

**LOCAL GOVERNMENT FISCAL POLICIES:
LEFT-WING VS. RIGHT-WING PORTUGUESE MUNICIPALITIES¹**

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ABSTRACT

In this paper, I use financial data from Portuguese municipalities (from 2003 to 2007) to investigate if the ideology of the local government incumbent influences local fiscal policies. Regression discontinuity design is employed to ensure proper identification of the ideology effect on fiscal policies. Left-wing control of municipal presidency showed a significant effect on the likelihood of adopting a municipal corporate tax. Left-wing municipalities also proved more likely to invest in social infrastructure. On the other hand, right-wing municipalities were shown to be more likely to grant subsidies to families, as well as to offer more generous compensation to their municipal workers. Finally, left-wing municipalities were less likely to resort to high levels of debt than their right-wing counterparts.

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1 – INTRODUCTION

Since the seminal work of Downs (1957), a majority of the theoretical analysis of elections has embedded the “median voter” hypothesis, which predicts that candidates for public office tend to adopt platforms catering to the median of the voting population,² in order to increase their likelihood of election. Taken literally, the “median voter” hypothesis implies irrelevance of the ideology of public officials, as they are bound to implement the dominant policy preference. On the other hand, if candidates cannot fully commit to implement the platform they proposed before being elected, divergence from the median-voter result should be expected, as the implemented policies instead mirror closely the preferences of public officials, especially when re-election concerns are not relevant (for analysis of elections with partisan candidates that cannot commit, see Alesina 1988). In the context of local governments, the irrelevance of candidates’ ideology, predicted by the “median voter” hypothesis, is thought to be strengthened by “Tiebout-sorting” (see Tiebout 1956): the idea that people move to communities under jurisdiction of local governments whose policies are closer to their own preferences, rendering local populations more uniform in their policy preferences and, therefore, limiting the influence of politicians’ ideology on local-level policies. Ultimately, the relevance or irrelevance of politicians’ ideologies regarding local policies is an empirical question, which I address in the remainder of this paper.

Empirical evidence for an effect of the ideology of politicians on policy is mixed. Recent studies of US states (see Besley and Case (2003)) and Swedish Municipalities (Pettersson-Lidbom (2008)) have presented evidence of left-wing local governments taxing and spending more than right-wing local governments, while Ferreira and Gyourko (2007), in a study of US municipalities, found that the ideology of the municipal leaders does not significantly influence their fiscal policies. In this paper, I add to this debate by analyzing, separately and systematically, a selection of different revenue and spending policies of Portuguese municipalities.

On the revenue side, I first analyze how the ideology of the parties in control of Portuguese municipalities affects the likelihood of enacting a municipal business tax. The business tax is a perfect candidate to assess if ideological differences translate to de-facto policy

² When the voting population can be sorted according to preferences over a unidimensional policy space.

differences, due to the historically distinct stances of left and right-wing parties towards business in Portugal. Also on the revenue side, I look at the impact of ideology on the collection of indirect taxes and fees by municipalities. Additional municipal revenues over which local public officials have no control will not be considered.³ On the spending side, the analysis will be focused on expenditures that are usually considered more of a left-wing priority, namely, the construction of public housing, public daycare centers, public retirement homes and public schools, as well as subsidies to families. Also on the spending side, I look at how left and right-wing municipalities compare in terms of public officials' compensation. Finally, I analyze which side of the political spectrum is better at keeping the debt-level of Portuguese municipalities low. The effect of governing politicians' ideology on fiscal policies is identified through the use of regression discontinuity design. Regression discontinuity design measures the ideology effect by comparing the fiscal policies in municipalities narrowly won by left-wing mayors with municipalities narrowly won by right-wing mayors. As long as the characteristics of these municipalities with close elections are similar, regression discontinuity guarantees causal identification of the ideology effect, solving the potential endogeneity between fiscal policies and electoral outcomes. I consider a varied set of specifications in order to ensure robustness of the results.

