

# Who is the Distributor? Explaining Variation in Transfers to Local Governments\*

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## **Abstract**

In many countries, the central government can distribute discretionary funding to local administrative units. An extensive body of literature has shown that mayors aligned with the president have a higher probability of receiving these transfers, but we know little about this allocation process under coalition governments. I hold that in a multi-party presidential democracy, we need to focus on the agent who decides "who gets what" to understand the distribution of funds to local governments. Contrary to conventional wisdom, however, this agent is not the president but the distributor. Analyzing discretionary funds transferred to municipalities in Chile between 2001 and 2016 using a regression discontinuity design, I show that mayors who share a party with the distributor receive almost twice the resources as mayors who only share a coalition with this agent. I complement these findings with interviews conducted with former distributors.

**Keywords:** Distributive Politics, Political Alignment, Local Governments, Regression Discontinuity, Chile.

# 1 Introduction

In many democratic countries, the central government has the power to allocate discretionary funds to local administrative units. What kinds of local governments are more likely to benefit from these transfers? Political alignment has a crucial role in answering this question. Evidence from countries such as Portugal, Spain, India, and Brazil shows that the executive branch tends to punish administrative units controlled by the opposition when allocating discretionary resources (Veiga and Pinho, 2007; Solé-Ollé and Sorribas-Navarro, 2008; Arulampalam et al., 2009; Brollo and Nannicini, 2012).

However, the nature of political alignment becomes more complex under a coalition government. In a two-party system, political alignment means that the president and the mayor belong to the same party. In a coalition government, however, it means that the president and the mayor belong to the same coalition, but might be affiliated with different parties.

It is not unusual for coalitions to control the executive branch in presidential democracies. Cheibub, Przeworski and Saiegh (2004) show that the difference in the frequency of coalition governments between parliamentary and presidential democracies is not particularly large. In fact, coalitions are the most common form of government in Latin America (Martinez-Gallardo, 2012). If we use the traditional argument about political alignment to explain the distribution of discretionary resources in a multi-party government, we might assume all members of the coalition to be equally likely to receive these benefits.

In this paper, however, I argue that we need to distinguish between two different actors in multi-party presidential democracies: the president and the distributor. The former appoints the latter to allocate discretionary resources to local governments. Consequently, to understand the distribution of funds in a coalition government, we need to pay attention to the actor deciding "who gets what."

Nevertheless, studying the factors determining the allocation of resources is not easy because the distribution of these funds can be correlated with multiple observed and unobserved characteristics. For instance, socioeconomic conditions at the local level can be correlated with vot-

ers' political preferences and with the amount of money distributed from the central government. Therefore, it is difficult to know whether the allocation has a social or political motivation. Even if it is possible to adjust for some relevant socioeconomic and electoral factors, unmeasured biases are always a threat when drawing inferences.

To address this problem, I use a regression discontinuity design in close local elections. Additionally, as a robustness check, I exploit the timing of the local and national elections and the 2010 and 2014 handovers of power between political coalitions in Chile. The main findings show that mayors who share a party with the distributor receive almost twice the resources than mayors who only share a coalition but not a party with this agent. I find no significant difference between mayors who share a party with the president and mayors who belong to the ruling coalition but are not affiliated with the president's party. Therefore, there is important heterogeneity in the distribution of resources not only between the opposition and ruling mayors, as previous research has shown, but also within the latter group.

This paper makes three main contributions to the existing literature. First, it illuminates the logic behind the distribution of resources to local administrative units under coalition governments. A large portion of the research about distributive politics has assumed that the central government is a unitary actor with homogeneous interests. However, a multi-party government is composed of actors with different goals and motivations, and this diversity can have multiple political implications. Additionally, it is important to understand why some municipalities receive more funds than others since these resources can improve residents' living conditions and generate jobs in places with high levels of unemployment.

Second, this paper focuses on the distributor instead of the president as the leading actor in the distributional game. This is a novel approach when studying the dynamics of distributive politics in a multi-party presidential democracy. Most of the literature has taken for granted that the president is the key agent determining why some mayors collect more resources than others. This assumption ignores the fact that a president has multiple constraints in a coalition government, and cannot control every single transfer from the central to the hundreds or thousands of local

governments. It is essential, therefore, to focus on the actor making these decisions. Mayors who share a party affiliation with the distributor will have the opportunity to exploit that commonality to get more resources. In particular, I stress the role of political networks in understanding the uneven distribution of resources within the ruling coalition. Mayors can use political connections to access the distributor's office and its funds.

Finally, this article provides evidence about the logic of discretionary transfers in a country that does not have a party-machine ([Luna and Mardones, 2014](#)) and where clientelism is not as pronounced as in other countries in Latin America ([Kitschelt et al., 2010](#); [Calvo and Murillo, 2012](#); [Morgan and Meléndez, 2016](#)). This shows us that the political use of public resources can occur in a variety of political and socioeconomic contexts. The government has an incentive to reduce credit-claiming by opposition mayors and to increase the probability that a mayor from the coalition government will be re-elected. Therefore, even in places in which the state is not controlled by a particular political group, the government can exploit its discretionary power for political and electoral reasons.

## 2 Political Alignment in Coalition Governments

There is extensive research on distributive politics and political alignment.<sup>1</sup> Mayors who share a party affiliation with the central government are more likely to receive direct transfers. There is consistent evidence of this relationship in multiple countries across different regions.

