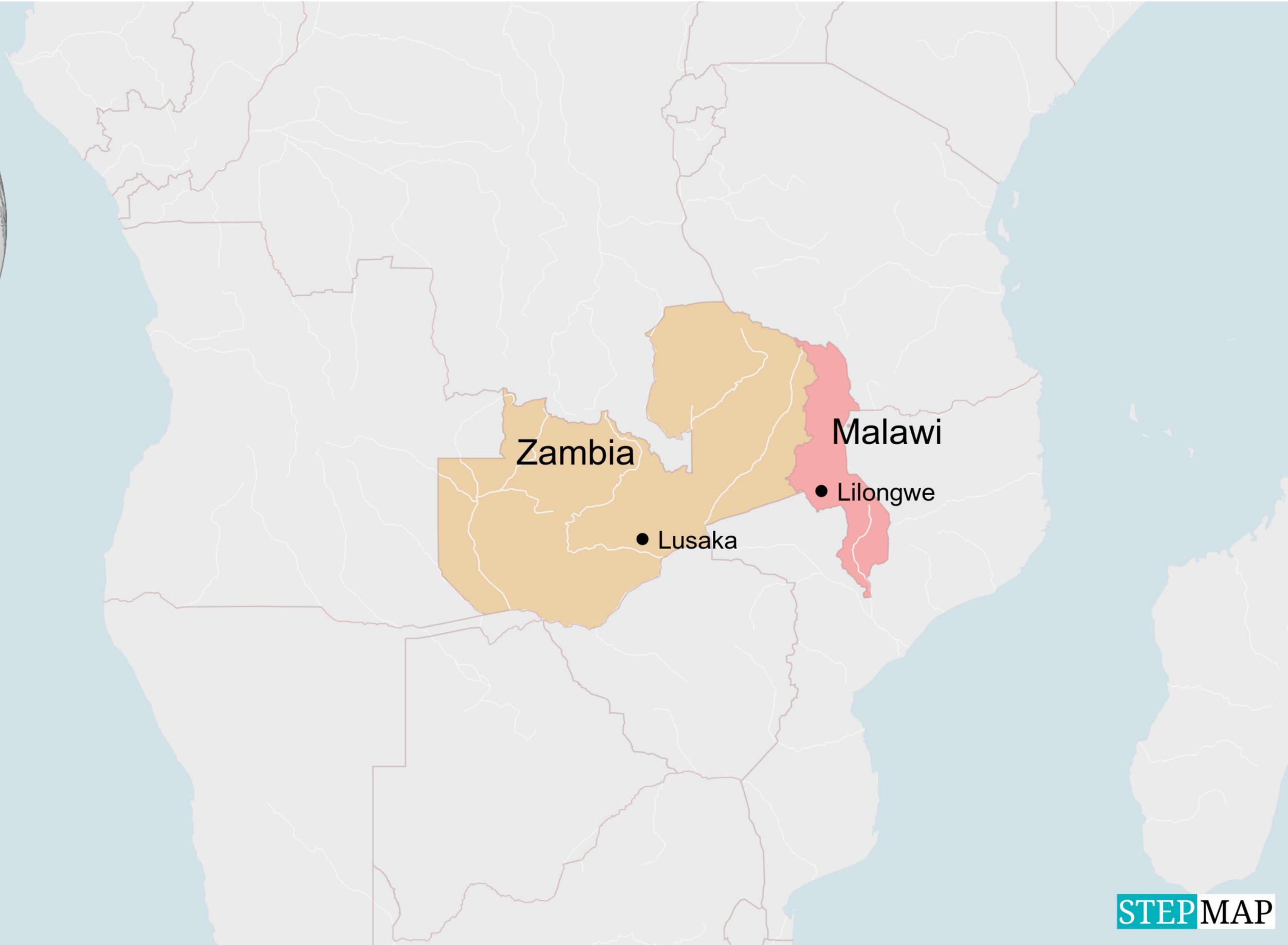




Sharing a Shrinking Pie

Public Spending and Political Coalitions in the Global Financial Periphery

Jacob Winter, University of Toronto





REPUBLIC OF ZAMBIA
CUSTOMS AND
IMMIGRATION
MWAMI BORDER POST



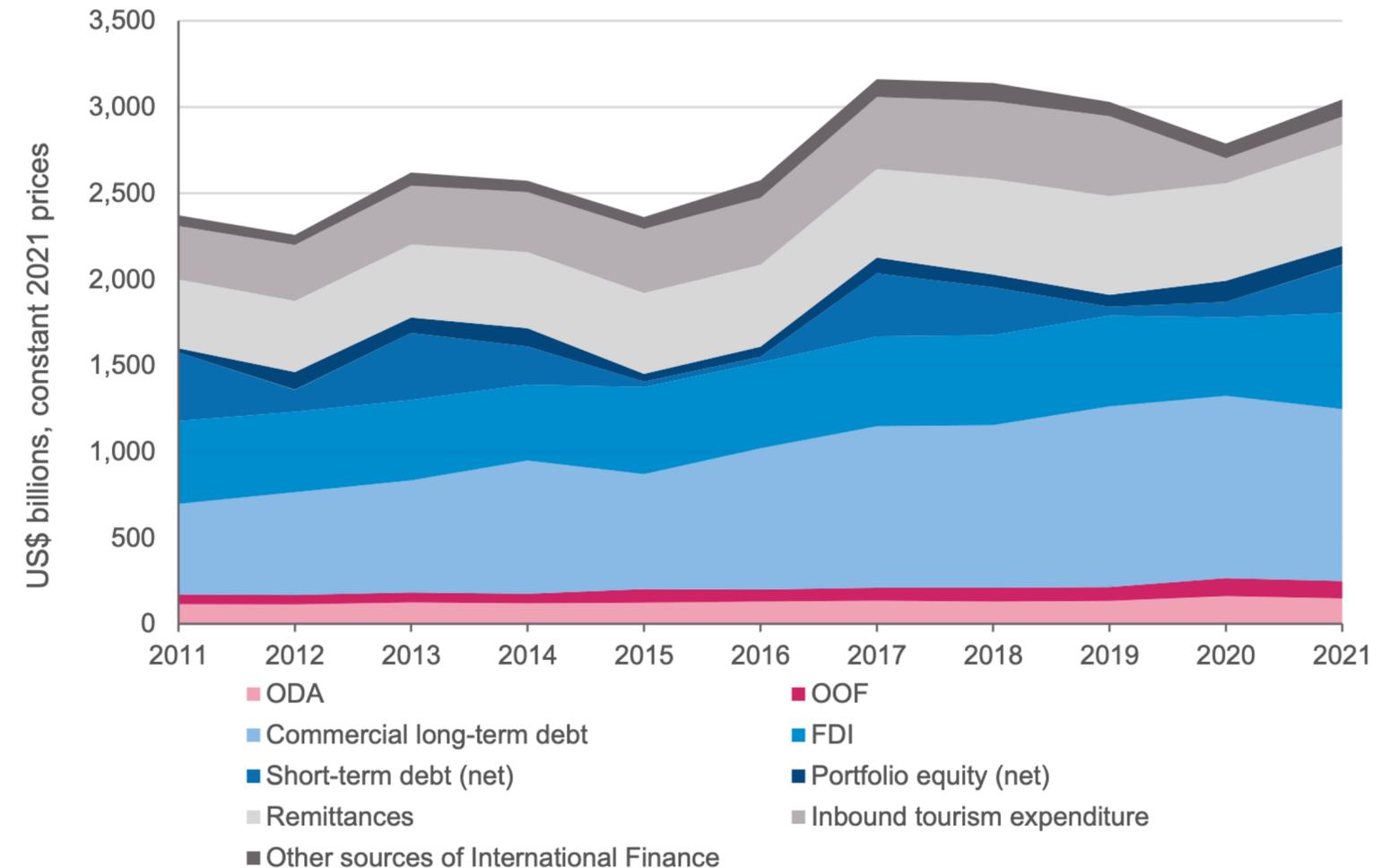
**Governments have lots of needs
and not much money.
How do they decide what to do?**



Debt funds development

- 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.

