

Sharing a Shrinking Pie

Public Spending and Political Coalitions in the Global Financial Periphery

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Political Coalitions & Distributive Politics

- Ethnic voting blocs are insufficient in an age of multiparty competition (Arriola, 2012, Boone, 2024).
- Leaders have regional strongholds, but need to make inroads elsewhere.
- What strategies do parties use?
 - Target core supporters (Mason, Jayne, van de Walle, 2017, Stokes, 2013, Ejdemyr et al, 2018, Briggs, 2014)
 - Target swing supporters (Stokes, 2005, Schady, 2009)
 - It depends...on sector, party, country, regime (Kramon and Posner, 2013, Burgess et al, 2015, Albertus, 2013, Briggs, 2021)

MP Strength

Low leverage Politician (Stronghold)

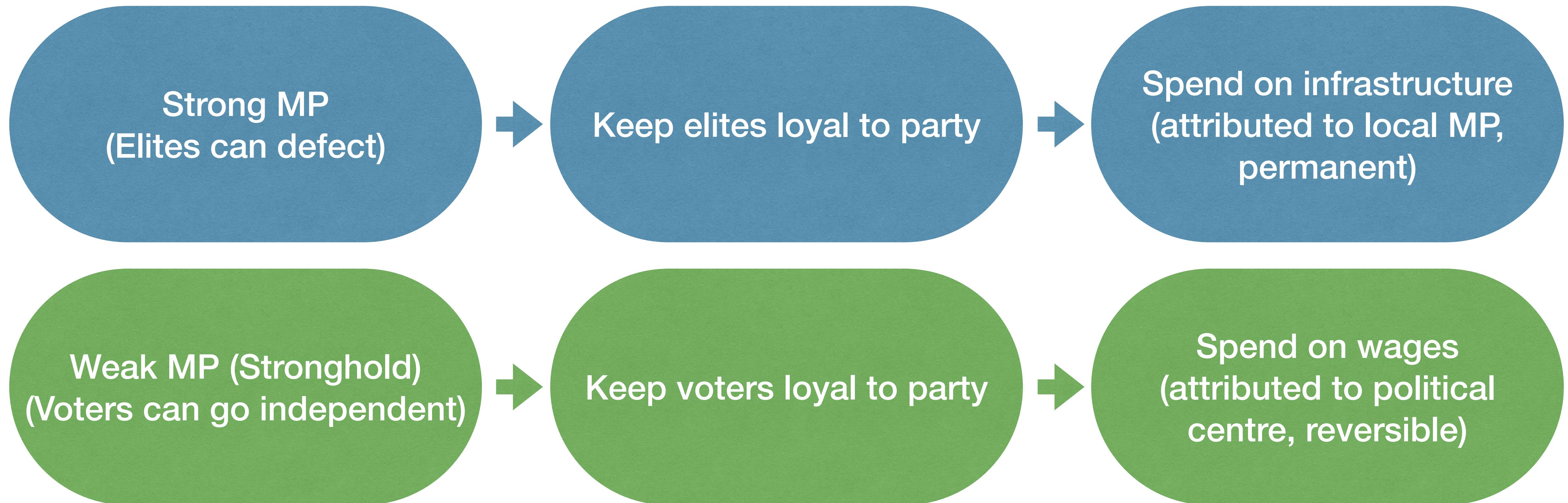
“When we were doing the primaries and the like, I won...then some provincial officials and a few district officials decided to replace me. And the constituency chairman and his team...supported me that I should run as an independent.

And then they had to bring actually the national management people, had to come to campaign to help that guy. To get him across the line. So that is the only way they managed to beat me.”

High Leverage Politician (Swing)

“When I was competing for the first time in 2006, my president lost. But I won. So, what it is that, sometimes the electorate go beyond the party, right? They concentrate on individuals.”

Theory



Debt

- Developing countries are in an *age of choice*. They can access finance from Donors, Development Banks, Alternative lenders, Markets (international and domestic)
- The interest rates that countries pay on loans reflect global capital cycles, not country-specific information (Rey, 2015, Brooks et al, 2015, Cormier & Naqvi 2023)
- Government's budget constraint changes with global cycles, not local policies.
- Rising borrowing costs constrain infrastructure more than wage spending.