Why do central governments transfer discretionary resources to their political allies? [Brollo and Nannicini \(2012, p.742\)](#) propose an electoral argument by holding that the government is attempting "to increase the winning probability of aligned candidates who, once elected, can be important allies, either for rent-seeking or vote-seeking in future presidential elections." Existing research has paid considerable attention to the dynamics of political competition. [Lindbeck and Weibull \(1987\)](#) and [Dixit and Londregan \(1995\)](#) argue that resources should be targeted to places in which a large number of swing voters are concentrated. [Dahlberg and Johansson \(2002\)](#) provide

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<sup>1</sup> See [Golden and Min \(2013\)](#) for a review of the literature on distributive politics.

empirical evidence from Sweden confirming that hypothesis. Meanwhile, [Cox and McCubbins \(1986\)](#) offer an alternative argument by holding that politicians are risk-averse, and therefore prefer to allocate resources to core voters to protect their vote share.

The literature has also studied the timing of the distribution. Empirical evidence from India shows that electricity for crop irrigation is distributed in greater amounts during election years ([Min and Golden, 2014](#)). Similar findings in Brazil show that environmental licenses are more likely to be approved in years of gubernatorial elections ([Ferraz, 2007](#)).

Most of this research represents the central government as a unitary agent, overlooking the fact that many countries have coalition governments composed of more than one party. [Slough, Urpelainen and Yang \(2016\)](#) acknowledge this issue and extend [Brollo and Nannicini's \(2012\)](#) work in Brazil by distinguishing between the president's party and other parties within the coalition government. They hold that the president will use the distribution of funds to local governments to retain coalition members and maintain the stability of the multi-party government. However, the decisions about who receives the discretionary transfers are not directly made by the president, but rather by an agent whose work is to decide who gets what (i.e., the distributor). Also, the future of the coalition does not depend on the distribution of these resources, but rather on the "balance of institutional and political power between the president and the legislature" ([Martinez-Gallardo, 2012](#), p.64). Ergo, the stability of the coalition government relies on the power dynamics between the executive and legislative power, and not on the even distribution of resources within the ruling coalition.

### **3 The Distributor and the President**

I argue that understanding the dynamics of distribution within a coalition in a presidential democracy requires focusing on the distributor rather than on the president. The latter, in any contemporary democracy, has too many concerns to focus on the distribution of resources to hundreds or thousands of municipalities. In other words, it is not rational to expect the president to spend

time directly allocating money to local administrative units. Instead, the president will delegate this responsibility to a specific secretary or undersecretary, depending on institutional rules.

It is possible to imagine, however, that the president will appoint a distributor that will make the same decisions she would make. The president and the distributor, however, do not always belong to the same party. The president has the incentive to appoint someone from her party not just to the distributor's position, but also to the ministry of finance, education, health, etc. However, the logic of coalition-building limits her ability to fully control the appointment of cabinet members.

The decision to appoint a member of the cabinet relies on multiple external constraints, such as the presidency's relationship with the legislative branch or adjustment to a new political context ([Martínez-Gallardo, 2014](#)). When the president nominates a secretary or undersecretary from a different party she is paying the implicit cost of being able to pass bills in Congress. Additionally, there are countries such as Uruguay, where the ministers are subject to congressional confidence ([Altman, 2000](#)), which adds an extra layer to the process of appointing cabinet members. As a consequence, it is not rare to find cases where the distributor and the president belong to different parties within the same coalition. For example, since the transition to democracy in 1990, a majority of distributors in Chile have not shared a party with the president.

Based on the fact that the distributor is the actor in charge of disbursing resources to local governments, I expect that distributors will be more likely to help mayors from parties belonging to the coalition government, and within parties from the ruling coalition, distributors will be more likely to support mayors from their own party.

First, why would the distributor reward mayors from parties that belong to the coalition government? I hold that the distributor has two primary goals: The first is to improve the electoral performance of mayors who are part of the president's coalition as explained by [Brollo and Nannicini \(2012\)](#), and the second is to decrease credit-claiming by opposition mayors. After resources are distributed to municipalities, the central government loses the opportunity to claim those transfers. Consequently, the distributor has an incentive to decrease the chances that an opposition party mayor receives credit for a local investment such as a new square or public school repairs.

This second causal mechanism is particularly relevant during non-electoral years, where the pure electoral dimension becomes less important for explaining the political bias exhibited.

According to [Mayhew \(1974\)](#), credit-claiming has some crucial properties. The benefits are distributed to an individual, group, or geographical constituency and allow a single politician to be recognized. In addition, these resources are given out in an apparent ad hoc fashion, and politicians seem to have a hand in the allocation process. In this case study, transfers are discretionarily assigned to municipalities and mayors can take credit for them. If we believe that politicians are aware of the saliency of credit-claiming, we should expect them to find multiple ways to prevent the local opposition from taking credit for central government programs, such as by reducing the amount of transfers and shifting resources to non-state organizations ([Bueno, 2018](#)).

Second, why would the distributor be more likely to reward mayors from his party? I argue that this is not a purely strategic decision. The distributor is not only targeting members of his party to increase their vote share. The role of political connections between mayors and the distributor is key for understanding this dynamic. We would expect mayors who have a clearer path towards the distributor to be more likely to ask for resources and to command the attention of this agent. Where a distributor has a large budget that needs to be allocated among hundreds of municipalities, a phone call can make the difference between getting more or fewer resources, and belonging to the same party can make that phone call happen. In other words, mayors from the same party as the distributor should have a greater chance to advocate for extra resources.