Left-wing control has some predictable effects on policy, as well as some very surprising effects. On one hand, left-wing municipalities are significantly more likely to have a business tax than right-wing municipalities, and left-wing municipalities are also more likely to invest in daycare centers, retirement homes and public housing. On the other hand, perhaps surprisingly, right-wing municipalities are more likely to give subsidies to families and pay more compensation to their municipal workers than left-wing municipalities. Left or right-wing control did not show a significant effect on more aggregate fiscal policy indicators, such as total spending and total investment. This implies that, while neither right nor left can clearly be said to be more profligate, the two sides of the ideological spectrum have different spending priorities.

The paper is structured in following way: in section 2, the politics of Portuguese municipalities are reviewed; in section 3, the data used in this paper is presented and the empirical strategy is discussed; in section 4, the results regarding revenue collection are presented and analyzed; in section 5, expenditures are analyzed; in section 6, I compare the

³ For example, property taxes are not considered because the rate is defined by the national government.

ability to control debt of right and left-wing municipalities; finally, in section 7, I present my concluding remarks.

2 – PORTUGUESE MUNICIPALITIES AND PARTIES

Portuguese municipalities are ideal for analyzing the impact of party control on the fiscal policies of local governments. On one hand, Portuguese municipalities enjoy autonomy in setting spending priorities, as well as control over some of their tax revenues (namely over the municipal business tax, municipal indirect taxes and fees). On the other hand, municipal elections are utterly partisan⁴ and have been dominated by parties that can be neatly arranged in the left-right political spectrum. Moreover, unlike the US, ideological views are fairly uniform across candidates of a party. Thus, the necessary conditions to investigate the impact of the municipal governing party's ideology on local fiscal policies are met.

Portugal is divided into 308 municipalities. Municipal elections take place every four years (the most recent election occurred in 2009), with voters electing representatives for the municipal council (executive) and the municipal assembly (legislative). The first member of the most-voted list in the municipal council elections is elected municipal council president (the equivalent of mayor), even if his party does not obtain a majority within the municipal council. Municipal elections have been dominated by four parties, two right-wing – PSD (*Partido Social Democrata*) and CDS-PP (*Centro Democrático e Social – Partido Popular*), both members of the European People's Party – and two left-wing – PS (*Partido Socialista*), member of the European Socialist Party, and PCP (*Partido Comunista Português*), member of the European United Left. Independent candidates and a couple of smaller parties have won some elections in the period I consider in this paper, but it was straightforward in all cases to identify their position in the political spectrum.⁵

⁴ Non-partisan lists were not even allowed to run in municipal elections until 1997.

⁵ In the case of small parties, two are right-wing (*Partido Popular Monárquico* and *Partido da Terra*) and one left-wing (*Bloco de Esquerda*). The independent candidates who won elections were in most cases former members of one of the bigger parties and therefore I assumed that they still represent the same side of the political spectrum.

3 – DATA AND EMPIRICAL STRATEGY

In this paper, I use business tax rates for the years 1998-2000, 2002 and 2006-2008.⁶ All other municipal accounts discussed in this paper were analyzed for the period 2003-2007, and are available online at the municipal website of the Portuguese government.⁷ Data on the municipal election results of 1997, 2001 and 2005 was found at the elections website of the Portuguese government.⁸

Table 1 shows how the balance of power between left and right has shifted in Portuguese municipalities in the period of my analysis. In 1997, left-wing parties enjoyed a solid majority of municipalities, but this dominance switched to the right-wing parties in 2001 and 2005. Table 2 shows how stable left and right-wing municipal control was through the years. In 2001, 20% of municipalities switched from left to right or vice-versa, and in 2005 that was true for 30% of municipalities.⁹ Therefore, there is a good degree of variability in municipal control in my sample, which should facilitate the identification of the ideology effect. Table 3 shows the means and standard deviations of the fiscal policies analyzed in this paper, as well as the comparison between their means while under left-wing rule and their means while under right-wing rule. When simply considering raw averages, left-wing municipalities are more likely to have a business tax, to invest in retirement homes, public housing and public schools, as well as more likely to give away subsidies to families; also, left-wing municipalities spend more per capita in municipal workers' compensation. On the other hand, right-wing municipalities are more likely to invest in daycare centers, generally spend more per capita (and specifically spend more on investment goods), raise more revenue through indirect taxes and fees, and have larger municipal debt per capita. However, these differences in municipal averages may not be a good indicator for a causal effect of political ideology in municipal policy, as right and left-wing municipalities might be very distinct in characteristics relevant for these policies (like the concentration of businesses, the proportion of elderly, the proportion of young children, etc). The next section illustrates the shortcomings of looking only at raw averages, as, using regression discontinuity and municipal fixed effects, many of the relations shown in Table 3 change sign.

