

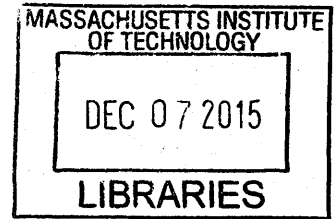
The Politics of Proximity: Local Redistribution in Developed Democracies

By

Jeremy Ferwerda

B.A. History and Biological Sciences  
Cornell University, 2007

ARCHIVES



SUBMITTED TO THE DEPARTMENT OF POLITICAL SCIENCE IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY IN POLITICAL SCIENCE  
AT THE  
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

SEPTEMBER 2015

©2015 Jeremy Ferwerda. All rights reserved.

The author hereby grants to MIT permission to reproduce  
and to distribute publicly paper and electronic  
copies of this thesis document in whole or in part  
in any medium now known or hereafter created.

Signature redacted

Signature of Author: \_\_\_\_\_

Department of Political Science  
September 7, 2015

Signature redacted

Certified by : \_\_\_\_\_

Kathleen Thelen  
Ford Professor of Political Science  
Thesis Supervisor

Signature redacted

Accepted by : \_\_\_\_\_

Ben Ross Schneider  
Ford International Professor of Political Science  
Chair, Graduate Program Committee



77 Massachusetts Avenue  
Cambridge, MA 02139  
<http://libraries.mit.edu/ask>

## **DISCLAIMER NOTICE**

Due to the condition of the original material, there are unavoidable flaws in this reproduction. We have made every effort possible to provide you with the best copy available.

Thank you.

**The images contained in this document are of the best quality available.**

# The Politics of Proximity: Local Redistribution in Developed Democracies

By

Jeremy Ferwerda

Submitted to the Department of Political Science  
on September 7, 2015 in Partial Fulfillment of the  
Requirements for the degree of Doctor of Philosophy in  
Political Science

## ABSTRACT

Over the last few decades, countries across the European Economic Area (EEA) have granted local governments considerable discretion over social policy. This project examines the consequences of these reforms. Drawing on unique data from over 28,000 European local governments, it demonstrates that decentralization has not been accompanied by declining levels of provision, as predicted by extant theories, but rather by significant expansion in the scale and scope of redistributive activity. Explaining this puzzle, the dissertation argues that local government behavior is shaped by the ‘politics of proximity’, which provides clear incentives for incumbents to invest in redistributive policy for electoral gain. These hypotheses are tested across five empirical chapters, each of which leverages micro-level data, natural experiments, and speech evidence to explore this emerging form of redistributive politics.

Thesis Supervisor: Kathleen Thelen  
Title: Ford Professor of Political Science

# Contents

Introduction

Note on Research Design

Chapter 1: The Devolution of Social Policy

Chapter 2: The Puzzle of Local Redistributive Spending

Chapter 3: Proximity and Preferences for Redistribution

Chapter 4: Proximity and Public Order

Chapter 5: Mobilizing the Poor

Chapter 6: Immigration and Local Redistribution

Chapter 7: Local Tax Structure and Redistribution

Concluding Remarks



# Acknowledgements

This dissertation benefited from significant help and guidance. In particular, I would like to thank my advisor, Kathleen Thelen, who provided invaluable advice and encouragement along the many twists and turns of this academic journey. In addition, I benefited enormously from my committee – Peter Hall, Jens Hainmueller, and Danny Hidalgo – who, despite tight deadlines, consistently provided constructive and valuable feedback. I also received valuable comments on various parts of this dissertation from many other friends and colleagues, including Suzanne Berger, Chris Clary, Charlotte Cavaille, James Conran, Alex Hertel-Fernandez, You Hou, Sebastian Kohl, Krista Loose, Nick Miller, and Guillermo Toral. Finally, the project benefited from feedback received during seminars at Dartmouth, IPEG, LSE, MPIfG, the University of Georgia, and Vanderbilt. All remaining errors are my own.

Over the course of this project, I also received financial and administrative support from a number of organizations. The Social Science Research Council provided generous funding in the form of an International Dissertation Research Fellowship, while the Center for European Studies at Harvard provided additional funds from a Krupp Foundation Fellowship. The majority of fieldwork was conducted while in residence at the Max Planck Institute for the Study of Societies in Cologne, Germany; the hospitality of the scholars and staff provided an ideal environment to pursue this research. Finally, the data collection stage benefited from a host of government employees, archivists, policymakers, and scholars across Europe, who generously provided their time as well as access to data. This project would not have been possible without their help.

