Data and Methods

* To adjudicate between the two theories, I look at post-election changes in central transfers as result of local defeats
  + Decisions about central transfers are reliable measurement of regime’s intentions from the top
  + Data about central transfers are made publicly available starting from 2004 (missing data for 2005)
    - Budget data available both in the forms of plan and realized
    - Allocation at the provincial level
    - Can be verified by looking at province-level budgets, sporadically available for the same period as well
* The goal is to look at changes in central transfers to a province after it has suffered a local defeat
  + I focus on 2016 elections
    - Substantively, first election of a new administration that came in through a relatively unexpected coup -> may have the most need for information
    - Practically, margin data is available allowing us to tell relatively close defeat from relatively close win
      * In previous elections, vote shares are not available for defeated candidates
  + Available data: vote results and profiles of individual candidates
    - Can easily tell which ones are central nominees by looking at where they worked
      * Blind tested for 2007 elections and were able to get 100% correct
    - Matching is easy and straightforward
* Methods: difficult causal inference question
  + Defeat is not exogenously assigned
    - Something about certain provinces that make local defeats more likely
      * Precisely because there’s something different about these provinces that we expect the regime to react
    - Certain candidates are much less likely to lose than others
      * Regime may want to learn some information, but not at the cost of the Prime Minister not having a seat in the government
  + Dynamic causality: treatment may very likely be influenced by past outcomes
    - In particular, provinces that receive less transfers may be more likely to see defeats
  + In addition, inference is made difficult by the small number of treated cases
    - Local defeats are very rare
    - Harder to detect effects since power is small;
    - Effects that are detected can likely be “Type-M” errors
* Several solutions
  + First step is to restrict the control set to cases where defeats can be plausible
    - This means dropping all provinces where central nominees win soundly, leaving only those where the victories can be deemed small i.e. smaller than 10% margin
  + Primary strategy is to use modeling strategies that help reduce omitted variable bias
    - Linear fixed effects regressions that look at dif-in-dif-in-dif by the use of change outcomes as the dependent variable
  + Supplement this use the local randomization approach to regression discontinuity
    - Basically assume close elections to be as-if random, and the results could have been flipped.
    - This permits the use of finite sample randomization inference
    - Allowing each election to be an experiment, create the randomization distribution for elections, then aggregate to province levels
      * Thus preserve the likelihood of getting treated for each province in the randomization distribution
  + Since neither of the above approaches may still suffer from dynamic causality, also implement generalized synthetic control methods that are well suited for small sample problems
    - Synthetic control: “quantitative case studies”

Results and discussions

* Main results: positive and significant treatment effects
  + Linear fixed effect regressions are very strong
    - Both when looking at outcomes one year after election, and two years after the election combined
    - Attempted several placebo to show that the results are not due to spurious pre-treatment differences
  + If doubt about the integrity of inference when n is small, RDD results also confirm the findings
    - Both when looking at outcomes one year after election. and two years after the election combined
    - Also attempted some placebos
  + The RDD’s placebos are not consistent when the null is much stricter, suggesting that concerns about dynamic causality cannot be completely eliminated. The synthetic control approach is designed to solve exactly that. Indeed results remain positive and significant
    - Both when looking at outcomes one year after election. and two years after the election combined
    - All the placebos behave exactly as expected
* Mechanism: highly indicative of a story in which the effect goes through public goods spending!
  + Likely that the increased in spending is used to placate the public: Positive treatment effects on development expenditures
    - Across most forms of analyses
  + Unlikely that the increased in spending is used towards rent: Small, close to zero treatment effects on administrative expenditures
    - Across most forms of analyses
  + Unlikely that the increased spending is result of province bargaining for more resources and of province having local defeats getting more representation
    - Effect not smaller or bigger in provinces that experienced local defeats and that did not have more local representatives i.e. provinces where defeats happened because the central nominees fail to clear the 50% threshold
      * Can Tho and Soc Trang
      * Using generalized synthetic control
  + No direct evidence, but historically the CPV has not punished provincial leaders just for failing to elect central nominees
    - Punishment is rare
    - Not enough evidence that leaders from provinces with defeated candidates in 2007 and 2011 had their career trajectory slowed down – Fisher inference
  + No evidence that election results have been manipulated
    - Benford test