates at the pre-merger municipal level both before and after the mergers. Furthermore, using the pre-reform vote distributions and the post-merger municipalities as new electoral districts, we can calculate counterfactual election outcomes that measure the mechanical effects of the mergers on local representation, i.e. the expected electoral success of local candidates. Our interest lies on the voters' psychological response to these mechanical effects.

We find that the vote distributions of the merged municipalities are clearly more concentrated in the post-merger elections than before, whereas there is no change among the municipalities that did not merge. More importantly, however, the concentration effect is clearly larger in municipalities with higher treatment intensity.⁴ In fact, we find no vote concentration among the merged municipalities that did not expect to lose representation (typically large municipalities merging with smaller partners), but find substantial vote concentration among municipalities that did expect a substantial loss (typically small municipalities merging with larger partners). This happened despite the fact that the voters in these municipalities had a much larger set of candidates and parties to choose from after a merger. We report the same patterns in overall vote distributions and the vote distributions over local candidates.

We also analyze whether the voters' response is larger in municipalities where the benefits of gaining local representation are larger. For example, losing local services, such as day care centers or schools, has more negative consequences in the localities farther away from the new location of these services (typically the new municipal center) due to increase in travel costs. Our main finding in this respect is that the effect of our treatment on vote concentration increases substantially both as the geographic distance of voters' to the center of the new municipality (the largest municipality in a merger) and income heterogeneity between merging municipalities increase. The first result suggests that voters care about the geographic location of public services, and the second, that there is between municipality preference heterogeneity over services in accordance with Tiebout (1956) sorting. Overall, our findings show that voters value local representation so that the geographic location is an important attribute of a candidate. Our findings are also consistent with strategic voting in order to increase local representation.

The question remains whether we can attribute the changes in vote distributions to voter behavior instead the behavior of other political actors. Overall, the reform had a large effect on the set of available candidates both in terms of quantity and quality. However, we show that these party and candidate responses are not related to the preference heterogeneity measures that are important to voters. This observation is crucial and allows us to disentangle voters' behavioral responses from the confounding responses of other political actors. We also discuss at length why alternative explanations, such as campaigning, changes in voter preferences, voters rewarding for merger decisions or information advantages of local candidates, are unlikely to explain our findings.

³ A related branch of research is interested in the effects of electoral rules on voting. See e.g. Blais et al. (2011) and Fiva and Folke (2014). These papers do not analyze changes in geographic electoral boundaries. Furthermore, redistricting and voting has been studied previously in national elections (e.g. Ansolabehere et al., 2000 and Hayes and McKee, 2009).

⁴ The mergers were decided voluntarily at the local level and are a non-randomly selected sample both from the perspective of the merger decision and the intensity of the treatment. Reassuringly, our DID design is valid in the light of common pre-trend tests (both the merger decision and merger subgroups with different treatment intensity), alternative control group (municipalities that considered merging, but eventually did not) and controlling for observables.

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