The distributor is at the center of a network and is surrounded by all the mayors who will try to reach him for resources. Mayors that share coalition with the distributor will be closer to the center. In addition, mayors that also share party with the distributor will have to rely less on intermediaries to directly communicate with the distributor. As a consequence, it is not only important to be close to the center (share coalition) but to have direct access to it (share party). In summary, I propose the following two hypotheses:

1. I expect mayors from the ruling coalition to be rewarded by the distributor as a way to improve their electoral performance and reduce credit-claiming by opposition mayors.



2. I expect mayors from the distributor's party to benefit more from discretionary allocations from the distributor because they can exploit their political connections to ask for more resources.

The role of the distributor might be compared to the role of brokers in countries with a clientelistic political machine. One of the cases where clientelism has been extensively studied is Argentina (Calvo and Murillo, 2004, 2012; Stokes, 2005; Nichter, 2008; Weitz-Shapiro, 2014; Oliveros, 2016). In this context, political brokers play a crucial role in the political machine: they are in charge of the distribution of private goods to voters, such as food and medicine (Auyero, 2000). According to Stokes et al.'s (2013) theory of broker-mediated distribution, parties need fine-grained information about voter preferences, which they collect through brokers. The broker then acts as a local intermediary who delivers benefits and helps citizens solve specific problems.

My argument, however, is not based on a pure informational mechanism. I argue that the president delegates those powers because she has no alternative in a coalition government. First, the president does not have the time nor the capacity to oversee the distribution of millions of pesos to hundreds of local governments. Second, the president cannot appoint someone that will mimic her decisions in every single position when multiple parties are participating in the coalition government.

## 4 Discretionary Transfers in Chile

After the transition to democracy in 1990, Chile has been governed by center-left and center-right political coalitions. The former won four presidential elections in a row until 2010, when it lost to the latter. Then, the center-left came back to power in 2014, and the center-right won an election for the second time in 2018. Regarding their composition, the center-left coalition was composed of four parties between 1990 and 2010 and added three new parties in 2013.<sup>2</sup> Meanwhile, the center-right coalition was composed of two parties between 1990 and 2010 and added

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<sup>2</sup> The first name of the coalition was Concertación de Partidos por la Democracia, which then changed to Nueva Mayoría in 2013.

two more in 2013.<sup>3</sup> These coalitions have shown high levels of coordination, despite several internal conflicts and disputes. For example, they have been able to compete in more than 20 elections since the transition to democracy (presidential, legislative, primary, regional, and local). This stability has also been evident in the legislative branch. In particular, political coalitions in Congress present high levels of cohesion, discipline, and coordination (Carey, 2002; Alemán and Saiegh, 2007; Toro, 2007; Visconti, 2011). Two key factors contributing to the success of these coalitions are the president's willingness to distribute cabinet positions across political parties (Avendano and Davila, 2012), and to create balance in the party affiliation of the secretary and the undersecretary within the same ministry (Rehren, 1996; González-Bustamante and Olivares, 2015).

Historically, Chile has been characterized by a stable party system and programmatic political competition (Scully, 1992; Mainwaring and Scully, 1995). However, previous research has also found evidence of the use of social transfer allocations to build congressional majorities (Luna and Mardones, 2014), as well as the use of non-programmatic strategies during election cycles (Luna, 2014; Toro and Lara, 2018; Corvalan, Cox and Osorio, 2018).

Regarding the two main political coalitions in Chile, In this paper, I study the "Urban Development Program" (known in Spanish as PMU) administered by the Undersecretary of Regional Development (known in Spanish as SUBDERE). This program started in 1993 as a way to provide financial support to local governments to build basic infrastructure and green spaces in poor localities. These projects are led by people from the communities in question, as a way to reduce local unemployment. The PMU has different subprograms. I focus on the emergency one, which is the program that provides discretionary abilities to the distributor; the other programs involve more actors in the decision-making process.<sup>4</sup>

The main goal of the program, according to its official description, is to create jobs and improve quality of life for the country's most vulnerable. The distribution of PMU funds has a simple dynamic: The municipality proposes a project to the SUBDERE (in section 9, I show that aligned mayors are not more likely to apply for these resources than non-aligned mayors). Then, the

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<sup>3</sup> This coalition has had multiple names, such as Alianza por Chile, Coalición por el Cambio, and Chile Vamos.

<sup>4</sup> In this paper, when I refer to the PMU, I am always referring to the "emergency PMU."

undersecretary (distributor) approves or rejects the project unilaterally. As a former undersecretary stated in one of the interviews: "There is no written rule (for their distribution). The final decision belongs to the undersecretary."<sup>5</sup> This particularity makes the PMU an illustrative case study: the decision about the distribution of resources relies only on the undersecretary, who determines who receives funds and who does not.