Trends in major international financial flows, 2011–2021



Aid is a small and **borrowing** a big part of financial flows to developing countries

Theory

Interest Rates Low



Spend on infrastructure

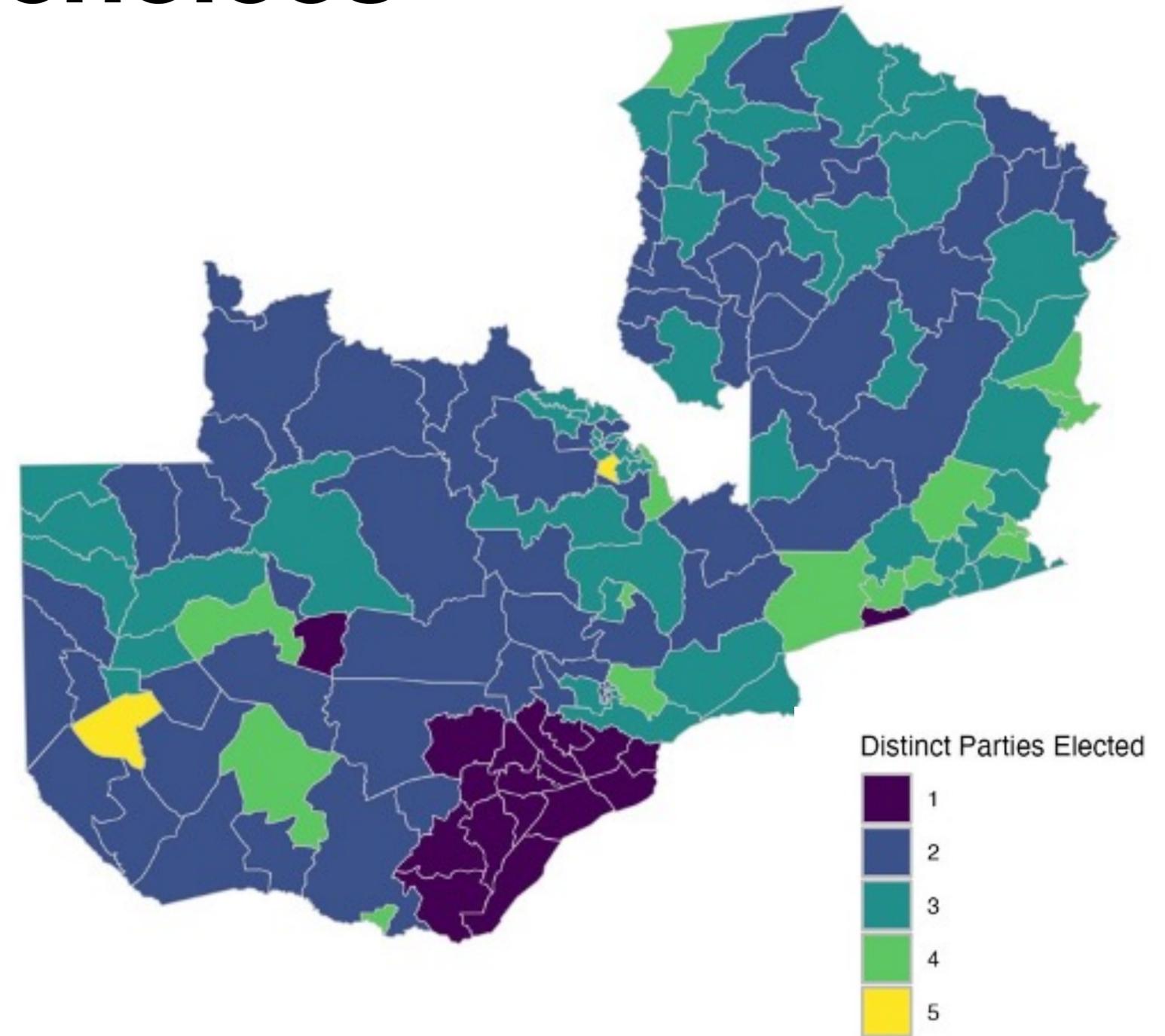
Interest Rates High



Spend on wages

Democracy constrains choices

- Competitive elections are here to stay.
- 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.
- in strongholds, they must keep voters loyal.
- Outside strongholds, they must win over strong politicians.



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)

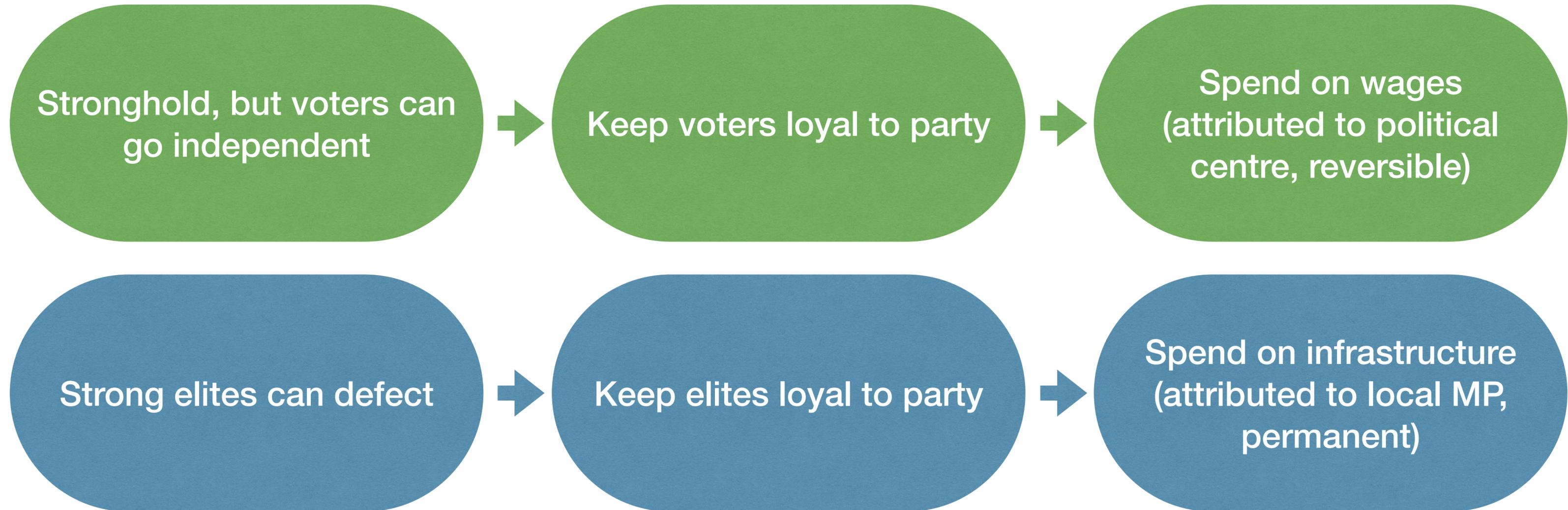
“When I was competing for the first time in 2006, my president lost. But I won. So, what it is that, sometimes the electorate go beyond the party, right? They concentrate on individuals.”