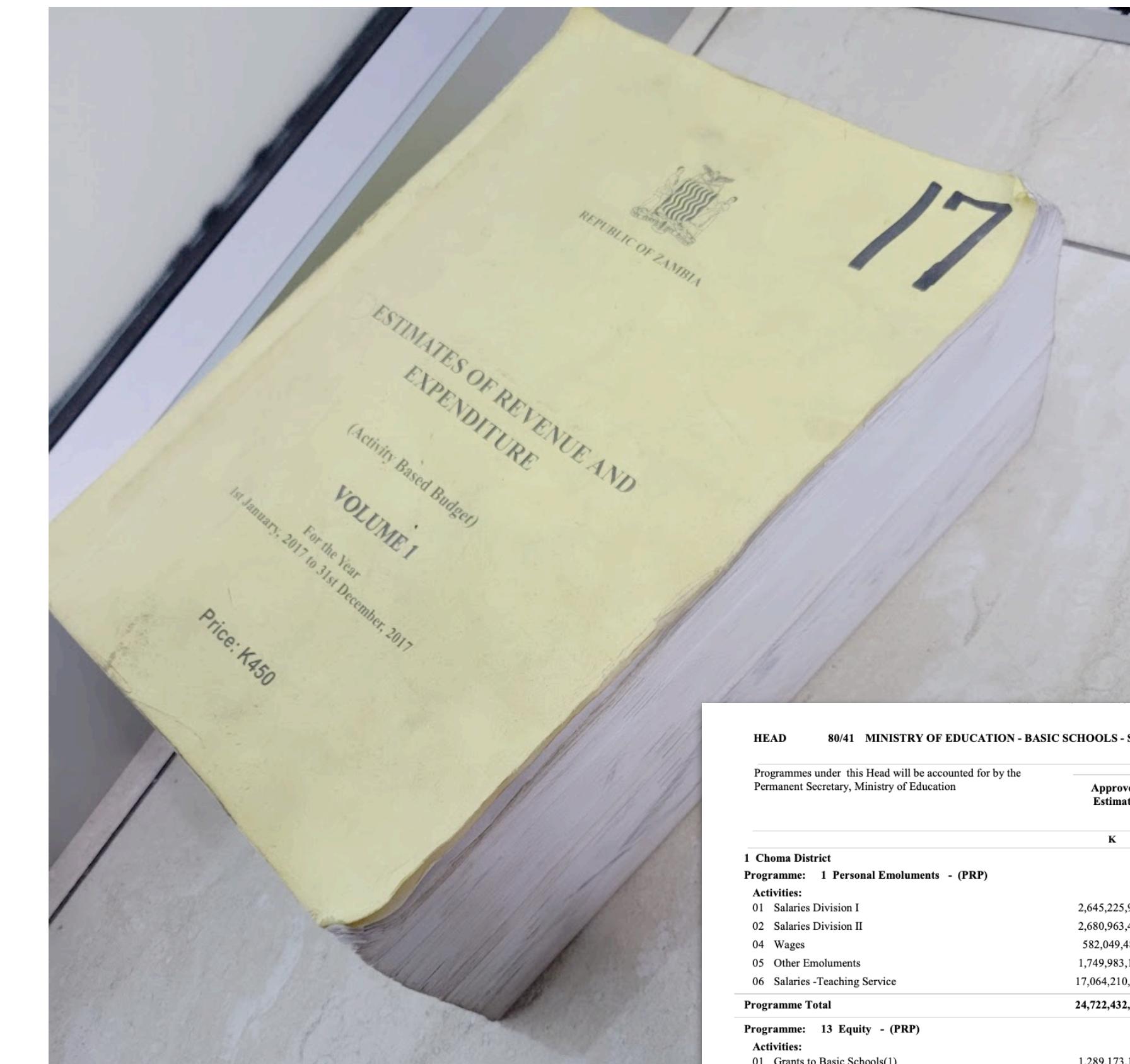
Hypotheses

- H1: Stronger politicians will receive more funding for infrastructure
- H2: Weaker politicians will receive more funding for salaries in their districts.
- H3: Rising borrowing costs will be associated with lower infrastructure spending
- H4: Rising borrowing costs will be associated with higher wage spending
- H5: High borrowing costs lead to reallocation of infrastructure spending to stronger politicians.
- H6: High borrowing costs lead to reallocation of wage spending to weaker politicians (citizens).

