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Electoral Competition and Local Government Responsiveness in Brazil

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Summary. — The empirical literature on the effects of competition on the supply of public goods shows controversial results at the local level. The main objective of this paper is to investigate this relationship in a federalist country (Brazil) where the political system places few barriers to the entry of competitors and local governments have the independence to establish their own public policy. We show that a higher effective number of candidates running for the executive branch increase the supply of local public goods (the number of student enrollments, teachers, and free immunizations).

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1. INTRODUCTION

Political scientists and economists alike share the traditional view (model with two candidates) that electoral competition leads to an increased supply of public goods. However, empirical results for this relationship are controversial at the local level. Chhibber and Nooruddin (2004) assessed 15 Indian states and showed that two-party competition provides more public goods than in places where multiparty competition exists. Cleary (2007) investigated Mexican municipalities and showed that greater electoral competition does not lead to an increased supply of public goods. Besley, Persson, and Sturm (2007) argued that political competition is positively related to personal income growth, governance quality, lower overall state tax policies, more business-friendly labor regulations, and a larger share of manufacturing in state production in the South of the United States, but the evidence is nonconclusive with regard to government efficiency. Ashworth, Geys, Heyndels, and Wille (2010) analyzed the Flemish local government and concluded that political competition reduces government inefficiency (high levels of public goods).

Beyond the theoretical difficulty of treating this relationship considering the several factors involved (discussed in Section 3 of this work), these works deal with a specific institutional environment that may be influencing the results. Chhibber and Nooruddin (2004) investigated the issue in a federalist (unitary) country where the local government has relative autonomy to decide its own public policy (India).¹ Cleary (2007) and Ashworth et al. (2010) addressed this issue by studying countries where the party system is not favorable to the entry or exit of political competitors (Mexico and Belgium) and for all the mentioned works, including Besley et al. (2007), not all beneficiaries of public policy participate in the election process (the vote is not compulsory in these countries). Thus, we decided to test this relationship in a country where these characteristics have less effect on this relationship.

As Mainwaring (2002) classified Brazil as an example of a partisan system open to new competitors (like Peru and Russia), the 1988 Brazilian Constitution established that the local government has the status of a member of the federation (with authority to decide budget and policies) and the vote is compulsory for individuals between 18 and 70 years old (policy is evaluated by the beneficiaries themselves), we decided to use Brazilian local governments to test this relationship.

Besides the aforementioned characteristics, two other electoral rules are important in local elections and we decided to include them in our investigation, given that they can influence this relationship: the run-off rule for municipalities over 200,000 voters and the unique possibility of personal reelection for mayors (a rule established by Constitution after 1997).

Considering that the supply of public goods may also affect the entry of new competitors to the local election, it is necessary to correct the endogenous bias caused by this reverse causality. We use the (federal legislation) law, which establishes a fixed relationship between the number of seats on the local legislative branch and the size of the local population (the population changes every ten years following the census) for producing Instrumental Variables (IV).² Our idea behind the use of the IV is that more seats on the local legislative (and parties) is a good fit for future mayor candidates because it is a natural career path for councilors (councilors who wish to advance their career vertically: the number of seats in the 1996 election influences the number of mayoral candidates in the 2000 election). As the number of councilors for a group of municipalities depends on the size of the population (band widths), it is very difficult to believe that policies adopted for social areas (education and health) can be based on the same rule.³

Our robust results (corrected by the IV) indicate that electoral competition increases the supply of public goods in the Brazilian institutional environment. One effective candidate increases the number of student enrollments by 18.24 percentage points, the number of teachers by 0.90 percentage points (both per 10,000 inhabitants), and the number of free immunizations per 100,000 inhabitants by 20.47 percentage points. To avoid nonrepresentative variables for local government on the supply of public goods, we focused our investigation on proxies which represent important per capita social spending by municipalities; in this case, education and health.

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Although the literature (as will be seen in Section 2—theoretic and empirical) developed arguments showing the importance either ex-ante or ex-post of the number of effective candidates as a measure of competition, in our investigation it is not very clear which measure is more important for technical reasons. Although for both cases, the correlation between the number of local legislative body (parties) in the election before and the number of effective candidates in the subsequent mayor election is positive, the IV was strong for the measure ex-ante and weak for a measure ex-post (with weak instruments, significance tests are incorrect in terms of size and confidence intervals are wrong). Thus, we choose to focus only on the result of the ex-ante number of effective candidates. Our results show the municipalities where the run-off rule is valid, the effective number of candidates is higher, and the supply of public goods is also higher for the public goods used as proxy when compared to the municipalities, which do not have this rule. Finally, the term limit rule (one personal reelection for all mayors) does not affect the results.