Attribution varies by sector

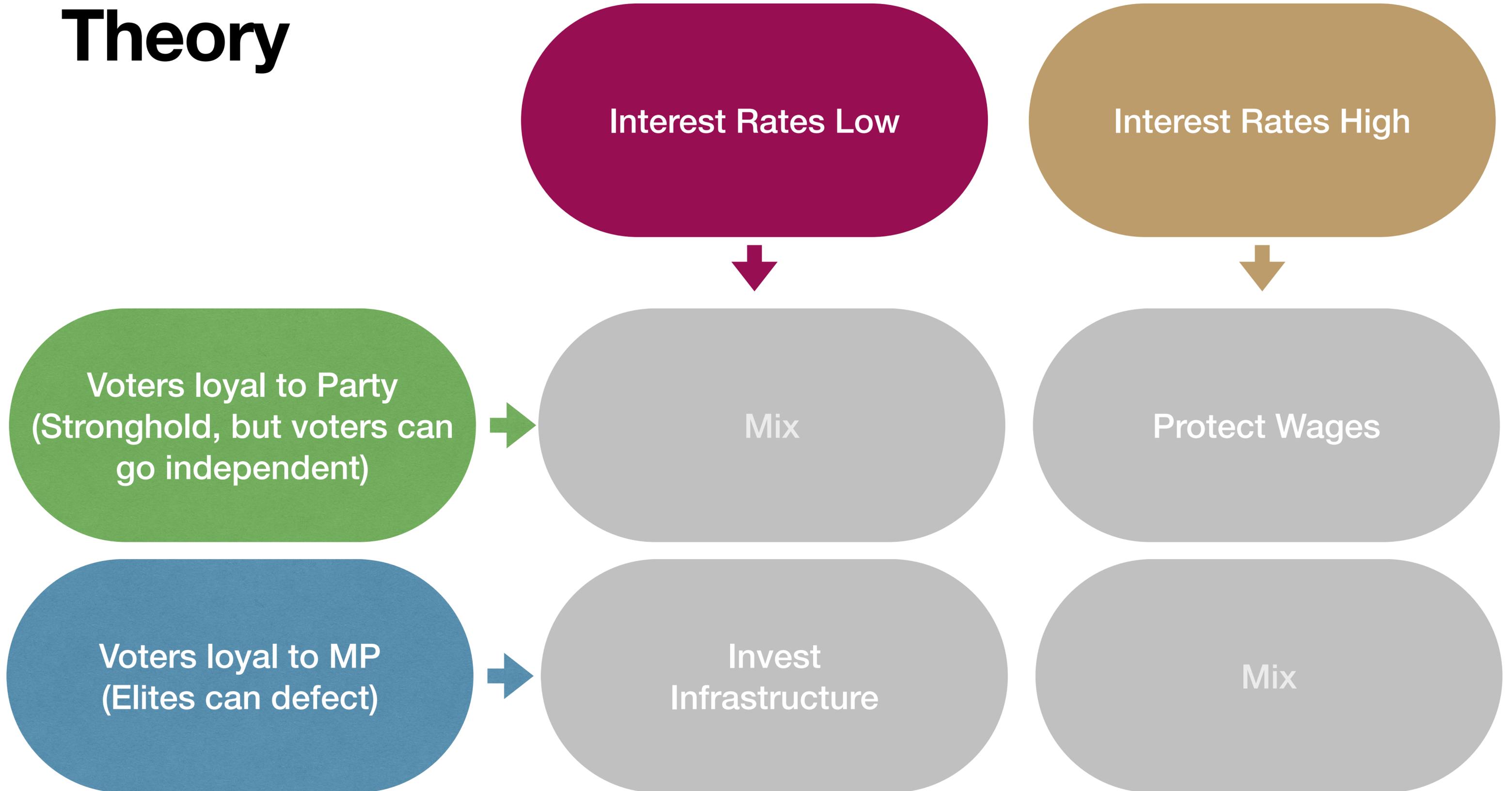
- What strategies do parties use?
 - Reward core supporters (Mason, Jayne, van de Walle, 2017; Stokes, 2013; Ejdemyr et al, 2018; Briggs, 2014)
 - Convince swing supporters (Stokes, 2005; Schady, 2009)
 - It depends...on sector, party, country, regime (Kramon and Posner, 2013; Burgess et al, 2015; Albertus, 2013; Briggs, 2021)
- **Attribution Matters**
 - Roads and buildings are attributed to the local MP
 - Jobs and service delivery are attributed to the centre



Theory



Theory

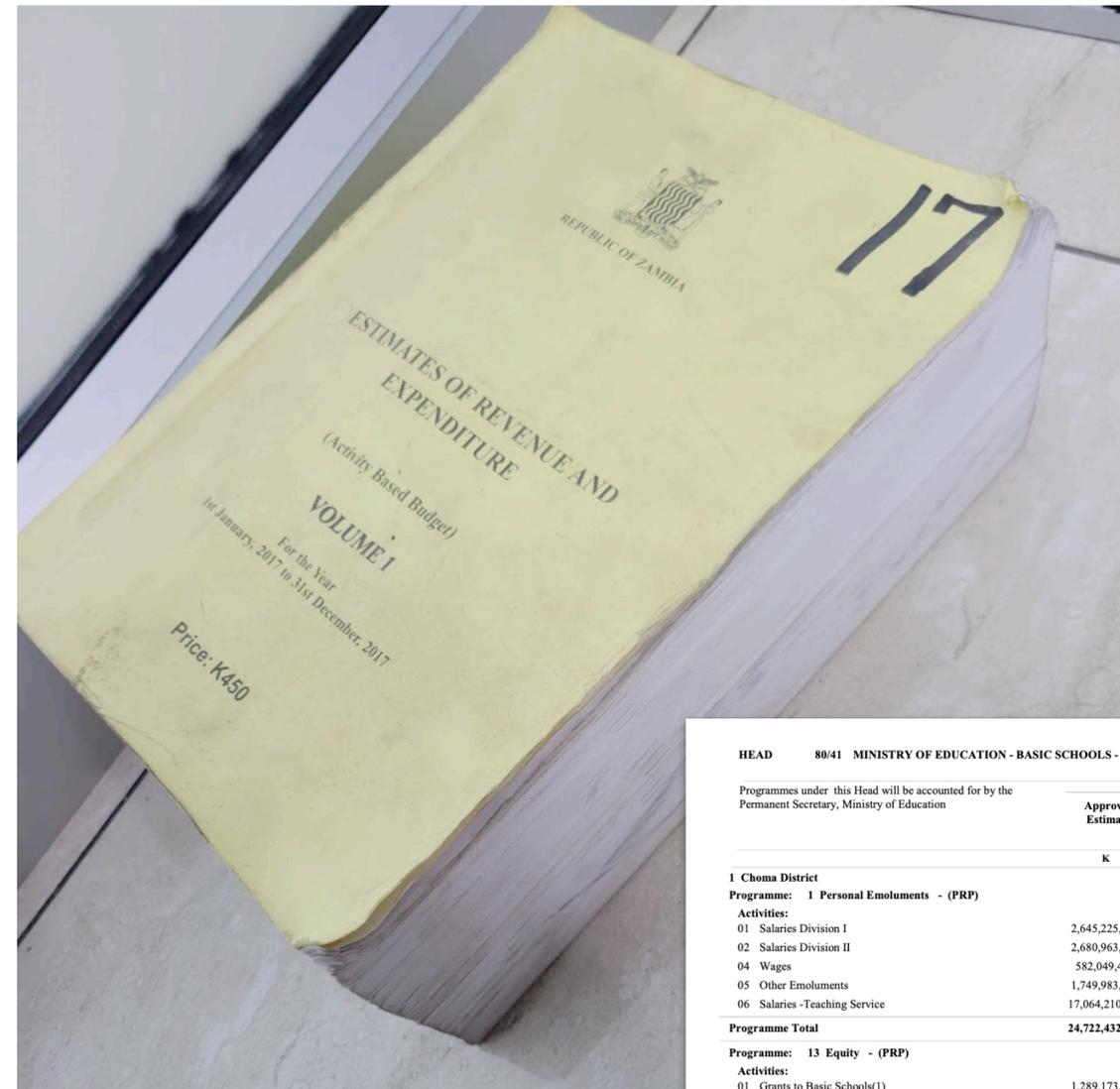




Data

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	2009		2010	
		Approved Estimates	Supplementary Estimates or Savings Declared		Total Authorised
Programmes under this Head will be accounted for by the Permanent Secretary, Ministry of Education		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 Hezhi-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