In 2016 alone, the PMU distributed more than 43 billion pesos to municipalities across the entire country.<sup>6</sup> This program spans the nation: all municipalities in Chile have received money from the PMU since the year 2000.<sup>7</sup> Even the wealthiest municipality in Chile, Vitacura, has received millions of pesos in recent years through the program. These funds can provide quick resources to municipalities, and have been used for the construction, repair, and improvement of sewage systems, public lighting, bridges, cemeteries, schools, and playgrounds (Silva, 2013). Additionally, these programs can help to reduce local unemployment by providing jobs to locals. The high visibility of PMUs within the community makes them valued by mayors, who often take credit for providing jobs and public goods, even though the resources come from the central rather than the local government.

The PMU in Chile provides a significant opportunity to learn about distributional politics in a coalition government for three main reasons. First, since the transition to democracy in 1990, Chile has had governments composed of more than one party. As a result, the dynamics of having a coalition government can be explored in this country. Second, Chile has a freedom of information law that allowed me to collect data about the distribution of discretionary funding to local administrative units. Third, the PMU is a purely discretionary program. Therefore, it allows us to study the political dimension of the distribution of funds from central to local governments. The PMU provides an opportunity to focus on a "pure" case, where the distributor has total control of the allocation process. If we imagine a scale of distribution of resources that goes from "need-based

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<sup>5</sup> I interviewed three former distributors and one supervisor within the distributor's office. In accordance with IRB protocol, I will not provide the names of the interviewees.

<sup>6</sup>Based on the currency exchange rate of May 5th, 2018, 43 billion pesos corresponds to 71 million dollars (1 US dollar = 600 CLP).

<sup>7</sup> Data is only available starting from the year 2000.

targeted" to "politically targeted," this case study allows us to study the logic of distribution for one extreme of this continuum, which can further help us to better understand cases that are in the middle of the scale (i.e., when the allocation of funds is motivated by both social and political reasons).

## 5 Regression Discontinuity Design

As previously mentioned, studying the effects of political alignment is not easy because of the existence of multiple unobserved characteristics at the local level. Municipalities aligned with the ruling coalition might differ from non-aligned municipalities on multiple unmeasured covariates, which can introduce bias into the analysis. To address this problem, I employ a regression discontinuity design (RDD) to study close elections ([Lee, 2008](#); [Fourniaies and Hall, 2014](#); [Klašnja and Titiunik, 2017](#)).

The logic of the RDD design is that when studying close elections, municipalities with barely winning ruling coalition candidates are similar to municipalities with barely losing ruling coalition candidates. The discontinuity allows us to study the (local) average effect at the cutoff ([Calonico, Cattaneo and Titiunik, 2014](#)).

In this RDD setup, the unit of analysis is the municipality and year. Each has a score based on the previous local election, and some will receive the treatment if the score exceeds a particular cutoff. The treatment is equal to having a mayor from a party that belongs to the coalition government (and a runner-up from the opposition coalition). The control is equal to have a mayor from an opposition party (and a runner-up from the ruling coalition). The score is the difference between the vote share of the candidate from the ruling coalition and the vote share of the candidate from the opposition coalition (the margin of victory). The cutoff is equal to zero; therefore, when the score is positive the winning candidate belongs to the ruling coalition and when the score is negative they belong to the opposition coalition.

I study four electoral periods in Chile, the local elections of 2000, 2004, 2008, and 2012.<sup>8</sup> To

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<sup>8</sup> I exclude independent candidates from the sample because it is hard to know whether or not they belong to either

estimate the effects of political alignment, I use local linear regressions, and focus on four different bandwidths for the robustness of the results: less than 3, 5, and 10 percentage points; and the MSE-optimal bandwidth (12.3 percentage points).<sup>9</sup> I use the following estimation equation to conduct this analysis:

$$Y_{it} = \alpha + \beta_1 D_{it} + \beta_2 M_{it} + \beta_3 D_{it} * M_{it} + \beta_4 P_{it} + \beta_5 D_{it} * P_{it} + \sigma_t + \varepsilon_{it} \quad (1)$$

$Y$  are the distributed resources in Chilean pesos at municipality  $i$  and year  $t$ .  $D$  depicts the treatment (units above the cutoff).  $M$  describes the margin of victory. The interaction between  $D$  and  $M$  allows the regression function to differ on both sides of the cutoff point.  $P$  is an indicator of political alignment between the mayor and the distributor (undersecretary of development) or the president,<sup>10</sup> and the interaction between  $D$  and  $P$  represents the differential effect of belonging to different parties within the ruling coalition, and  $\sigma_t$  corresponds to year fixed effects. I cluster the standard errors at the municipality-term level (4 years).

As validity checks of the regression discontinuity setup, I provide evidence that placebo covariates do not change abruptly around the cutoff (Cattaneo and Escanciano, 2017) (see Appendix A). Also, I show that there is no discontinuity in the density of the running variable (the margin of victory) near the cutoff (McCrary, 2008) (see Appendix B).

## 6 Results

Figure 1 displays the discontinuities between both groups for the outcome of interest using the `rdrobust` software in R (Calonico, Cattaneo and Titiunik, 2015). I report results for four different bandwidths.<sup>11</sup>

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of the two main coalitions. It is not rare that they run with the support of a traditional party.

<sup>9</sup> This is provided by a data-driven method that selects the bandwidth that minimizes an approximation to the asymptotic mean squared error (MSE) of the RD point estimator (Cattaneo, Idrobo and Titiunik, 2018). The goal of this approach is to optimize the bias-variance trade-off (Skovron and Titiunik, 2015).