Data

DV: Subnational Expenditures on Wages and Infrastructure

- Budget Yellow Books 2006-2020
- 27,961 pages with 383,666 budget lines
- District level information spending across sectors: health, education, agriculture, administration
- Extract wage and infrastructure spending
- Grouped by constituency



2017 Yellow book (Vol 1)

HEAD	80/41 MINISTRY OF EDUCATION - BASIC SCHOOLS - SOUTHERN PROVINCE				2010
		Approved Estimates	Supplementary Estimates or Savings Declared	Total Authorised	
	K	K	K	K	K
1 Choma District					
Programme: 1 Personal Emoluments - (PRP)					
Activities:					
01 Salaries Division I	2,645,225,951	-	2,645,225,951	3,145,167,816	
02 Salaries Division II	2,680,963,404	-	2,680,963,404	8,197,750,388	
04 Wages	582,049,484	-	582,049,484	512,533,448	
05 Other Emoluments	1,749,983,179	-	1,749,983,179	1,580,405,279	
06 Salaries -Teaching Service	17,064,210,851	-	17,064,210,851	24,350,944,212	
Programme Total	24,722,432,868	-	24,722,432,868	37,786,801,143	
Programme: 13 Equity - (PRP)					
Activities:					
01 Grants to Basic Schools(1)	1,289,173,159	-	1,289,173,159	1,289,173,159	
Programme Total	1,289,173,159	-	1,289,173,159	1,289,173,159	
Unit Total	26,011,606,027	-	26,011,606,027	39,075,974,302	
2 Gwembe District					
Programme: 1 Personal Emoluments - (PRP)					
Activities:					
01 Salaries Division I	400,611,521	-	400,611,521	412,048,450	
02 Salaries Division II	190,300,160	-	190,300,160	1,965,260,372	
04 Wages	98,370,462	-	98,370,462	177,187,656	
05 Other Emoluments	699,526,134	-	699,526,134	1,204,850,054	
06 Salaries -Teaching Service	10,434,572,098	-	10,434,572,098	8,054,151,924	
Programme Total	11,823,380,375	-	11,823,380,375	11,813,498,456	
Programme: 13 Equity - (PRP)					
Activities:					
01 Grants to Basic Schools(3)	778,286,222	-	778,286,222	778,286,222	
Programme Total	778,286,222	-	778,286,222	778,286,222	
Unit Total	12,601,666,597	-	12,601,666,597	12,591,784,677	
3 Itezhi-Tezhi District					
Programme: 1 Personal Emoluments - (PRP)					
Activities:					
01 Salaries Division I	509,620,622	-	509,620,622	365,778,624	
02 Salaries Division II	1,128,164,357	-	1,128,164,357	3,400,842,564	
04 Wages	369,133,148	-	369,133,148	102,412,236	
05 Other Emoluments	938,281,625	-	938,281,625	3,176,088,824	
06 Salaries -Teaching Service	7,511,846,710	-	7,511,846,710	5,115,512,356	
Programme Total	10,457,046,464	-	10,457,046,464	12,160,634,604	
Programme: 13 Equity - (PRP)					
Activities:					
01 Grants to Basic Schools(5)	781,788,589	-	781,788,589	781,788,589	
Programme Total	781,788,589	-	781,788,589	781,788,589	
Unit Total	11,238,835,053	-	11,238,835,053	12,942,423,193	