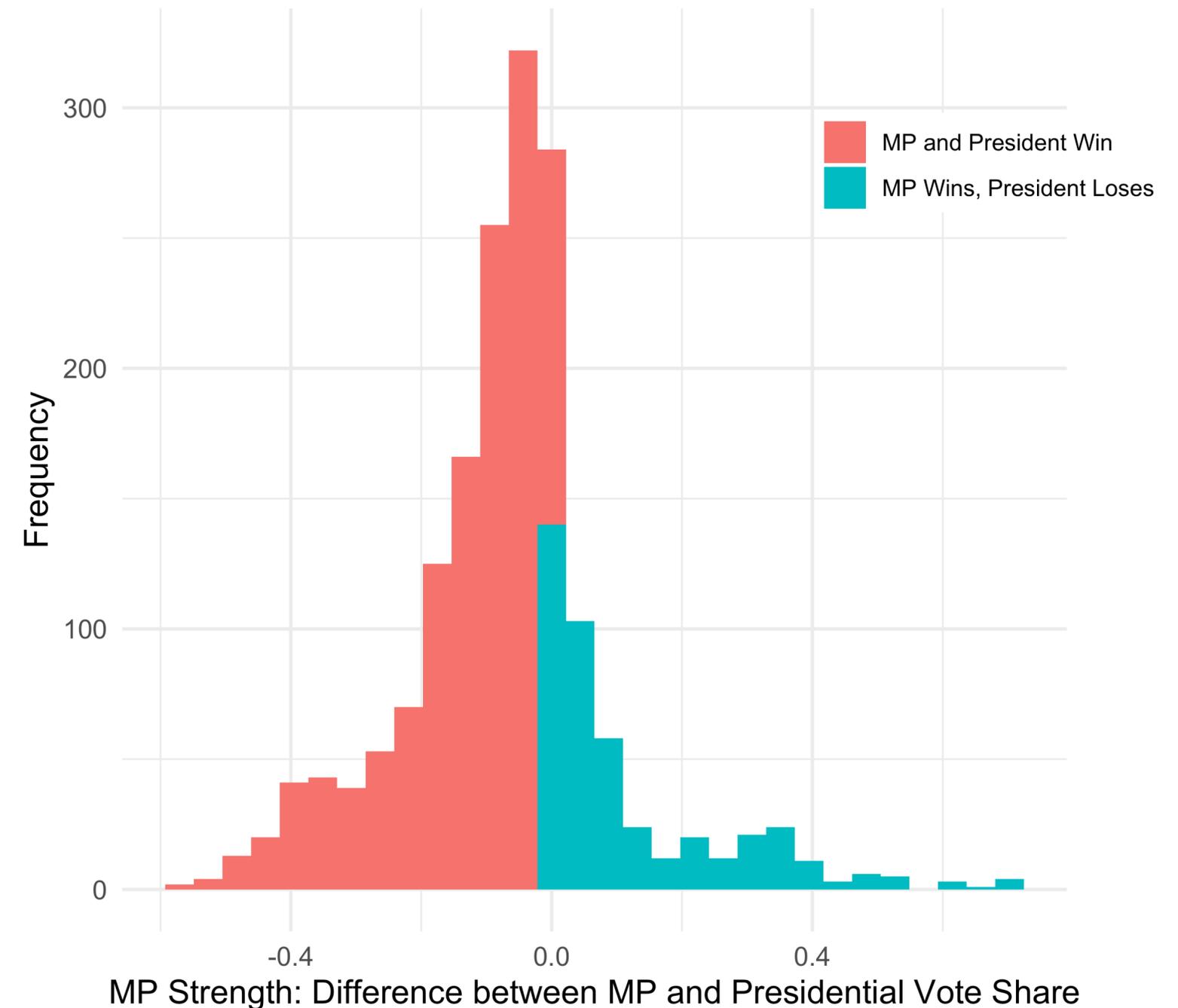
Explanatory Variable

- Difference between MP and Presidential vote share.

Examples:

- MP: 60% President: 50% → 10%
- MP: 60%, President: 80% → -20%
- **Blue** shows cases where MP won for their party despite that party not winning presidential vote.

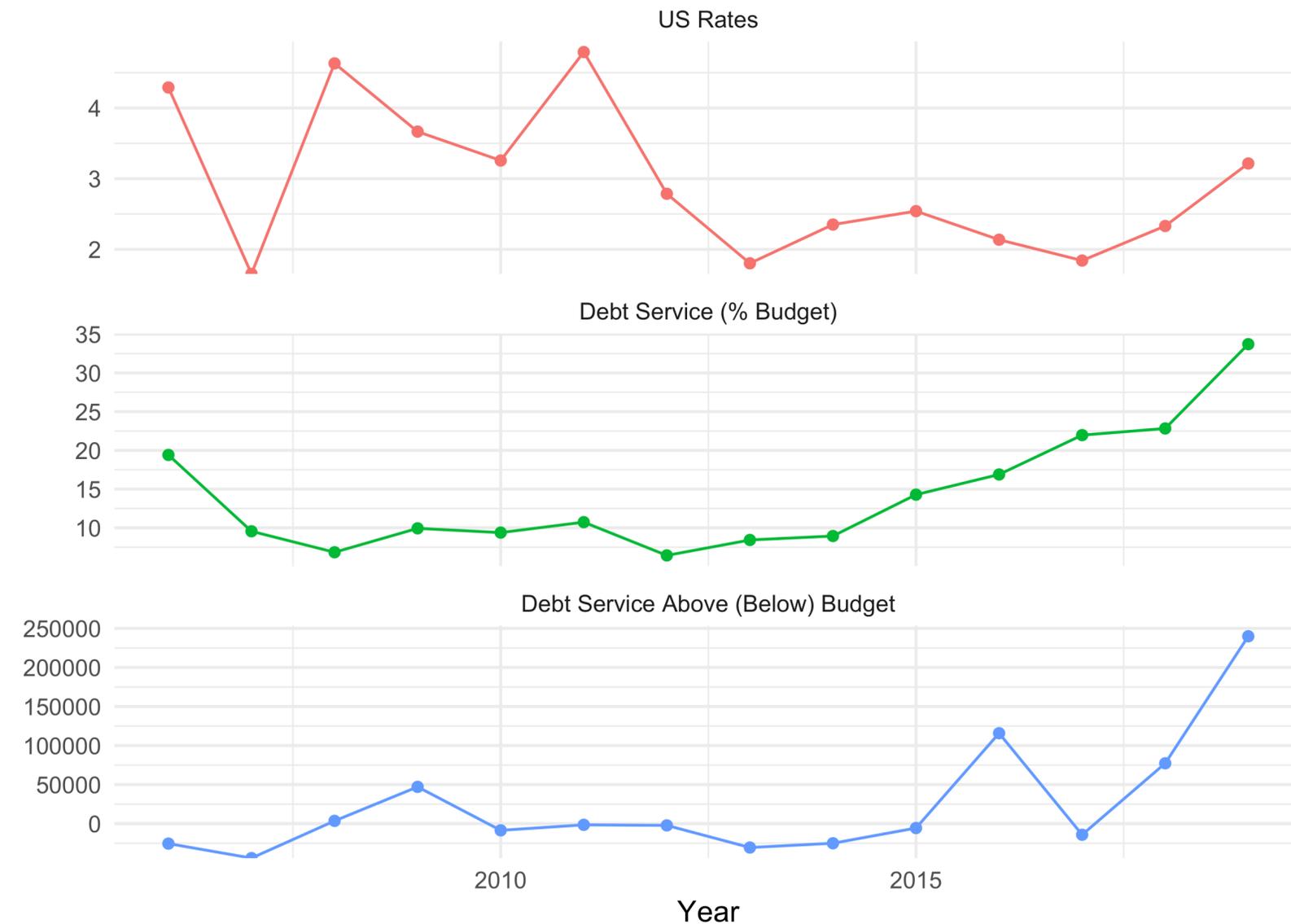
Difference in Vote Share, MP vs Presidential Elections