<sup>10</sup> One model includes a binary indicator for sharing a party affiliation with the distributor, and another model includes an indicator for sharing party affiliation with the president.

<sup>11</sup> The confidence intervals reported in the figure were computed by using the conventional approach described by Calonico, Cattaneo and Titiunik (2014) and clustering standard errors by municipality-term level.

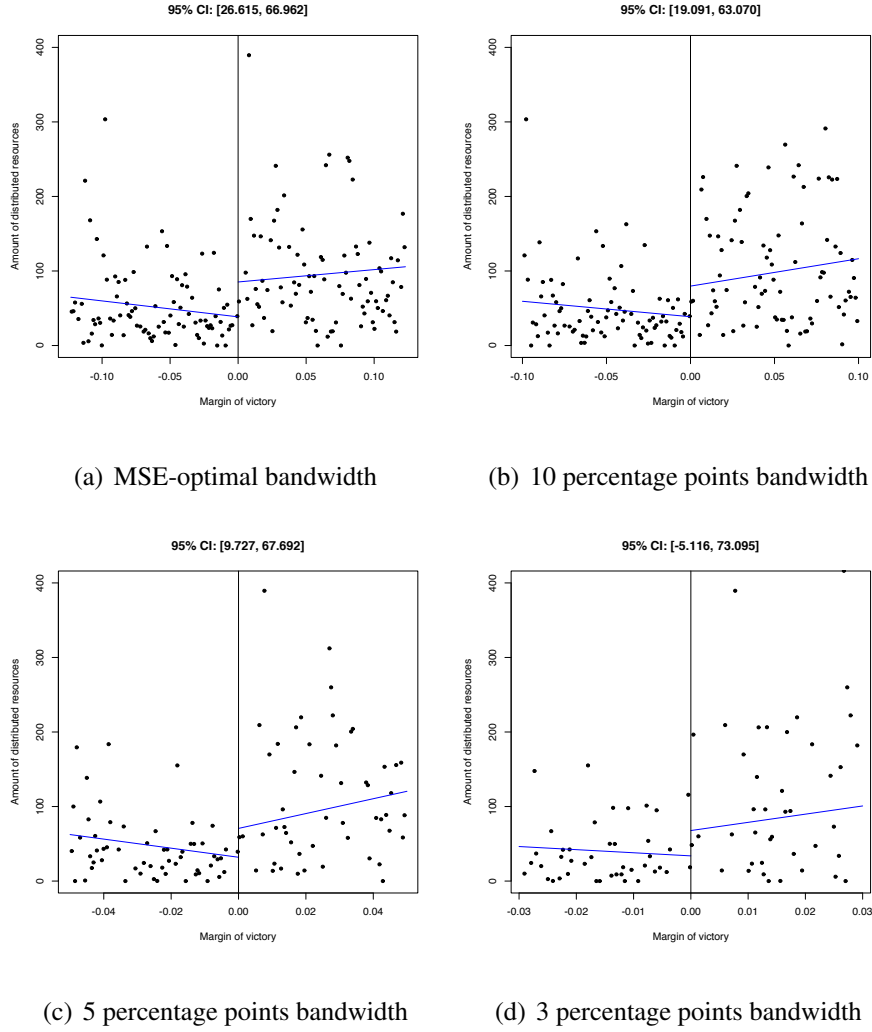


Figure 1: Effect of political alignment on the amount of distributed resources (in million of pesos)

The plots allow us to observe the positive effect of the treatment (ruling coalition mayor) on the distributed resources (in millions of pesos) by the SUBDERE through the PMU program. These results are robust across multiple bandwidths, and confirm the existence of political bias in the allocation of social transfers in Chile, a country that does not have a clientelistic machine-party system (Luna and Mardones, 2014).

Table 1 computes the results using equation 1 with a 10 percentage points bandwidth (the results are consistent with other bandwidths; see Appendix C). This allows us to observe whether there are heterogeneous treatment effects based on the party affiliation of the mayor: in particular,

whether alignment with the distributor or with the president affects the distribution of resources from the central government. Only coefficients  $\beta_1$  and  $\beta_5$  from equation 1 are reported.

Table 1: Regression results 10 percentage points bandwidth

	Resources Distributed (in millions of pesos)		
	(1)	(2)	(3)
Ruling coalition winner	42.57*** (11.03)	33.58*** (10.81)	37.08*** (12.95)
Ruling coalition winner*Alignment with undersecretary's party		32.16* (17.02)	
Ruling coalition winner*Alignment with president's party			15.59 (15.84)
Observations	991	991	991

Variables not shown: margin of victory, interaction ruling and margin, alignment, and year fixed effects.

Standard errors clustered by municipality-term level in parentheses. \* $p < 0.1$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$

The results show that mayors aligned with the president's coalition receive 43 million pesos more than mayors from the opposition coalition in a given year (column 1).<sup>12</sup> This estimate is obtained by comparing ruling candidates who barely won and those who barely lost. Meanwhile, the interaction shows that mayors aligned with the distributor receive 32 million pesos more than mayors from the ruling coalition but not from the distributor's party (column 2).<sup>13</sup> The findings also illustrate that there is not a significant effect for alignment with the president (column 3). In the supplementary appendix, I provide evidence using a standardized outcome, which shows that alignment with the ruling coalition but not with the distributor's party increases the amount of discretionary resources by 0.26 standard deviation units, and that alignment with the distributor increases that effect by 0.25 standard deviation units (see Appendix D). I also report the results

<sup>12</sup> Based on the currency exchange rate of May 5th, 2018, 43 million pesos corresponds to 71,667 US dollars (1 US dollar = 600 CLP).