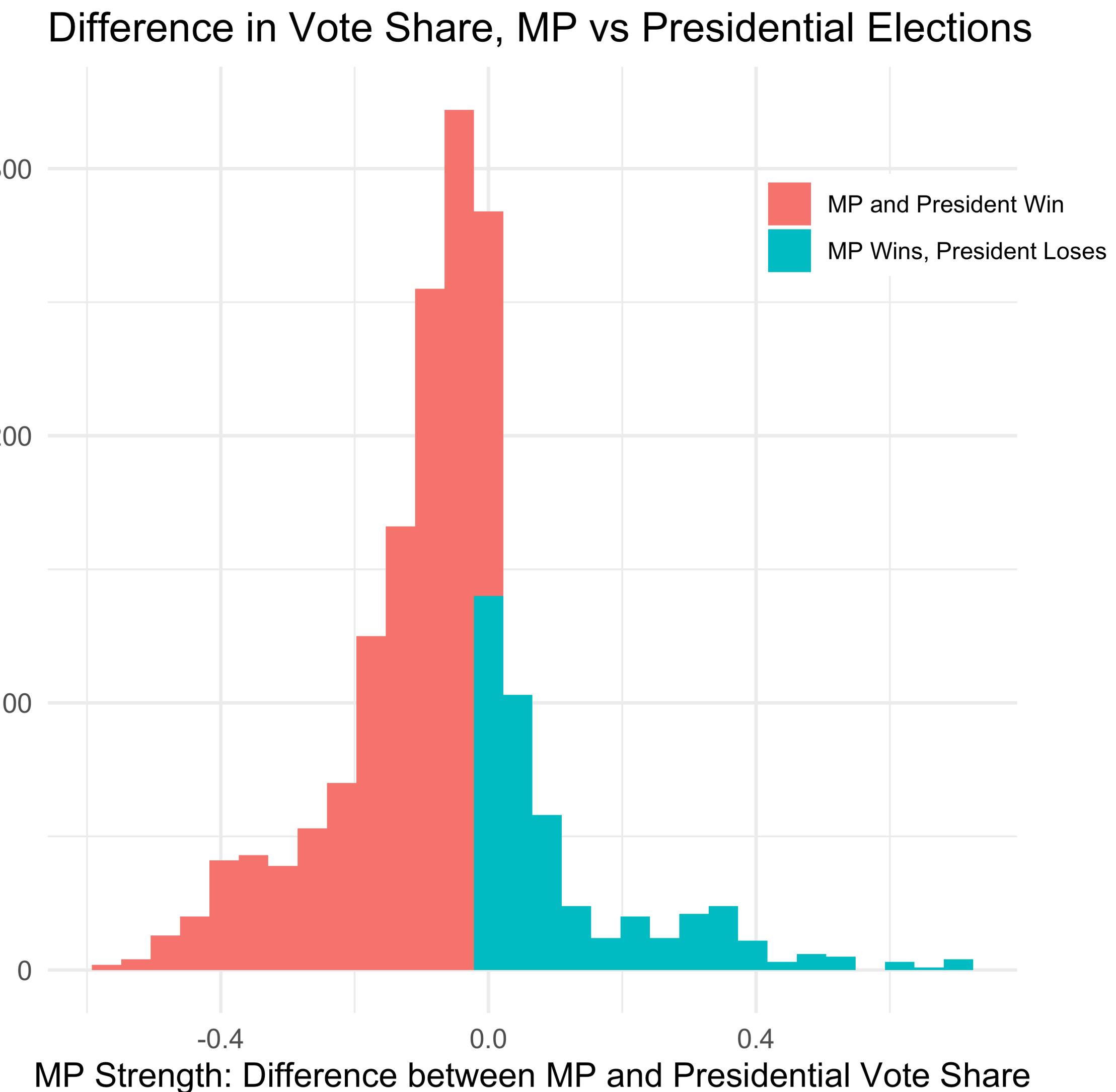
MP Strength

Explanatory Variable

- Difference between MP and Presidential vote share.

Examples:

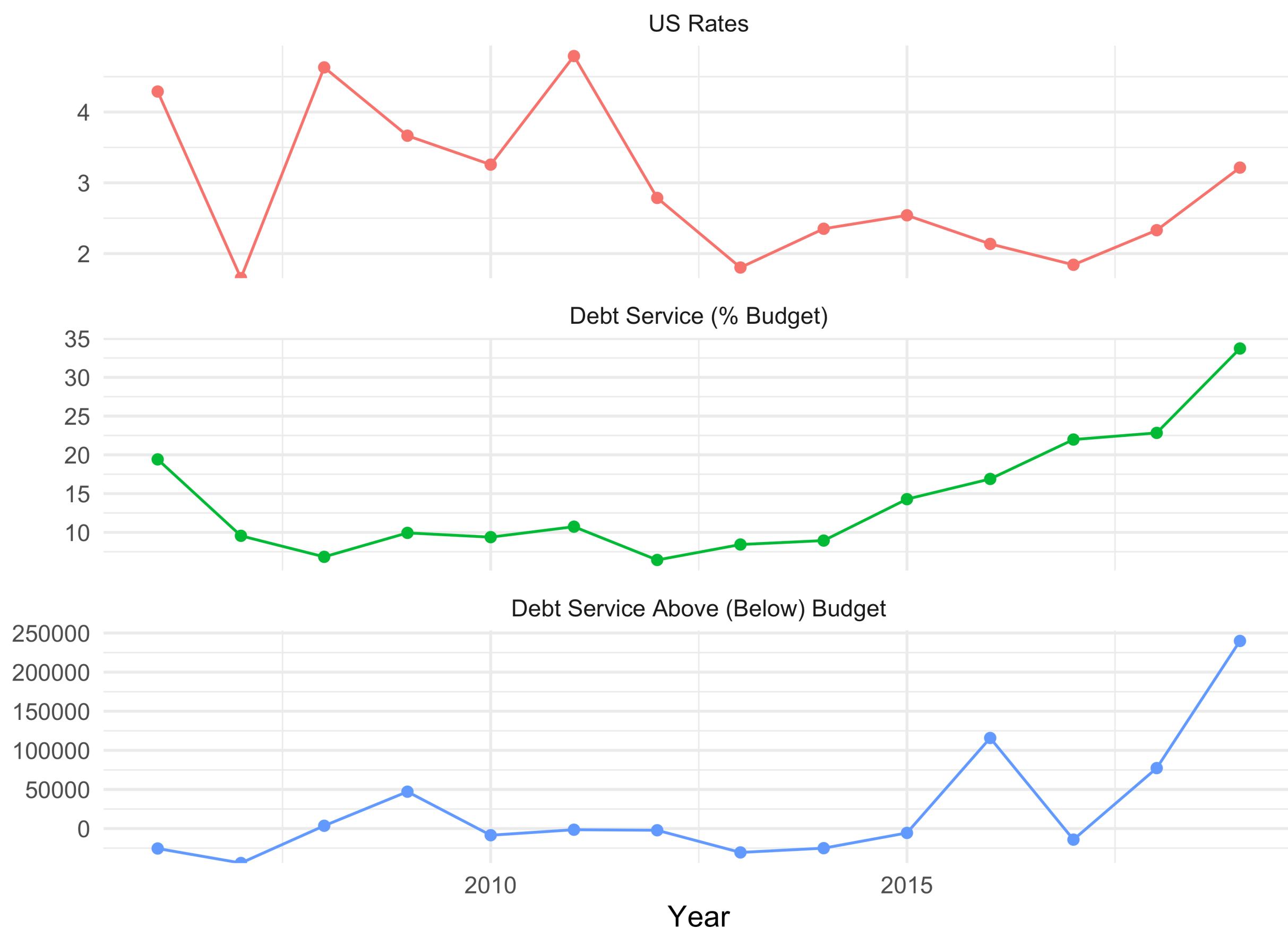
- MP: 60% President: 50% → 10%
- MP: 60%, President: 80% → -30%
- Blue shows cases where MP won for their party despite that party not winning presidential vote.



