

Accepted Manuscript

Indirect political budget cycles: Evidence from Chilean municipalities

Alejandro Corvalan, Paulo Cox, Rodrigo Osorio

PII: S0304-3878(18)30001-4

DOI: [10.1016/j.jdeveco.2018.01.001](https://doi.org/10.1016/j.jdeveco.2018.01.001)

Reference: DEVEC 2194

To appear in: *Journal of Development Economics*

Received Date: 5 December 2016

Revised Date: 28 December 2017

Accepted Date: 4 January 2018

Please cite this article as: Corvalan, A., Cox, P., Osorio, R., Indirect political budget cycles: Evidence from Chilean municipalities, *Journal of Development Economics* (2018), doi: 10.1016/j.jdeveco.2018.01.001.

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Indirect Political Budget Cycles: Evidence from Chilean Municipalities

ALEJANDRO CORVALAN^{*a}, PAULO COX^{†b}, and RODRIGO OSORIO^{‡c}

^a*Universidad Diego Portales*

^b*Universidad de Talca*

^c*Universidad de Santiago de Chile*

Abstract

Political budget cycles have been studied at the national and local level, separately. However, when local governments depend on national resources, the central government may have incentives to manipulate intergovernmental transfers to favor politically aligned mayors, in order to use their help to mobilize voters in the next national election. This generates an indirect Political Budget Cycle (iPBC). This paper documents the presence of an iPBC in Chile. We show that, during municipal election years, the government increases the overall amount of transfers to municipalities (local governments), and that these additional resources are allocated to the politically aligned mayors. We also report that transfers to aligned mayors are higher when the local races are tighter, suggesting that the government prefers to deviate resources towards swing municipalities. Finally, we show that transfers are correlated with municipal spending during electoral years, and with both local and national political electoral outcomes. (JEL: H72, D72, D78, C23, C25).

Keywords. Political budget cycles, Intergovernmental Transfers, Local governments, Elections, Chile.

*Alejandro Corvalan, Universidad Diego Portales, Av. Santa Clara 797, Huechuraba, Santiago, Chile. Email: alejandro.corvalan@udp.cl.

†Paulo Cox, Universidad de Talca. Santa Elena 2222, Santiago, Chile; Tel. (562) 2 414 8327 (6051); Email: paulocox@utalca.cl

‡Rodrigo Osorio, Facultad de Humanidades, Universidad de Santiago de Chile. Av. Alameda Libertador Bernardo O'Higgins 3363. Santiago, Chile; Tell. (562) 2718 2474; Email: rosoriof@gmail.com

Download English Version:

<https://daneshyari.com/en/article/7357503>

Download Persian Version:

<https://daneshyari.com/article/7357503>

[Daneshyari.com](https://daneshyari.com)