Most importantly, I'd like to thank my wife, Carrie, for her unflagging support, optimism, and encouragement. I dedicate this project to her.

# Introduction

Conventional wisdom has long held that redistribution is an “intrinsically national policy” (Stigler 1957). But in the wake of sustained waves of decentralization, local governments in many developed democracies now exercise significant discretion over redistributive policy. In the European Economic Area (EEA), municipalities accounted for 27.2% of all non-pension social expenditure in 2012 – a level of local involvement not seen since the pre-war era.<sup>1</sup> If anything, this figure understates the relative importance of local redistributive effort, given that subnational expenditures have recently crossed the 50% threshold in several countries. All told, localities have emerged as key actors in areas that have long been viewed as core competencies of the central state, not only delivering and funding benefits, but also exercising considerable discretion over policies such as cash transfers, social services, and public healthcare.

Despite the importance of this trend, we know surprisingly little about the politics that shape local redistributive effort. Paradoxically, this silence may be attributable to the wide degree of consensus within the literature. Across political science and economics, the prevailing assumption is that decentralization within developed economies will lead to a substantial negative bias in social provision – often described as a ‘race to the bottom.’ Perhaps as a result, the movement to decentralize redistributive policy in Europe has largely been greeted as yet another facet of a larger process of welfare retrenchment. As Swank (2001) notes, “decentralization of policy making authority is one of the largest factors – a substantial negative influence on social welfare provision – among those forces that directly shape welfare effort across time and space.”

This dissertation questions this widespread assumption. Examining instances where local governments have been granted discretion over redistributive policy, I demonstrate that

---

<sup>1</sup>Eurostat COFOG Database. Including regional governments increases the total to 36.6%.

in the majority of cases, local control has been associated not with decline, but with dramatic expansion in benefit levels. Nor is this growth driven by central government revenues and directives — rather, it has occurred in contexts where local governments must bear the cost of redistributive spending in the form of increased fiscal burdens. Put simply, the race to the bottom does not hold: when granted discretion over social policy, localities across Europe have voluntarily and systematically increased levels of provision.

Given the frequency with which decentralization is prescribed as an antidote for government spending, this finding has important policy implications. But more broadly, the results open up new analytical terrain to explore the politics that shape redistributive effort in decentralized settings.<sup>2</sup> Absent the oft-monolithic assumption of a negative relationship between local discretion and generosity, these issues remain a ‘black box’ to scholars and policymakers alike. Why do local governments choose to redistribute, let alone generously? What factors best predict variation in such spending? And to what extent do the politics of local provision resemble dynamics at the national level?

To explore these questions, I leverage a unique dataset spanning 18 European countries and more than 28,000 local governments. Although each chapter examines a different facet of this emerging mode of politics, they are linked by the insight that while decentralization places constraints on local governments, it also generates powerful incentives for incumbents to use redistributive spending as a means to secure electoral status. These incentives are driven by a distinctive characteristic of local contexts – namely, the relative exposure of incumbents to externalities stemming from local poverty and redistributive spending.

These ‘politics of proximity’ shape redistribution through two distinct channels. First, proximity implies that localities are highly vulnerable to the consequences of unaddressed

---

<sup>2</sup>‘Decentralization’ spans many related concepts. At the outset, it is important to note that the form of decentralization referenced throughout this project does not refer to *federalism*, but rather to *localization*. That is, the focus rests squarely on the redistributive activity of local (municipal), rather than regional, governments. See Chapter 1 for a further discussion of this distinction.

poverty. As poverty increases, communities are subject to a variety of negative spillovers, ranging from decaying property values to increased levels of crime. Left unanswered, these factors can be expected to fuel dissatisfaction among voters, raising baseline support for locally-directed social policy. Moreover, even when voters do not explicitly favor such spending, the negative externalities of local poverty nevertheless ensure that incumbents retain clear incentives to maintain a minimum level of provision as a form of electoral insurance.