Borrowing Cost

Explanatory Variable

- Interest rate on 10 year US treasury bonds (*exogenous*)
- Debt service as a percent of GDP (*salient, accounts for debt stock*)
- Debt service about central Bank target (*both*)



Setup

OLS with an interaction term

- Unit is Constituency-year, 156 constituencies, 2006-2019

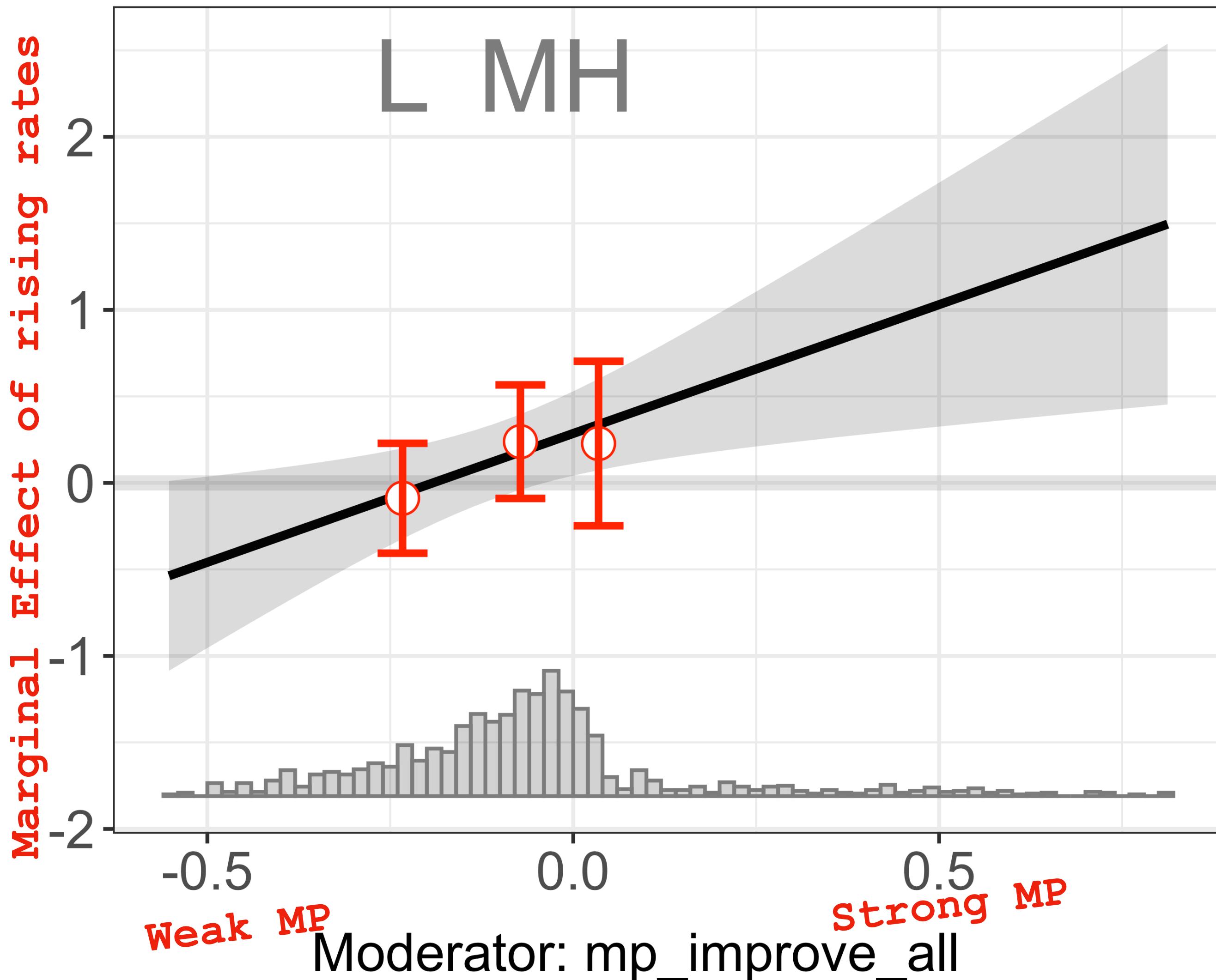
$$\begin{aligned} Spending_{it} = & \beta_0 + \beta_1 Strength_{it} + \beta_2 Interest_{t-1} + \beta_3 Strength_{it} * Interest_{t-1} \\ & + \beta_4 Nightlights_{it} + \beta_5 Ruling_{it} + \beta_6 Copper_{t-1} + \theta Constituency_i + \epsilon_{it} \end{aligned}$$