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

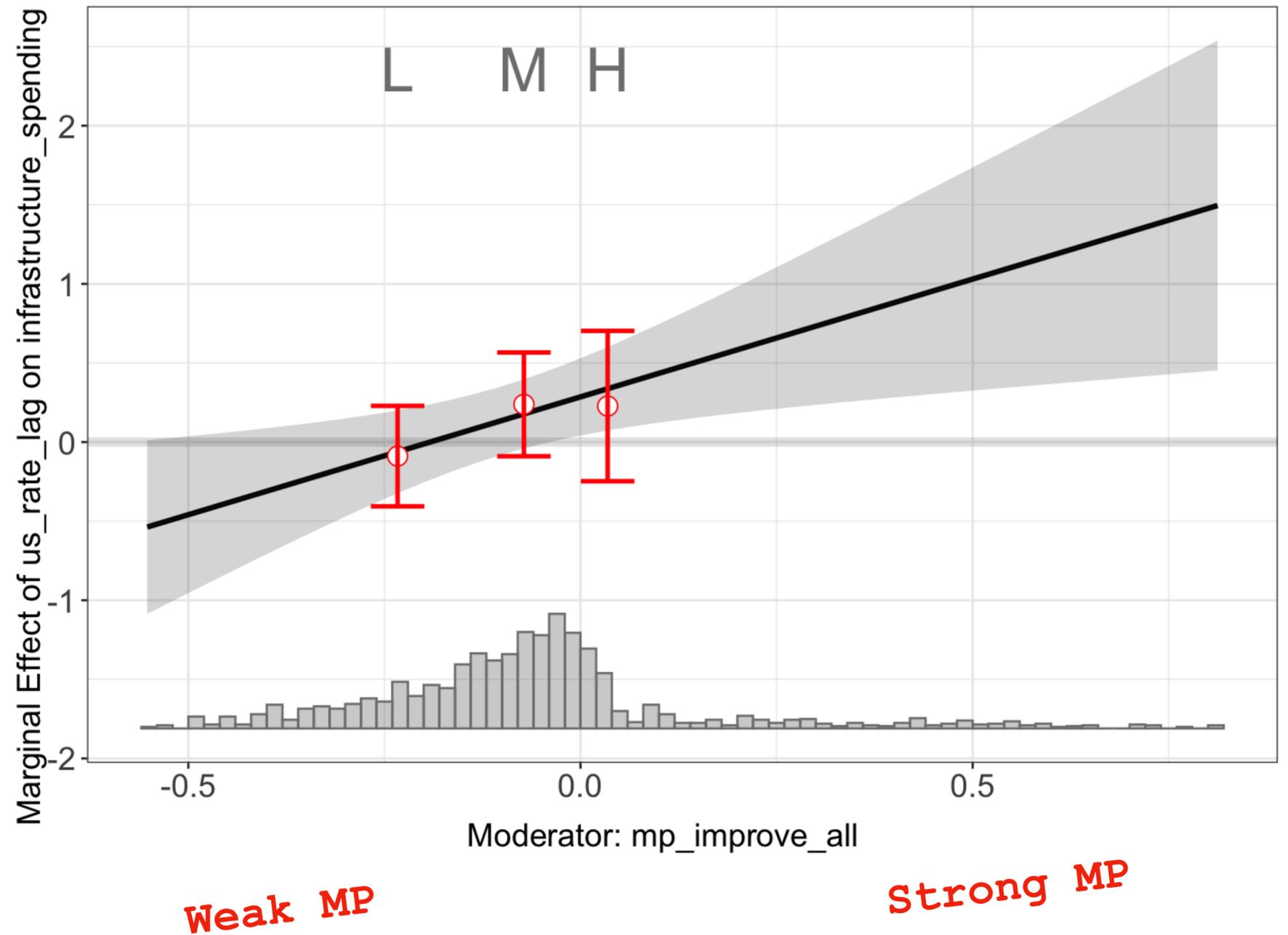
$$\begin{aligned} \text{Spending}_{it} = & \beta_0 + \beta_1 \text{Strength}_{it} + \beta_2 \text{Interest}_{t-1} + \beta_3 \text{Strength}_{it} * \text{Interest}_{t-1} \\ & + \beta_4 \text{Nightlights}_{it} + \beta_5 \text{Ruling}_{it} + \beta_6 \text{Copper}_{t-1} + \theta \text{Constituency}_i + \epsilon_{it} \end{aligned}$$

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

Results: Infrastructure

When rates rise...

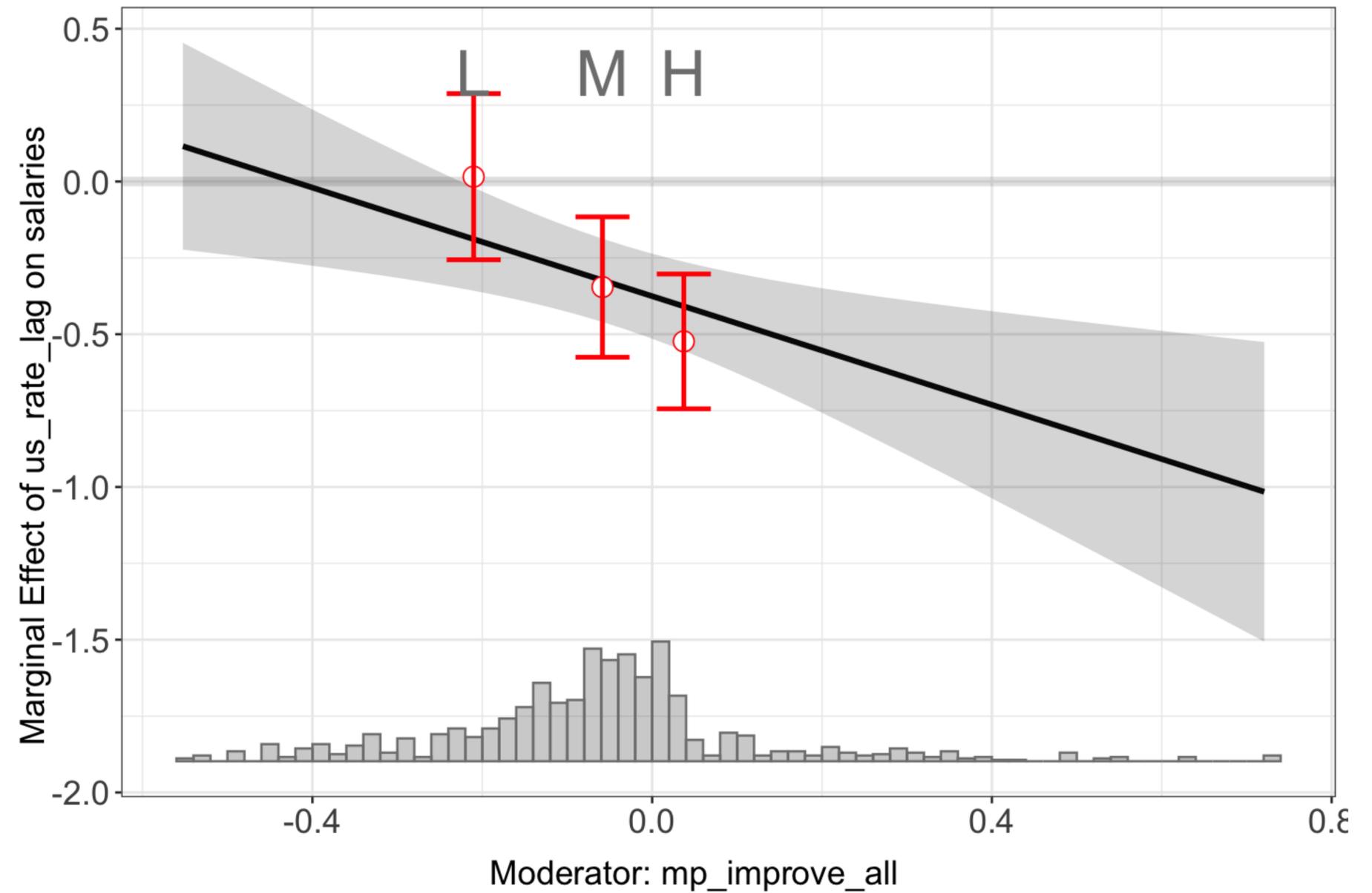
- Weak MPs get less infrastructure
- Strong MPs get more infrastructure