<sup>13</sup> Based on the currency exchange rate of May 5th, 2018, 32 million pesos corresponds to 53,330 US dollars (1 US dollar = 600 CLP).

using a logarithmic transformation of the outcome in case we do not want to assume a linear relationship. These results show that alignment with the ruling coalition but not with the distributor's party increases the resources by 78% and that alignment with the distributor increases that previous effect by 54% (see Appendix E).

In summary, these analyses provide evidence that the amount of discretionary funding received by mayors is affected by whether or not they belong to the ruling coalition. They also show that, within the ruling coalition, funding distribution is affected by whether or not the mayor belongs to the undersecretary's (distributor's) party or to another coalition party.

As an alternative analysis, I generate two subsamples. First, I only study municipalities with a winning or losing candidate aligned with the distributor. Second, I only study municipalities with a winning or losing candidate from the president's coalition who is not aligned with the distributor.

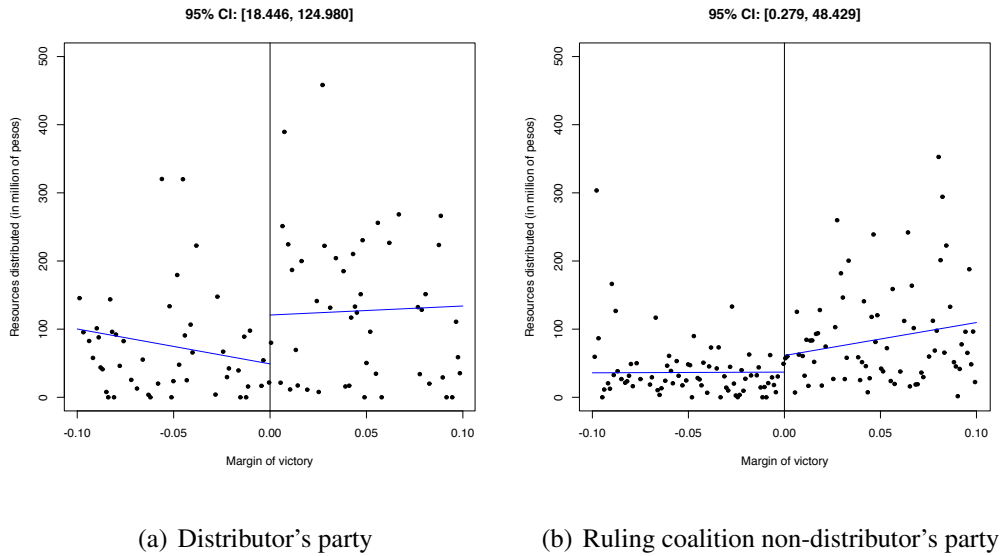


Figure 2: Distributor vs Non-distributor 10 percentage points bandwidth

Both coefficients are significant, but the point estimate for the first sample is almost three times larger than the estimate for the second sample (71.7 vs. 24.3). This provides extra evidence about the difference around alignment with the distributor using a RDD setup with no interaction term.



## 7 Robustness Check

As a robustness check, I exploit: i) the presidential handover of power between the center-left and center-right coalition in 2010 and between the center-right and center-left coalition in 2014, and ii) the timing of the local and presidential elections since the former are held one year before the latter. As a result, after the 2010 and 2014 presidential elections, a group of municipalities changed their status from opposition to ruling coalition municipalities without local elections.

I subset the sample to municipalities that in time  $t - 1$  (2009 and 2013) were opposition municipalities (a mayor not aligned with the coalition government) but that in time  $t$  (2010 and 2014) switched to ruling municipalities (a mayor aligned with the coalition government) after the presidential election. Consequently, it is possible to estimate the effect of the change of status on the same units across time due to the inauguration of a new president. I use the following estimation equation to conduct this analysis:

$$Y_i = \alpha + \beta_1 T_i + \beta_2 P_i + \beta_3 T_i * P_i + \omega s + \varepsilon_i \quad (2)$$

$Y$  represents the distributed resources in Chilean pesos.  $T$  depicts the treatment, which is a change in status for municipality  $i$  from being an opposition to a ruling coalition municipality.  $P$  is an indicator of political alignment between the mayor and the distributor or the president.<sup>14</sup> The interaction between  $T$  and  $P$  represents the differential effect of belonging to different parties within the ruling coalition, and  $\omega s$  represents province fixed effects. Only coefficients  $\beta_1$  and  $\beta_3$  are reported.

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<sup>14</sup> One model with the distributor and another with the president's party.

Table 2: Robustness check results

	Resources Distributed (in millions of pesos)		
	(1)	(2)	(3)
Change of status	100.02*** (17.26)	89.32*** (16.93)	104.76*** (20.70)
Change of status*Alignment with undersecretary		47.27* (25.83)	
Change of status*Alignment with president			−12.66 (19.44)
Observations	508	508	508

Variables not shown: alignment and province fixed effects. Standard errors clustered by province in parentheses. \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

The results show that changing the status has a substantive and significant effect on the distributed resources. The same group of municipalities receives over 100 million pesos more in funds distributed from the central government from one year to the next (column 1). When we interact the treatment with alignment with the undersecretary, we can see that mayors aligned with the distributor receive 47 million pesos more than mayors from the same coalition but a different party (column 2). There is a negative non-significant result for the interaction with the president's party (column 3).