- Dependent Variable: **Spending** (Wage or Infrastructure)
- Explanatory Variables: **MP Strength, US Interest Rates, Strength × Interest**
- Controls: **Nightlights, Ruling Party, Copper Price, Constituency**

Results: Infrastructure

When rates rise...

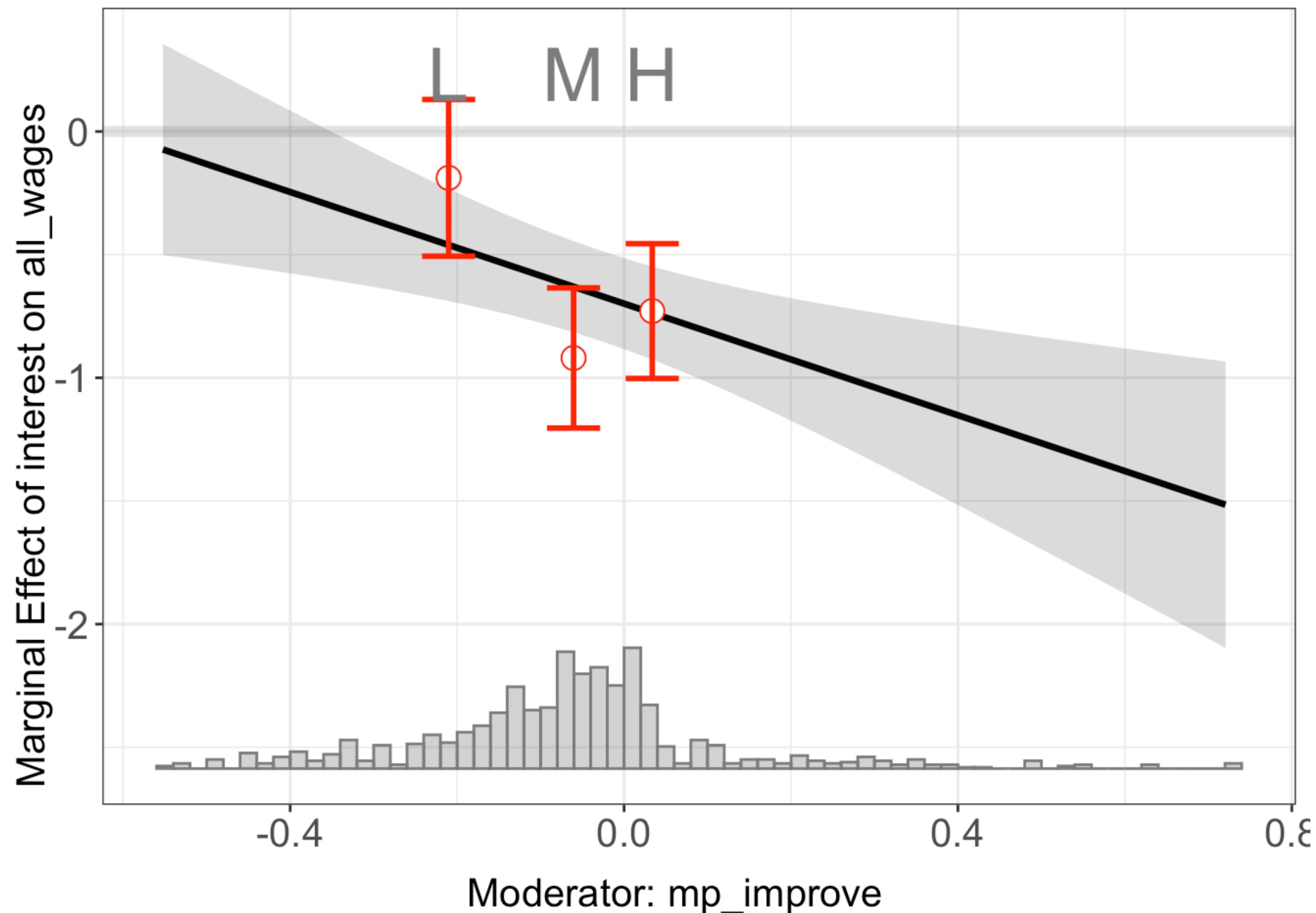
- Weak MPs get less infrastructure
- Strong MPs get more infrastructure