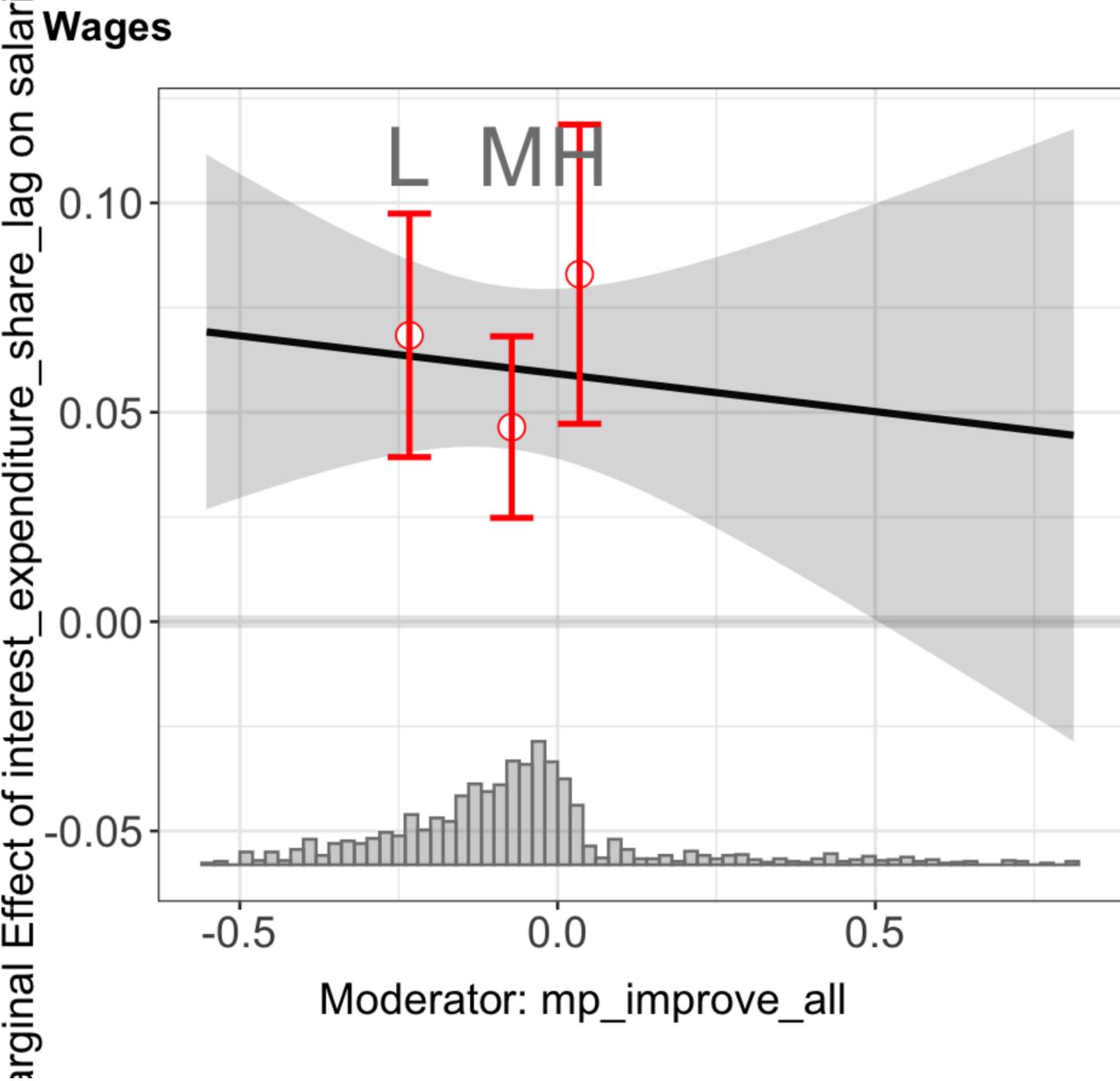
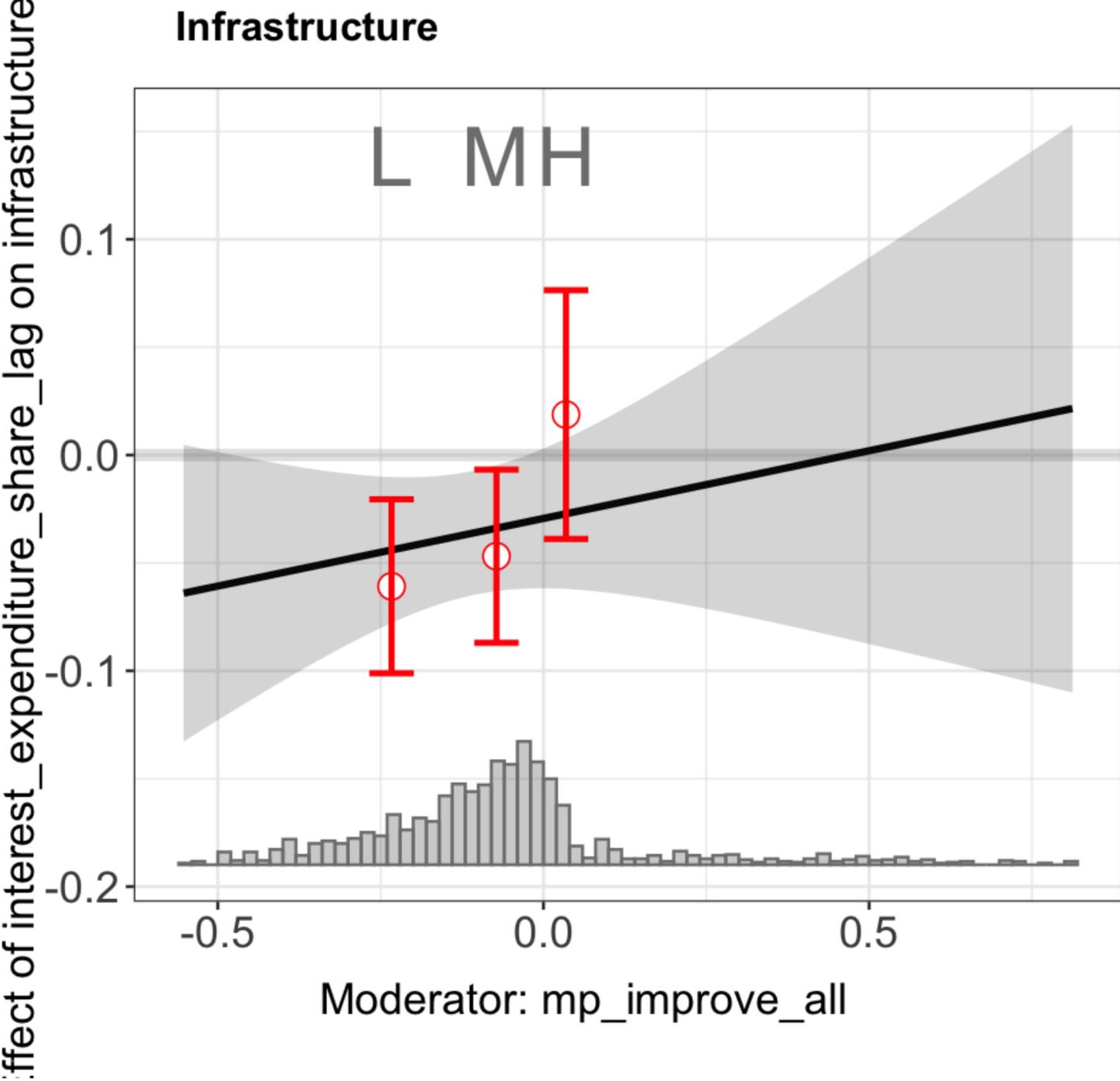
Results: Wages

When rates rise...