⁶ Available online at <http://info.portaldasfinancas.gov.pt/pt/dgci>.

⁷ See <https://appls.portalautarquico.pt/portalautarquico>.

⁸ See <http://eleicoes.cne.pt>.

⁹ Keep in mind that this number is smaller than the changes in party of the mayor, as a change in mayor between two right-wing parties or between two left-wing parties would not be counted for this effect.

Regression discontinuity design is used in all the regressions of this paper, in order to get causal identification of the effect of the incumbent party's ideology in the fiscal policies of the municipality. The level or prevalence of fiscal policies is compared between municipalities where a left-wing party wins the municipal election with a small margin over its closer right-wing competitor, and municipalities where a right-wing party wins the municipal election with a small advantage over its closer left-wing competitor.¹⁰

Several of the regressions presented in the next sections look upon the effect of a mayor's ideology on the level of fiscal policies in a municipality. When that is the case, the main specification I discuss is of the form:

$$Y_{it} = c + \theta_i + \tau_t + \beta Left_{it} + f^j(Mrg_{it}) + \varepsilon_{it}$$

where Y_{it} is the fiscal policy of interest, θ_i is a municipal fixed effect, τ_t is a year effect, $Left_{it}$ is a binary variable that assumes value 1 if municipality i has a left-wing mayor on year t and 0 otherwise, and finally $f^j(Mrg_{it})$ is a two-sided j^{th} degree polynomial of the margin between the most-voted left-wing party and the most-voted right-wing party. I give greater relevance in my analysis to specifications with higher degree polynomials (3rd and 4th degree), as they provide functional flexibility, which is necessary to ensure that the effect measured is indeed a result of a discontinuity and not due to the binary variable for treatment (left-wing control) capturing an effect of observations very far from the treatment threshold (in this case 0% vote margin), while still having sufficient statistical power to draw conclusions.

In the subsequent sections, I also study the effect of a mayor's ideology on binary dependent variables, such as the existence of a municipal business tax or of positive municipal investments on daycare centers. To address these questions, I estimate linear probability models, following a Feasible GLS procedure. First, I estimate the models in a similar manner to the case of levels described above:

$$Y_{it} = c + \theta_i + \tau_t + \beta Left_{it} + f^j(Mrg_{it}) + \varepsilon_{it}$$

where Y_{it} is a binary variable. I then use the fitted values of these regressions to estimate the standard error of each observation (under the linear probability model $V(\varepsilon_{it}) = E(\varepsilon_{it}^2) - E(\varepsilon_{it})^2$).

¹⁰ I considered winning the municipal election to mean winning the municipal president position, due to this being the most straightforward application of the regression discontinuity methodology.

Finally, the linear probability models are re-estimated, correcting for the heteroscedasticity of the data:¹¹

$$\frac{Y_{it}}{\hat{\sigma}_{it}} = \frac{c + \theta_i + \tau_t + \beta \text{Left}_{it} + f(\text{Mrg}_{it})}{\hat{\sigma}_{it}} + \varepsilon_{it}$$

Regression discontinuity design provides causal identification of an effect of ideology on fiscal policies, if the assumption that municipalities where elections are close are distributionally similar in regard to other characteristics relevant to fiscal policy selection holds true. I test this assumption by using a regression discontinuity setup similar to that described above for the case of levels (with a two-sided 4th degree polynomial controlling for the winning margin), and the results are presented in Table 4. None of the socio-economic factors considered (municipal real income, population, proportion of children aged 5-14 or proportion of people aged 65+) were significantly different between municipalities where the left won narrowly and municipalities where the right won narrowly.