Results: Wages

When rates rise...

- Weak MPs get no change in wages
- Strong MPs get less wages

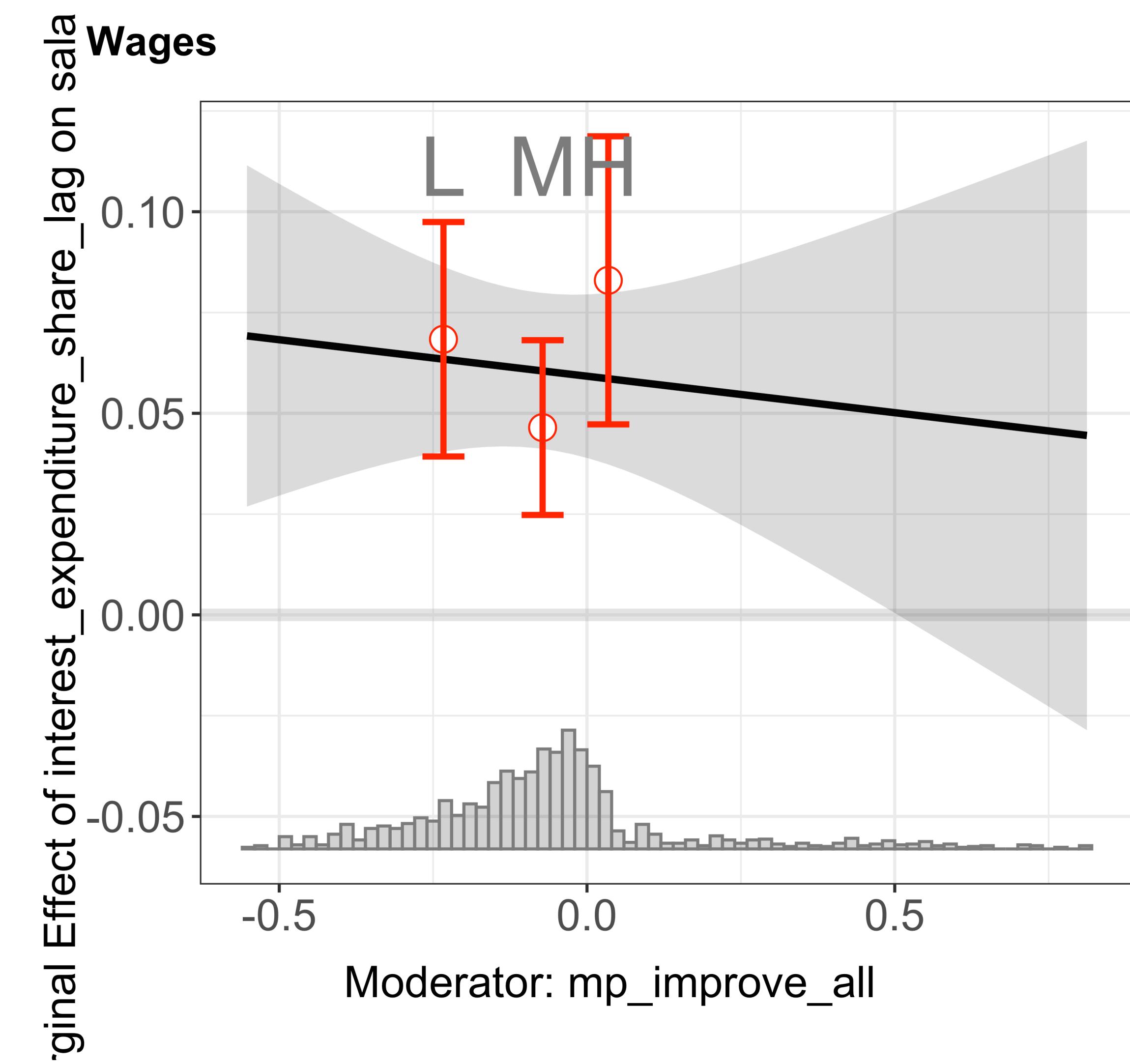
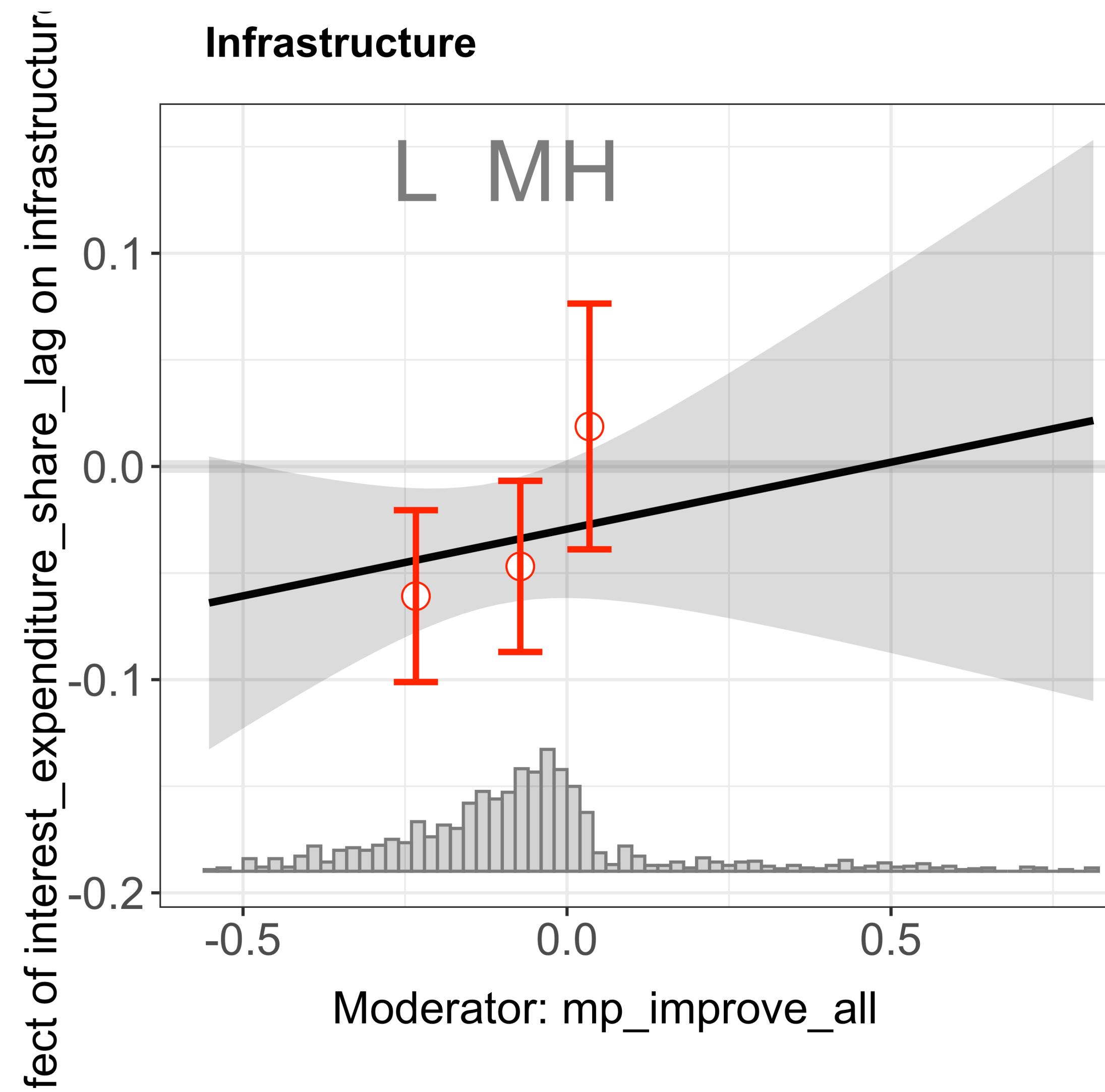


Debt and Democracy in the Global Periphery

- Developing country governments are using resources for to build and maintain coalitions.
- Different kinds of spending do different kinds of political work.
- In the *periphery* debt costs are volatile, and governments are adapting strategically.



Results: Debt Service



Results: Unexpected Debt Service (\pm target)