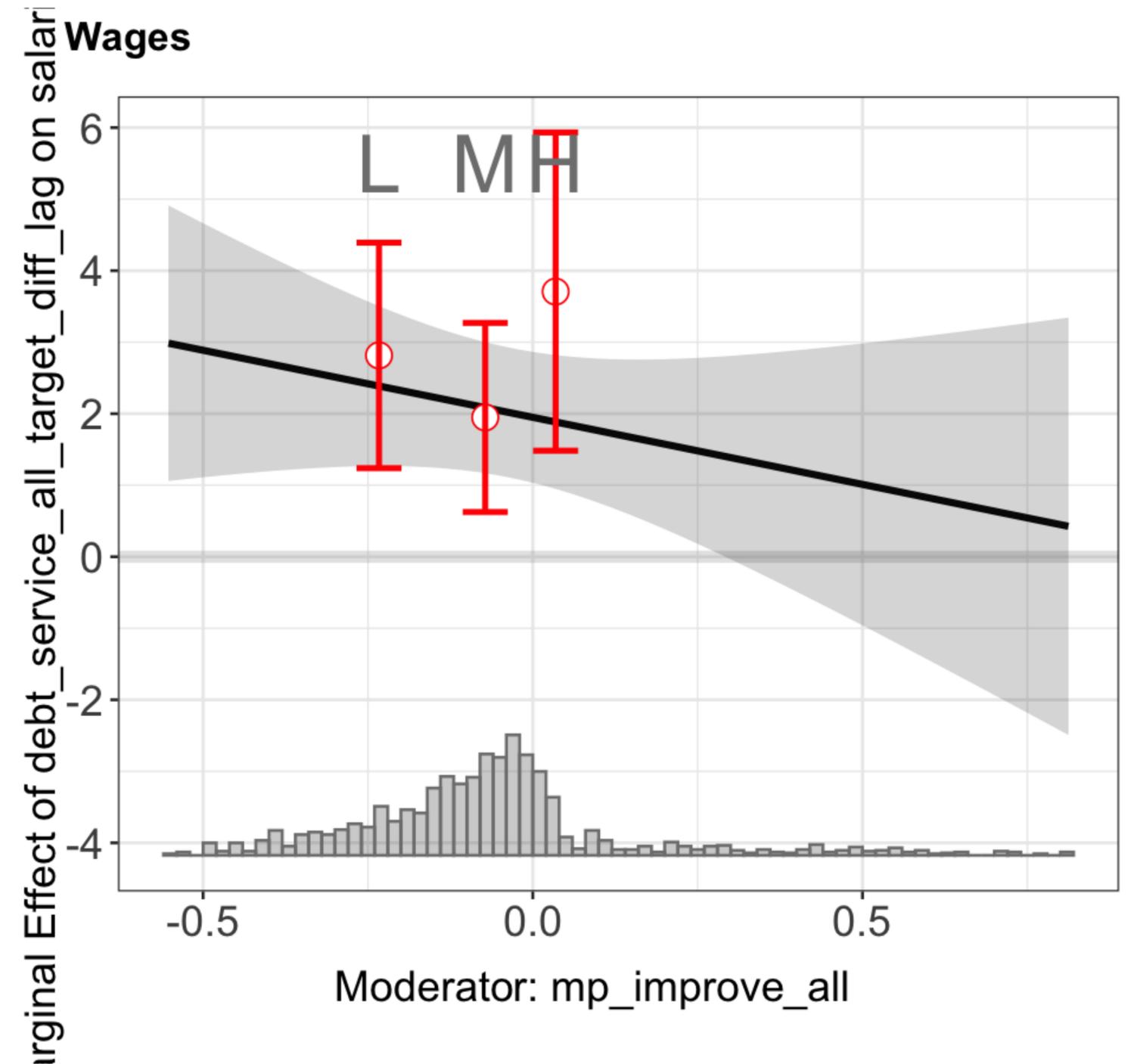
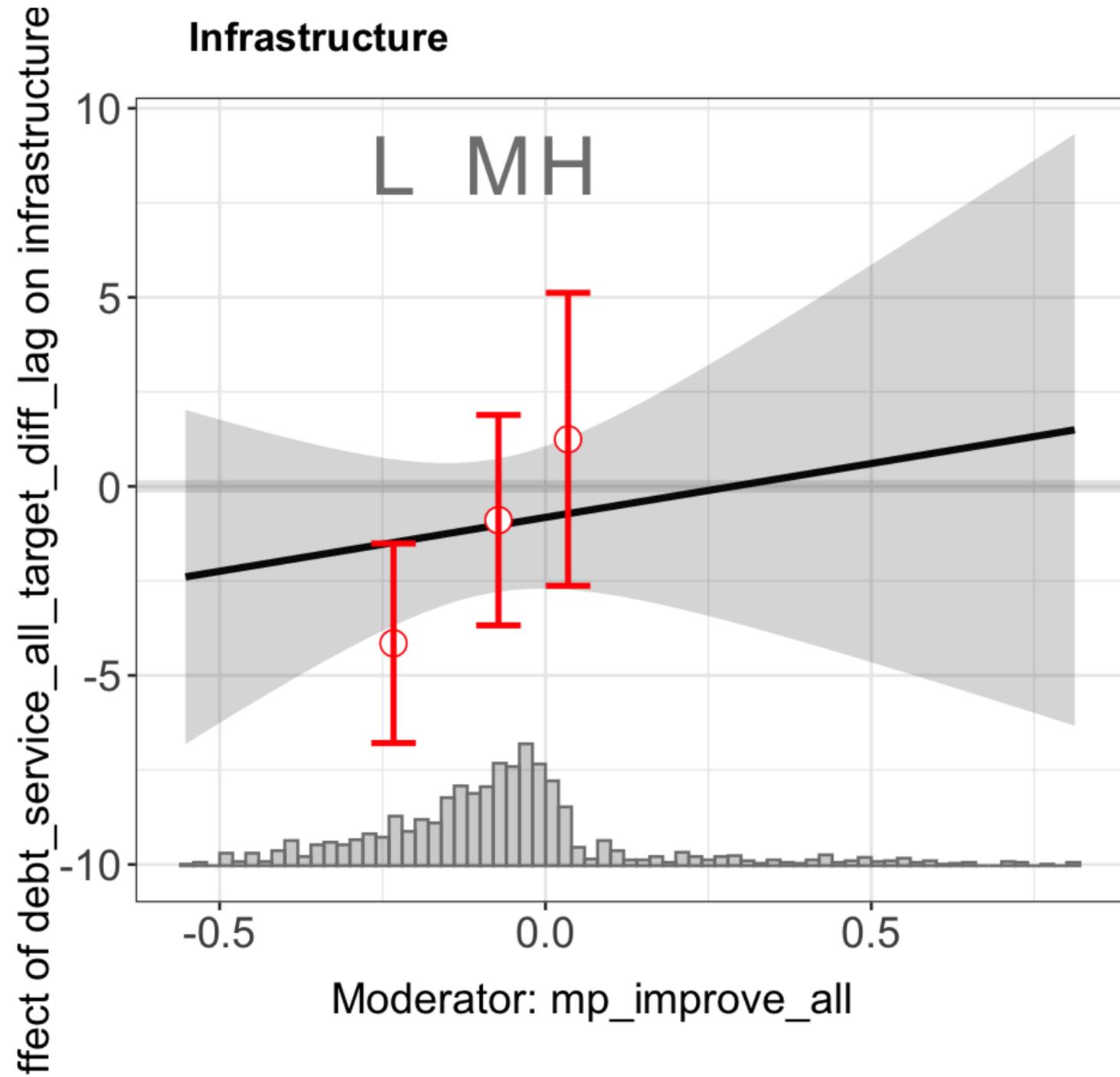
- Weak MPs get no change in wages (protected)
- Strong MPs get less wage spending