4 – TAXATION

The political rhetoric towards business has long been one of the marking differences between the Portuguese Right and the Portuguese Left. One of the prime examples of this difference is the fact that left-wing parties were in general favorable to the extensive nationalization of businesses in the years following the Carnation revolution, while right-wing parties tried to fight against this wave of nationalization, even at the expense of being associated with the former fascist regime by a substantial segment of the population. It is therefore of no surprise that when given the opportunity of setting a municipal tax rate, a larger share of left-wing municipalities chooses to do so. Table 3 illustrates this fact; approximately 61% of all left-wing municipalities in my sample have a business tax, while that is true for only 36% of the right-wing municipalities. Still, this is not necessarily evidence that left-wing politicians cause municipalities to enact the business tax, it might simply be that the constituents of these

¹¹ In many occasions $\hat{\sigma}_{it}$ was either negative or very small. To solve this issue I assigned $\hat{\sigma}_{it} = .1$ whenever $\hat{\sigma}_{it}$ was smaller than .1 (not only correcting the negative variances, but also limiting the influence that any single observation can have on the estimated coefficients).

municipalities prefer businesses to be taxed, and therefore businesses are more likely to be taxed in these municipalities no matter who is in control. Regression discontinuity design is employed to examine if there really is a positive causal effect of left-wing ideology of a mayor on the likelihood of enacting a business tax. The results, shown in Table 5, confirm what the raw averages suggested. The specifications considered point to a 20 to 30% higher chance of a left-wing municipality enacting a business tax. Figure 1 illustrates the effect of left-wing control on the likelihood of a municipal business tax, with a clear jump between municipalities barely won by a right-wing mayor and the municipalities barely won by a left-wing mayor. This effect is significant under all specifications.

Are left-wing municipalities more likely to raise every type of tax? To answer this question, I turn to the analysis of indirect taxes and fees. These taxes and fees include fees paid to procure local market and public space permits, construction permits, advertising licenses, and dog ownership licenses, among others. As can be seen in Table 3, left and right-wing municipalities are very close in terms of revenues per capita from indirect taxes and fees, with a slight advantage to right-wing municipalities. Regression discontinuity analysis confirms the irrelevance of the ruling ideology to the indirect taxes and fees raised by Portuguese municipalities. Estimates of the effect of left-wing ideology (presented in Table 5), range from 0% to 10%, but never attain statistical significance.

As a whole, the conclusion seems to be that Portuguese left-wing leaders are more likely to raise taxes that affect segments of the population that do not view them favorably anyways, such as business owners, but are not necessarily more likely to raise all types of taxes, particularly the ones which also affect their less wealthy constituents.

5 – EXPENDITURE

Most other studies looking at the impact of political variables on spending patterns of local governments have concentrated on total spending. There does not seem to be an effect of left-wing control on total spending per capita in the case of Portuguese municipalities; as can be seen in Table 3, total spending per capita is very similar for both left-wing and right-wing municipal governments (around €1,000 per year, at 2007 prices), with right-wing municipalities spending slightly more. Regression discontinuity design confirms the lack of an effect of a

mayor's left-wing ideology on municipal log spending per capita, with estimates ranging from -2% to 0%, but always far from statistical significance.

Fortunately, the data available for Portuguese municipalities allows examination of more disaggregated spending policies. In order to explore if there are substantial ideological effects on spending, I focus the analysis on investment in social infrastructure as well as in social transfers, both typically thought to be a higher priority to left-wing politicians. First, however, we can ask how left-wing and right-wing municipalities compare in terms of overall investment. As can be seen in Table 3, right-wing municipalities invest somewhat more per capita (€60 plus per year). This difference does not survive the inclusion of fixed effects and a regression discontinuity design; estimates of the effect of left-wing ideology on log investment per capita vary from -2% to 8%, but are never statistically significant (as can be seen in Table 5).

