Angry electors: the impact of debt on incumbent vote in Brazilian states

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(1) Overview

- Brazilian states used to have large autonomy to manage the budget and contract loans, issuing public bonds and borrowing from state public banks
- With the administrative reforms in nineties and the approval of fiscal laws in 2002, the scope of new subnational debt was very limited and spending caps introduced
- States provide essential public services such as high school education, public security and, partially, healthcare

(2) Hypothesis

- If fiscal laws are present, governors have an incentive to be austere, since they can loose the office if they exceed the spending caps
- Therefore, indebtedness under a strict fiscal regime increases the pressure for cuts on public services
- Assuming that electors are not fiscal conservatives, **we expect that they will punish indebted governors** only after the introduction of fiscal laws. Previously, debt is expected to have no impact, due to the broad loan policy

(3) Model

OLS interactive model:

$$vote\ share_i = \alpha_i + (debt\ share_i * fiscal\ laws_i) + controls_i + \varepsilon_i$$

Controls:

Controls are adapted from Barberia, Avelino and Zanlorenssi (2018), and includes elected vote share in the last election, change on unemployment interacted with labor intensity and a dummy controlling when incumbent governor is also the incumbent candidate. The measurement of the controls are the same as in the cited article

(4) Data and measurement

- 159 observations of Brazilian state elections from 1994 and 2014
- Dependent variable vote share is defined as the incumbent candidate vote share in the 1st round of gubernatorial elections
- Independent variable debt share is measured as debt flow as a share of state current revenues
- Fiscal laws is a dummy defined as 1 in and after 2006 elections - the first that the laws are fully in force - and 0, otherwise

(5) Results

Variable	Coefficient [s.e]	P-value
Debt share	-0.685 [0.564]	0.226
Fiscal laws	-6.827 [4.555]	0.136
Debt share * Fiscal laws	2.764 [1.135]	0.016

- Following Clark, Gilligan and Golder (2006) interpretation of interactive models, there are evidences that both variables are necessary for the outcome
- The summed effect of the interaction terms is negative, reinforcing the proposed hypothesis

(6) References

BARBERIA, Lorena; AVELINO, George; ZANLORENSSI, Gabriel. Economic Voting in Brazil's Gubernatorial Elections, 1994–2014. **Publius: The Journal of Federalism**, 2018.

CLARK, William Roberts; GILLIGAN, Michael J.; GOLDER, Matt. A simple multivariate test for asymmetric hypotheses. **Political Analysis**, v. 14, n. 3, p. 311-331, 2006.

Code and data available on:
github.com/gabrielzanlorenssi/summer2019

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