The tendency for voters and governments to express a low tolerance for localized poverty hampers an unimpeded ‘race to the bottom’ in benefit levels. Yet in isolation, this tendency is insufficient to drive significant expansion in local redistributive effort. Rather, the growth in voluntary spending visible across decentralized Europe can be attributed to another implication of proximity, in the form of positive externalities stemming from local redistributive programs. By fusing service delivery with politics, proximity substantially lowers the costs associated with mobilizing poor voters. As a result, local governments that choose to direct expenditures towards the margins can expect to receive outsized electoral returns. Played out over time and space, these incentives tend to motivate sustained investment in social policy within decentralized settings.

I evaluate this argument across five empirical chapters, each of which examines a different aspect of the politics of proximity. The first two chapters focus on the negative consequences of local poverty, evaluating how these externalities shape the preferences of voters and local governments, respectively. Drawing on extensive survey data as well as a natural experiment related to forced municipal mergers, Chapter 3 demonstrates that wealthy voters are significantly more likely to favor redistributive policy when benefits are directed towards geographically proximate beneficiaries. Coupled with increased solidarity among middle-class voters, this tendency substantially raises median support for local redistribution. Similarly, turning to government responses, Chapter 4 argues that incumbents are electorally vulnerable to visible indicators of deteriorating local conditions. Evaluating detailed budgetary data across six decentralized countries and exploiting as-if random shocks

in local crime rates, the chapter demonstrates that incumbents, regardless of partisanship, systematically respond to a perceived decline in public order by increasing the generosity of redistributive cash transfers.

In tandem, these factors tend to impose a floor on local benefit levels, establishing and enforcing a minimum level of provision. Yet proximity also influences local redistribution through more proactive channels. As Chapter 5 argues, local governments can expect to reap outsized electoral rewards when targeting transfers towards the poor. Drawing on data from more than 25,000 electoral contests across Europe, the chapter reveals a consistent pattern: in countries where local governments exercise discretion over redistributive transfers, low-income citizens participate at higher relative rates in local elections than in national elections. Exploring these findings, I demonstrate that the increased participation of the poor is tightly linked to the active mobilization efforts of local governments. The politics of local service delivery, which entail frequent interaction with local officials and politically-branded benefits, provide governments with a powerful tool to mobilize low income voters. In turn, the increased electoral weight of the poor generates persistent incentives for governments to invest in local social policy for electoral gain.

The remaining two chapters evaluate the scope of the argument and examine how these tendencies vary across institutional and demographic contexts. Chapter 6, for instance, assesses whether redistribution is sustainable as municipalities become increasingly diverse. Building on the insights of the previous chapter, I argue that this relationship is conditional on local electoral incentives. Where immigrants lack voting rights, municipalities will cut levels of redistributive spending in response to local immigrant settlement, as predicted by extant theories. Yet in contexts where foreign residents possess local voting rights, I argue that proximity generates substantial incentives to use redistributive transfers as a means to recruit immigrant votes. I test this conditional relationship by measuring long-term relationships between immigration and redistributive spending across 19,000 European localities, and also draw on two natural experiments to obtain precise estimates of the effect

of extending foreign voting rights. The findings suggest that downward pressure on social spending in diverse contexts is often outweighed by local incentives to stimulate immigrant turnout.

Finally, Chapter 7 examines how the structure of local revenues moderates redistributive effort. Focusing on differences between income and property tax systems, I argue that sustained growth in redistributive expenditure will be less likely in systems dominated by property taxation. Although incumbents in these contexts can expect that investing in social policy will yield electoral returns, the reliance on property taxation implies that they also gain countervailing incentives to favor broad (rather than targeted) goods which capitalize into higher property values. In contrast, governments financed by income taxation face less fiscal constraints, and are free to prioritize redistributive spending without fearing an offsetting loss in local revenues. I evaluate this argument by analyzing cross-national data, as well as a natural experiment related to exogenous changes in local tax structure across 8,100 Italian municipalities. The results confirm the hypothesis that sustained growth in redistributive spending is most likely to occur in settings funded by local income taxation.