My analysis shows that social infrastructure is much more of a priority to left-wing mayors than to their right-wing counterparts. The share of left-wing Portuguese municipalities in my sample that invested in daycare centers, over a calendar year, was slightly less than the share of right-wing municipalities (28% vs. 30%), but once regression discontinuity is employed and municipal fixed-effects are taken into account, a clear left-wing effect emerges, with estimates between 15% and 49%, which is statistically significant in all specifications (see Table 5). In the case of investment in public retirement homes, the share of municipalities with positive investments over a calendar year is larger when under left-wing control (11% vs. 5%). Regression discontinuity design confirms a positive effect of left-wing ideology; municipalities switching to left-wing control become 20% to 45% more likely to invest in retirement homes over the course of a fiscal year. Similarly, a larger share of Portuguese left-wing municipalities invested in public housing (71% vs. 68%), and the regression discontinuity designs employed show a positive effect of left-wing control on the likelihood of investing in public housing (estimates range from 4% to 48%, with lack of statistical significance in the lower estimates, but it should be noted that the higher estimates result from the specifications where the control function had greater flexibility, and were therefore closer to the ideal regression discontinuity setup). Finally, a larger share of left-wing municipalities invested in school infrastructure (93% vs. 89%). Only one of the regression discontinuity specifications reveals a statistically significant effect of switching to left-wing control on the likelihood of investing in schools (an effect of 25%), but all other estimates, albeit smaller, are consistently positive. In conclusion, switching

from a right-wing to a left-wing municipal government increases the likelihood of investment in a variety of social infrastructures.

Outside of infrastructure expenses, it is interesting to look at how left and right-wing municipalities differ in terms of granting subsidies to families. Assistance to poor families is one of the hallmarks of the left across the globe, and therefore it is a priori expected that Portuguese municipalities controlled by the left-wing would be more likely to concede subsidies to families than right-wing controlled municipalities. A 76% share of left-wing municipalities conceded subsidies to families during my sample, while the number is only slightly smaller, at 75%, for right-wing municipalities; however, regression discontinuity analysis does not confirm a positive effect of having a left-wing mayor on the likelihood of granting subsidies to families. Estimates are very inconsistent, going from -45% to 14%, but if they give any indication, it is that right-wing municipalities are more likely to concede subsidies, as the more flexible specifications produced a significantly negative estimate of the left-wing effect. This result is quite unintuitive, but it might be explained by Portuguese right-wing mayors being more pro-family, due to their focus on family values; a more cynical explanation would be that right-wing mayors are more prone to pander through subsidies, a policy with immediate visibility, even if they are not more concerned with the social welfare of poor families.

Lastly, I have also analyzed how the overall compensation of municipal workers compares between left-wing and right-wing municipalities. A priori it might seem likely that municipalities under left-wing control would spend more with their workers, maybe because left-wing mayors care more about the income of municipal workers or because they might try to reduce unemployment by increasing the number of public workers. Comparison of the average compensation per capita of left and right-wing Portuguese municipalities seems to confirm this hypothesis, as left-wing municipalities spend almost €40 more per capita than right-wing municipalities in municipal workers' compensation, but regression discontinuity analysis shows the opposite result. Portuguese municipalities under left-wing control spend significantly less in workers compensation, with estimates of this left-wing effect varying between -2% and -6%. A proper explanation for this result will require further research, but it is interesting to note that right-wing municipalities received more transfers from the central government than left-wing municipalities, when the party in control of the municipality is aligned with the party in control of the central government (as it is shown in Migueis 2010). These two results put together hint at

the possibility that the extra funds received by aligned right-wing municipalities are funneled to increase compensation of municipal employees.

Overall, my analysis of spending patterns of Portuguese municipalities shows that left-wing municipalities do not spend significantly more or less than right-wing municipalities, but seem to target spending more to social infrastructure, while right-wing municipalities privilege municipal workers compensation and are more likely to subsidize families.

6 – DEBT

Having looked at how left and right-wing municipalities compare in terms of taxation and spending, the last empirical results to present in this paper concern how they compare in terms of controlling municipal debt. Considering the typical left and right-wing ideologies, a case can be made for either side of the political spectrum being more careless regarding government debt. On one side, left-wing politicians tend to favor expansion of public expenses, especially funding for social programs, which if left unrestrained and unaccompanied by tax increases, can lead to budget shortfalls, requiring debt financing; on the other hand, a majority of right-wing politicians advocate tax cuts, believing that budget balance can still be achieved in the long-run though “starving the beast” (a forced reduction of public spending due to lack of public funds). The data from Portuguese municipalities allowed me to compare how disciplined left and right-wing parties are in terms of controlling municipal debt. In the period of my sample, right-wing municipalities carried on average more debt per capita, to the tune of €779 in 2007 prices, compared to only €703 carried by left-wing municipalities. But is there a causal effect of left-wing rule on debt control? Results from Table 6 seem to point in that direction. Estimates of the effect of left-wing control on municipal debt range from -6% to -12%. The only caveat is that the more flexible specifications did not provide statistically significant coefficients, so the possibility that part of this result is driven by municipalities where elections were not very close cannot be excluded. Nevertheless, the consistently negative results suggest that Portuguese left-wing municipalities are more fiscally responsible than right-wing municipalities.