Debt Service



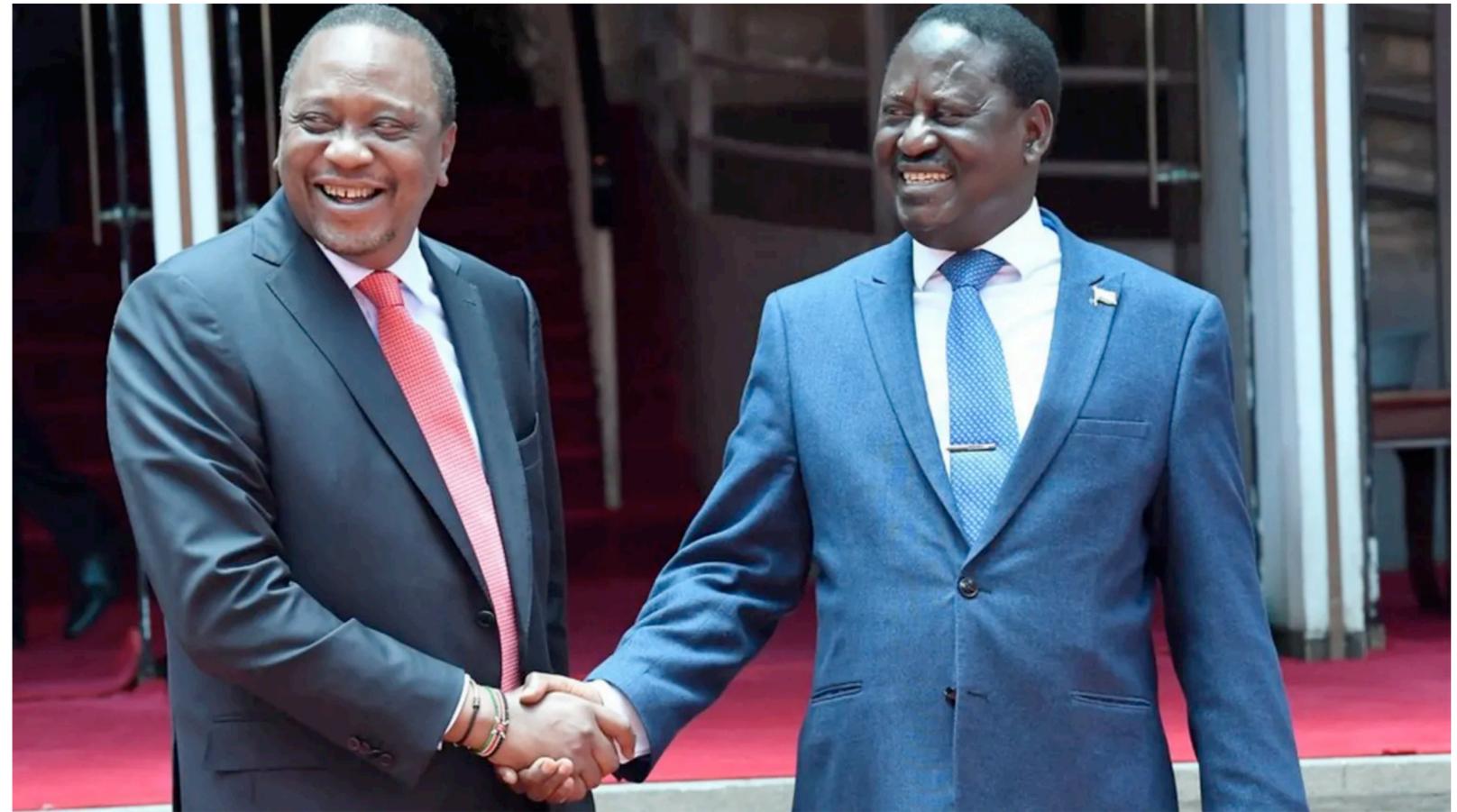
Changes in Debt servicing



Kenya



ODM Pentagon, 2007

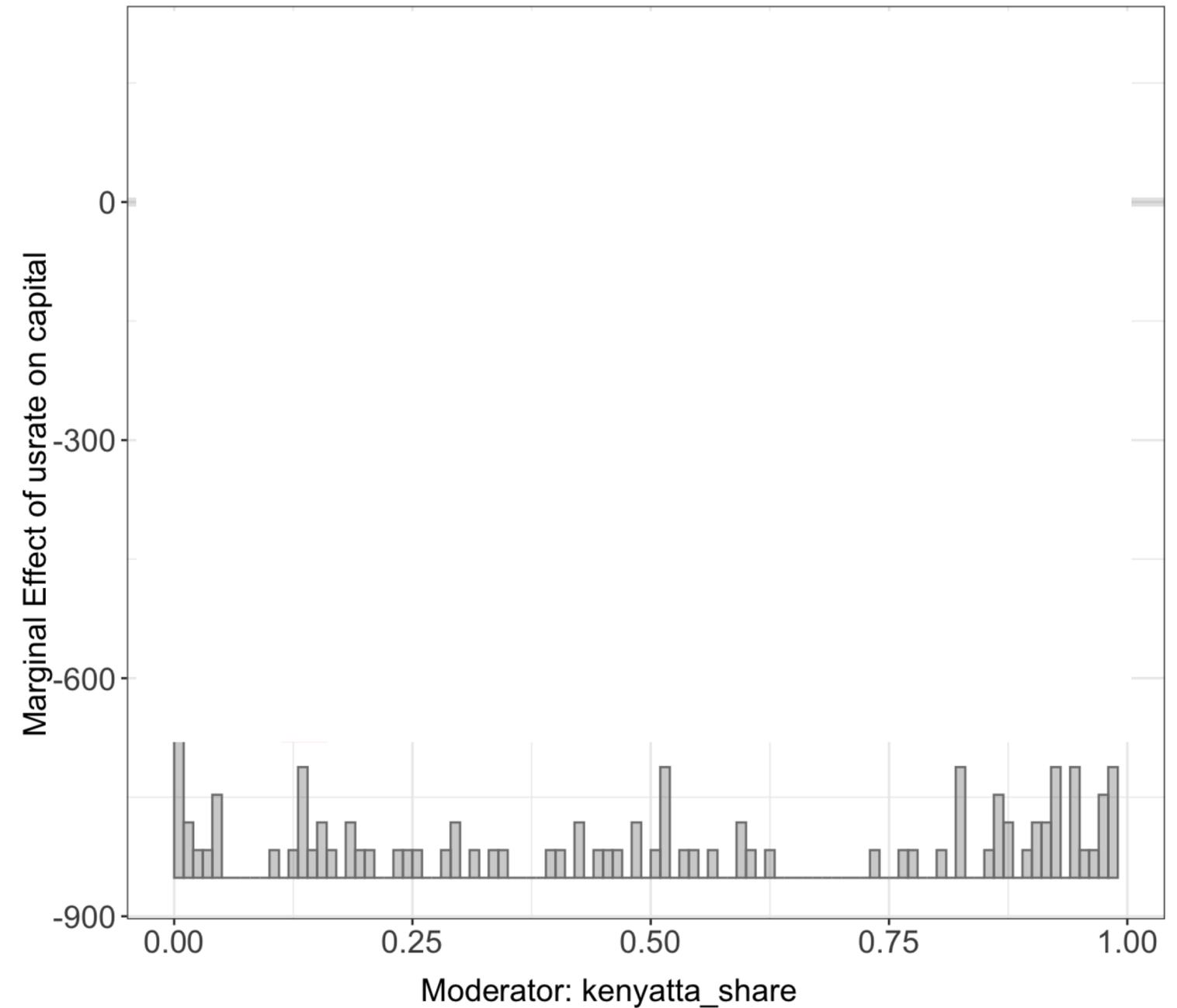


2018 Handshake: Kenyatta (L) and Odinga (R)

Kenya

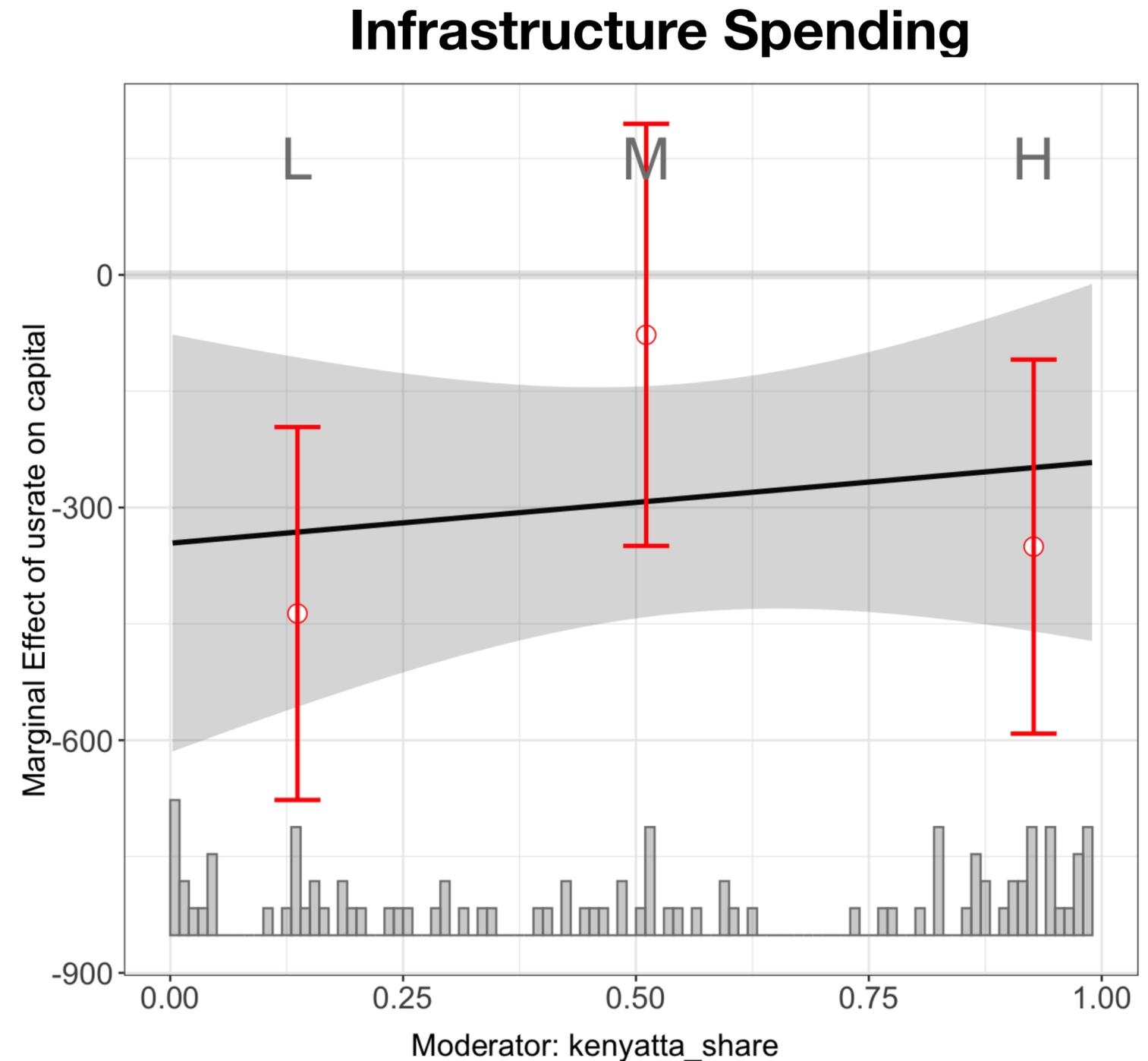
- County level spending data means we can't run identical models.

Infrastructure Spending



Kenya

- County level spending data means we can't run identical models.
- Nonetheless, when rates rise, there is less infrastructure.
- But only in places where everyone votes one way or another. In the middle, there's no cuts.



Debt and Democracy in the Global Periphery

- In developing democracies, governments use 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.