The remainder of the paper is organized as follows: Section 2 shows the advantages of Brazilian local governments as an important case study for testing the relationship between political competition and the supply of public goods. Section 3 presents the theoretical literature on the relationship between political competition and the supply of public goods. We show in this section the set of hypotheses which we tested. Since our work is basically an empirical investigation, we decided to add the empirical results found in the literature on the discussion of hypotheses which are tested. We also try to focus our development more carefully on theoretical literature, which considers electoral competition based on the number of candidates, since this is our main empirical variable. Section 4 presents the data used in our investigation, including the way in which the variables are constructed. Section 5 explains the empirical strategy. Section 6 shows the results of our investigation and the last section presents the summary of our investigation.

2. THE INSTITUTIONAL ADVANTAGES OF THE BRAZILIAN CASE

Brazil is a federalist country with three government levels: federal, 27 state governments, one of which is a Federal District (the national capital), and almost 5700 municipalities. Unlike Mexico, which went through a long period of single-party dominance (Hecock, 2006 and Cleary, 2007), but similar to other Latin American countries, such as Argentina, Uruguay, and Chile that lived under dictatorships, Brazil states in its Constitution of 1988 that municipalities enjoy the status of federation members (not subordinated to states or to the federal government). On budgetary matters it states that the local executive formulates its own budget proposals (including tax and expenditure),⁴ and the local legislative branch approves them and checks where expenditure occurs. Unlike Indian sub-national governments, for instance, Brazilian local governments, with their executive and legislative branches have sufficient independence over their actions.^{5,6} There is strong evidence that public policy determination is concentrated in the hands of local executives (Samuels, 1997). Countries where the local government does not enjoy such autonomy, or has it only partially, may affect investigations into the relationship between competition and the supply of public goods.

Following the line of budget autonomy, mayors and council members in municipalities are chosen by local voters simultaneously for a four-year (fixed) term. The New Constitutional

rules establish that mayors are chosen in one round (majority system) for municipalities with fewer than 200,000 registered voters and in two rounds for municipalities over 200,000 registered voters, if no mayoral candidate achieves a majority of valid votes in the first-round (50% plus one). A constitutional amendment of 1997 defines that mayors can be reelected (personal reelection establishes a new term limit rule). Local legislators are elected through an open-list proportional representation system (voters can order the list of either candidates or parties).⁷ The open-list ensures that individual candidate strategies are dominant and that party coalitions are difficult to achieve (Samuels, 1997). Countries where local leaders are not evaluated by local voters may complicate this type of investigation.

Besides both local budgetary autonomy and choice of leader, another important characteristic of the Brazilian political system is the mobility of local politicians (horizontally and vertically), which can be correlated with the level of competition in each municipality.⁸ A good example for understanding this situation is to observe the career possibilities of a mayor at the end of his/her term. He/she has the following choices:⁹

- (1) Giving up their political career altogether;
- (2) Running for councilor (a municipal role of lesser importance);
- (3) Running for mayor in another municipality;¹⁰
- (4) Running for reelection;
- (5) Spending two years without a mandate, while awaiting the opportunity to run for a different position at the state or federal level.

It is clear that choice #5 will be deemed subordinate to choice #3 and #4 and, therefore, disregarded. This is because incumbent mayors can run for a different office at any time. For a politician who is aiming to advance his or her career by attempting state or federal office, the best choice is to run either for reelection as mayor or for election as mayor in another municipality (choice #3 and #4) and, two years later, use their status as mayor (media exposure, administrative accomplishments, public funds) to launch a more ambitious candidature with higher stakes involved. Spending two years in limbo to then return to the political scene in pursuit of a higher position is not common practice in Brazilian politics. In the same way, choice #2, in turn, is practically equivalent to giving up the political career (choice #1), due to the great difference in status between the office of mayor and that of councilor. This choice, besides being statistically irrelevant (only 12 cases in a universe of over 5000 observations), indicates that the individual has a very poor chance of reelection and advancement as a politician. Thus, choices #3 and #4 are the most practicable for mayors and, with this example, it is possible to understand why the mobility of a local politician cannot be ignored in our investigation.

However, without a system which allows for the choice of politicians to be individually satisfied, their wishes could be blocked. The fact is this does not occur. The other face of mobility corresponds to an open and individualistic political system. There is a large number of parties and weak control by parties over their members.^{11,12} Our sample does not contradict this statement. The Table 1 below shows the names of 23 parties as well as the number of municipalities each party occupied in the 2001–04 term.

In the full sample, five parties (PMDB, PFL, PSDB, PPB and PT) held 75.14% of the local executive branches, while the effective number of candidates in the 2000 elections was 2.21.

Unlike Mexico, India, Belgium, and the United States, it is not possible to forget that the principal beneficiaries of public

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