7 – CONCLUSION

Most of the studies regarding the effect of parties and political ideology on fiscal policies have focused on the most aggregate level of spending or revenue. My analysis has shown that, while there may not be any discernible party or ideological effects on fiscal aggregates, such as total spending, ideology plays a significant role in setting spending priorities and in choosing revenue sources. In terms of revenue, left-wing Portuguese municipalities were much more likely than right-wing municipalities to tax businesses, but were not more likely to raise other types of taxes. On the spending side, the priority for left-wing municipalities is investment in social infrastructure, while, perhaps surprisingly, right-wing municipalities favored direct subsidies to families. Also, moving from left-wing control to right-wing control led, on average, to larger compensation of municipal workers. Finally, right-wing municipalities accumulated more debt than their left-wing counterparts. Overall, my empirical findings support theories that put emphasis on a politician's ideology playing a role in governmental policy, as the contrast between the policies followed by Portuguese left-wing and right-wing municipalities was, quite often, stark. It would be interesting to, in a future work, analyze, using a similar regression discontinuity setup, how spending and revenue priorities differ between Democrats and Republicans in control of US states or municipalities.

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FIGURE 1

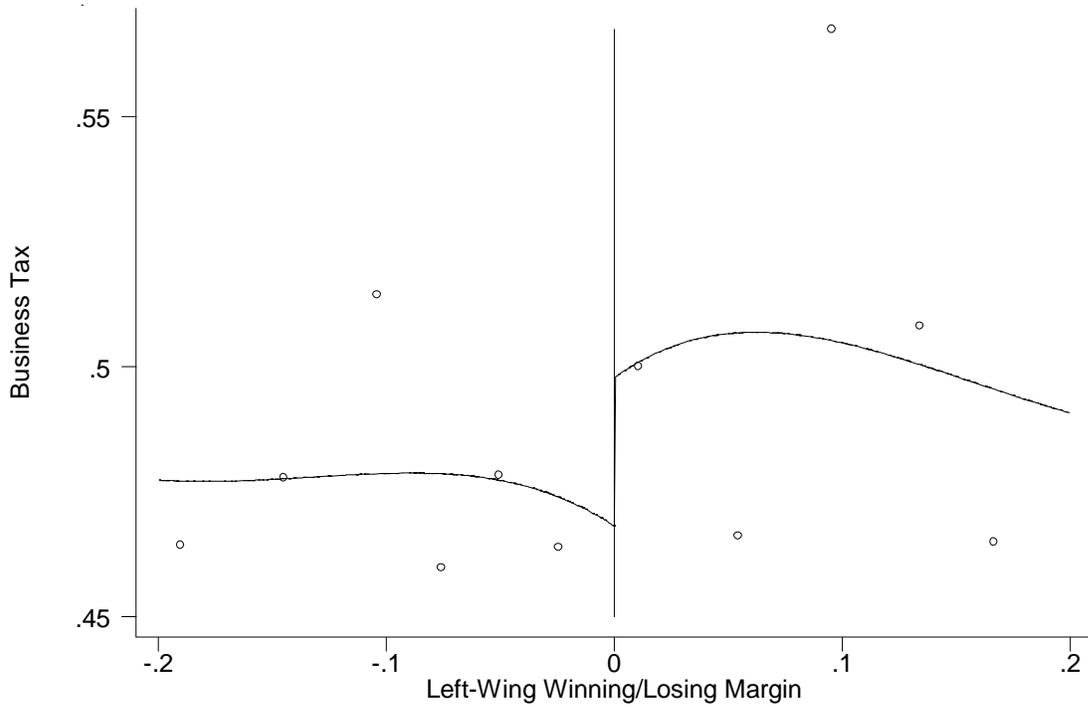


Table 1 – Party control in Portuguese Municipalities

	Left-wing municipalities	Right-wing municipalities
1997-2000	169	136
2001-2004	143	165
2005-2008	147	161
Total	459	462