The coefficients are different between the regression discontinuity and the robustness check because they are generated using different samples, and the estimand for the RDD is a local average treatment effect. However, both estimates have the same directions, which confirms that (1) municipalities with a mayor from the ruling coalition are rewarded by the central government, and that (2) there is variation within the ruling coalition—specifically, that mayors from the distributor's party receive more resources than mayors from the same coalition but a different party.

## 8 Causal Mechanisms

Why does the distributor allocate more resources to mayors from the ruling coalition? Though previously researchers have offered electoral explanations for this pattern, this case study suggests that the logic of targeting discretionary resources has also a political, and not just a pure electoral, dimension.

The role of credit-claiming is crucial. As an example, imagine that the undersecretary directs a particular PMU to build a square in a town located in the south of Chile. The distributor will allocate resources to that municipality to obtain construction materials and hire workers from the community. After the square is done, the distributor does not have the time to inaugurate it, because he approved more than 800 projects across the country in 2016. Yet the distributor, who cannot take credit for these projects on behalf of the central government, will not want opposition mayors to claim credit for them. As a former undersecretary stated in one of the interviews: "the PMU is a political instrument." Credit-claiming helps us understand why mayors from the ruling coalition benefit from these resources in both electoral and non-electoral years. Table 3 shows the interaction between having a mayor from the ruling coalition and electoral years<sup>15</sup> using a RD design with a 10 percentage points bandwidth.

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<sup>15</sup> Local elections held in 2004, 2008, 2012, and 2016.

Table 3: Regression results 10 percentage points bandwidth

	Resources Distributed (in millions of pesos)
Ruling coalition winner	37.68*** (10.96)
Electoral year	95.37*** (27.38)
Ruling coalition winner* Electoral year	19.56 (13.55)
Observations	991

Variables not shown: margin of victory, interaction ruling and margin, and year fixed effects. Standard errors clustered by municipality-term level in parentheses.

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

The direction of the interaction coefficient suggests that mayors from the ruling coalition might be receiving more funds in electoral years. However, there is not enough evidence to reject the null hypothesis. In any case, in electoral and non-electoral years, mayors from the ruling coalition are benefited by the distributor, which provides support to the argument that his decisions are motivated by an attempt to reduce credit claiming by opposition mayors, and not just to undermine their performance in electoral years.

Why does the distributor provide more funds to members from his party? The distributor's decision to allocate resources does not just depend upon where the resources can be delivered to get more votes in the next election. Because the distributor needs to allocate money to hundreds of municipalities, political connections will be critical in his decision-making process. Mayors more closely connected to the distributor, or who have contacts to connect them to this agent, will benefit more: this link will allow the mayor to advocate for resources, and thus have a positive effect on funds received by their municipality. This connection between the distributor and mayors can be mainly explained by partisan networks.

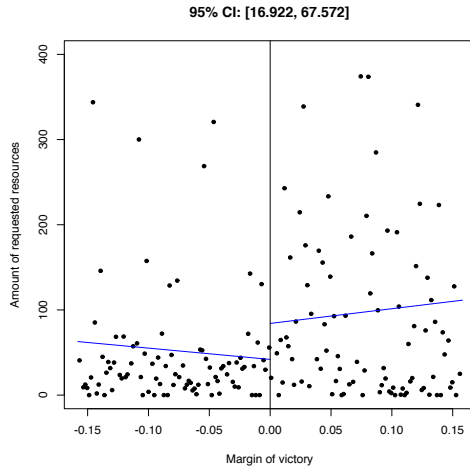
The role of political connections is illustrated by the following anecdote about a particular

mayor, shared by a former undersecretary of development when talking about political pressures: “He (the mayor) is a friend of mine, I knew him when we were kids, we went to the same university together. He came to me one day very irritated. You have to support me; you are my government, he told me. And I said to him; I will give you 1000 million or 500 million if you bring me the projects. Time later he came back with the projects and I had to approve all that money in only one day.”

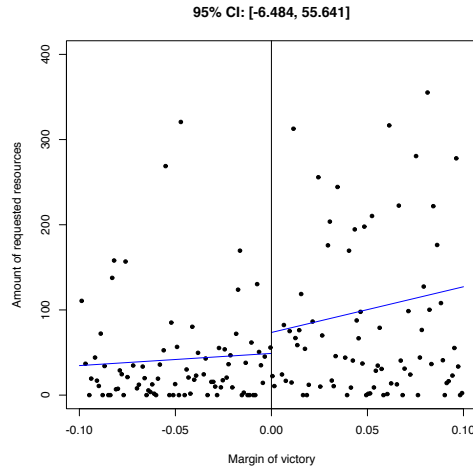
The mayor and the undersecretary were both from the same party, and that municipality in fact received the largest amount of resources ever distributed in that particular year. As the same undersecretary stated: "more than pressures (from politicians), there were phone calls." These are the kinds of political connections that can be exploited by members of the same party to obtain more resources for their municipalities. A different undersecretary of development mentioned the following in an interview: "I was accused of having conducted the largest electoral intervention in the history of the SUBDERE. I was accused by the opposition coalition, but also by the Christian Democrats (DC)." The DC was part of the ruling coalition but the undersecretary was not affiliated with that party. This statement confirms the results from the regression discontinuity design and the robustness check: mayors who share a party with the distributor receive more funds than mayors who belong to the ruling coalition but are affiliated with a different party.