Table 2 – Correlation Matrix – Left-wing Mayor

	1997-2000	2001-2004	2005-2008
1997-2000	1		
2001-2004	.700	1	
2005-2008	.550	.803	1

Table 3 – Summary Statistics

Variables	Mean	St. Dev.	Left-wing Mayor Mean	Right-wing Mayor Mean
Business Tax > 0 {1,0}	.489	.500	.613	.362
Indirect taxes + fees p.c.	28.87	29.67	28.45	29.25
Spending p.c.	999.14	503.67	979.77	1016.26
Investment p.c.	368.43	256.92	336.91	396.27
Daycare Investment > 0 {1,0}	.289	.454	.279	.299
Retirement Homes Investment > 0 {1,0}	.081	.273	.112	.053
Public Housing Investment > 0 {1,0}	.698	.459	.714	.684
Public Schools Investment > 0 {1,0}	.907	.290	.933	.885
Families Subsidies > 0 {1,0}	.751	.433	.756	.746
Compensation p.c.	271.81	164.12	291.94	254.03
Debt p.c.	743.82	578.69	703.33	778.99

Note: Per capita values are at the 2007 price level.

Table 4 – Effect of Left-Wing Control on Municipality Characteristics

Log Municipal Population	.003 (.010)
Log Municipal Real Income Per Capita (2007 Prices)	-.007 (.027)
Municipal 5-14 population %	.000 (.002)
Municipal 65+ population %	.002 (.001)

Note: N = 1232 in Real Income regression and N = 1540 in all other regressions. All regressions included municipal, year fixed effects and fourth-degree polynomial of the aligned governor winning/losing margin. Standard errors (in parenthesis) are estimated using clustering. *** = p-value < 0.01.

Table 5 – Effect of Mayor’s Left-Wing Ideology

	(1)	(2)	(3)	(4)	(5)
Business Tax > 0 {1,0}	.185*** (.033)	.225*** (.044)	.300*** (.061)	.215*** (.078)	.289*** (.095)
Log Indirect taxes + fees p.c.	.013 (.066)	.052 (.077)	-.009 (.078)	.037 (.085)	.105 (.096)
Log Spending p.c.	.002 (.025)	-.001 (.027)	-.005 (.032)	-.024 (.037)	-.021 (.043)
Log Investment p.c.	.087 (.064)	.070 (.071)	.059 (.088)	-.021 (.098)	-.017 (.111)
Daycare Investment > 0 {1,0}	.146* (.076)	.199** (.081)	.274*** (.091)	.333*** (.108)	.490*** (.141)
Retirement Homes Investment > 0 {1,0}	.280*** (.059)	.202*** (.070)	.447*** (.091)	.451*** (.103)	.268** (.117)
Public Housing Investment > 0 {1,0}	.040 (.084)	.041 (.095)	.267** (.110)	.478*** (.134)	.368** (.167)
Public Schools Investment > 0 {1,0}	.080 (.075)	.128 (.081)	.018 (.096)	.065 (.104)	.250** (.121)
Families Subsidies > 0 {1,0}	.094 (.065)	.144** (.072)	-.205** (.085)	-.412*** (.099)	-.451*** (.116)
Log Compensation p.c.	-.018 .015	-.022 (.018)	-.046** (.021)	-.044* (.025)	-.060** (.030)
Log Debt p.c.	-.088** (.044)	-.121** (.057)	-.074 (.065)	-.056 (.077)	-.090 (.098)
Left Winning Margin Polynomial	None	First	Second	Third	Fourth

Note: N = 2135 in Business Tax regressions and N = 1520 in all other regressions. All regressions included municipal and year fixed effects. Standard errors (in parenthesis) are estimated using clustering in all the regressions with a logarithmic dependent variable. *** = p-value < 0.01; * = p-value < 0.1.