## **9 Alternative Hypothesis**

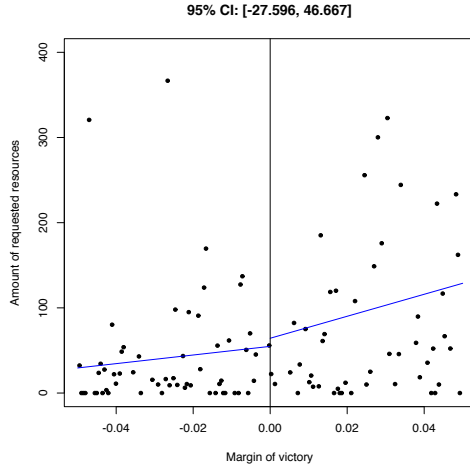
An important aspect of the PMU program is that mayors need to apply for it. Therefore, an alternative hypothesis is that mayors from the ruling coalition are more likely to apply, not that the distributor is more likely to benefit them. I provide evidence to show that this is not the case by checking whether political alignment affects the amount of requested funds using the `rdrobust` package ([Calonico, Cattaneo and Titiunik, 2015](#)).



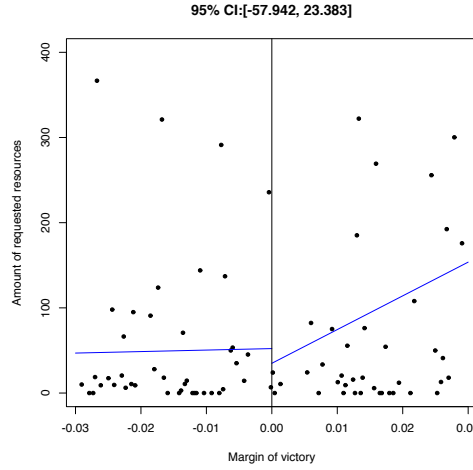
(a) MSE-optimal bandwidth



(b) 10 percentage points bandwidth



(c) 5 percentage points bandwidth



(d) 3 percentage points bandwidth

Figure 3: Effect of political alignment on the amount of requested resources (in million of pesos)

There is not enough evidence to argue that mayors from the ruling coalition are more likely to apply to these programs. There is a positive and significant effect when using the MSE-optimal bandwidth (15.8 percentage points), but results are not significant when using margins of victory lower than 10, 5, and 3 percentage points. In the case of the latter bandwidth, the effects actually change direction. These findings are not surprising: even though opposition mayors have a lower chance of receiving resources, the distributor is also allocating them discretionary transfers. As a

consequence, if their chances are greater than zero, we would expect them to keep requesting these resources. Opposition mayors, therefore, have an incentive to apply to these funds even though they are less likely to benefit from them. This bias is explained by distributor decisions, not by a lack of applications from local governments.

## 10 Conclusions

The role of political alignment has been extensively discussed in the literature on distributive politics. Alignment, however, can have multiple dimensions in countries led by political coalitions. For example, a mayor can be aligned with the president but not with the distributor. Coalition governments are not limited to parliamentary democracies, but rather can be found in numerous Latin American countries like Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, and Uruguay ([Chasquetti, 2001](#); [Albala, 2016](#)).

In a first step, I show that mayors who share a coalition with the president receive, on average, more resources from the central government. In a second step, I provide evidence that not all ruling coalition mayors have the same probability of benefiting from discretionary transfers.

To explain this empirical pattern, I argue that the distributor is the critical actor shaping the dynamics of distribution in complex political systems. This is because the president, who cannot oversee every transfer, has to delegate power. In this delegation process, the president needs to appoint members from different parties to different positions and cannot, therefore, always nominate someone from her party or from her inner circle.

Why does the distributor allocate more funds to mayors from the president's coalition? Electoral reasons only tell part of the story. The government also has political motivations, in particular, they want to reduce credit-claiming by opposition mayors. Why does the distributor provide more resources to mayors from his own party over mayors from other parties within the coalition? Leveraging political connections and partisan networks, aligned mayors can ask for more resources when they have an easier path to the distributor (more "fluidity"). For example, a phone call or a visit to

the distributor's office can significantly affect the amount of distributed resources. Not all mayors have access to these informal channels.

To provide empirical evidence, I conduct two different regression discontinuity analyses. Additionally, as a robustness check, I exploit the two consecutive handovers of power between the two main political coalitions in Chile. These strategies all provide congruent results that confirm the importance of political alignment with the distributor. Finally, interviews with former under-secretaries of development help illuminate the causal mechanisms behind the main findings. When allocating discretionary resources, the distributor is not just motivated by electoral, but also by political reasons.

It is important to better understand the distributional dynamics in coalition governments in presidential democracies since the literature tends to assume that the president plays a central role in almost every decision. The nature of a coalition government, however, constrains the president's abilities to control all aspects of the allocation process. This limitation empowers the distributor, who becomes the crucial actor we need to study.

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