By exploring the dynamics that shape redistribution in local settings, this dissertation sheds light on an increasingly important policy domain. While aspects of local redistributive politics have parallels to the national setting, on the whole, this dissertation suggests that the local setting is characterized by a different set of actors and incentives. Indeed, many of the stimuli for generous redistributive effort – ranging from strategies of voter recruitment to the politics of public order – are reminiscent of patterns visible in the developing world. The emergence of these dynamics within developed economies suggests that this mode of politics may not simply be a stage in development, but rather an institutional outcome associated with local control over redistributive policy.

## Note on Research Design

Relatively few studies within political economy direct their attention towards issues of redistribution at the subnational level.<sup>3</sup> This dissertation explores rarer terrain still – the politics of *local* redistribution.

The decision to examine the behavior of local governments may generate a sense of dread among certain readers. Even for those with a deep interest in social policy, the intricacies of service delivery in Viagrande, Italy (population 7,225), or Renens, Switzerland (population 20,333), are likely to be of limited interest. But although the study of local redistributive politics entails highlighting the behavior of governments that are, by definition, less consequential than their national counterparts, the aggregation of these 'micro-level' political processes imply highly consequential downstream outcomes. Indeed, the set of issues and questions raised by this dissertation are highly relevant at the national level. To what extent does the territorial organization of states influence redistributive behavior? And as international organizations and politicians continue to advocate decentralization, can we expect these reforms to induce decline, stasis, or growth in the scale of social protection?

These policy implications suggest that any analysis of the relationship between localization and redistributive policy would be best served by focusing on the macro-level, that is, on aggregated outcomes. Perhaps as a result, research within comparative political economy has focused almost exclusively on national-level data when addressing these topics, with the lion's share of analyses using cross-national regression techniques to assess whether the structure and level of decentralization influences redistributive output.<sup>4</sup>

But while this approach is capable of describing the rough contours of the relationship

---

<sup>3</sup>For notable and recent exceptions, see Beramendi (2007, 2012), Rodden (2006, 2007), and Treisman (2007). In contrast to this piece, these studies are primarily concerned with decentralization as federalization, entailing a primary focus on intergovernmental or interregional transfers.

<sup>4</sup>See for instance, Huber and Stephens 2001; Swank 2001.

between local devolution and redistributive spending (as this project does in Chapter 1), it suffers from limitations. First, an exclusive focus on national-level data entails significant measurement error in key conceptual variables. Although organizations such as the OECD, the IMF, and the World Bank produce comparable time series at the national-level, the necessity of standardizing data across highly heterogeneous contexts implies that the dependent variable is often aggregated not only territorially, but also conceptually — with measurements amalgamating different levels of government, types of social programs, and classifications of expenditures.<sup>5</sup>

Perhaps more importantly, relying exclusively on aggregate data provides scholars with little traction to determine how and why devolution influences the welfare state. By aggregating the decisions of political units, national-level analyses obscure the relevant actors, along with the concomitant variation necessary to tease out the factors that influence local redistributive behavior. In other words, to understand how decentralization affects redistribution, it is necessary to focus on the level at which political decision-making actually occurs.

Accordingly, to shed light on the processes driving the relationship between decentralization and redistributive spending, Chapters 3-7 draw on a unique dataset of disaggregated economic and political data from European municipalities, containing data on 28,000 local governments across 18 countries.<sup>6</sup> This extensive dataset — the largest of its kind assembled — uniquely permits the simultaneous assessment of not only aggregate outcomes, but also

---

<sup>5</sup>Similar measurement issues are present for the key independent variable. Perhaps due to myriad conflicting definitions, no authoritative indices of decentralization exist. Those indices most commonly used by political economists tend to operationalize decentralization primarily in terms of federal structure. This analytical shortcut results in several misclassification errors, with the relatively centralized Belgium — with three federal regions — typically characterized as more decentralized than Denmark, despite the fact that the lion's share of social spending in the latter case is incurred not by the central government, but by municipalities (see Chapter 1, Figure 2).

<sup>6</sup>The dataset was collected on a country-by-country basis, relying on national statistical offices, regional statistical offices, archival data, and written requests. Data were not harmonized across cases; however, all figures are internally consistent within each national context.



the political processes that shape redistributive effort in settings where local governments exercise discretion over redistributive policy.

### *Mode of Analysis*

The empirical chapters are structured to strike a deliberate balance between internal and external validity. That is, they seek to simultaneously identify underlying causal relationships, while demonstrating that these relationships hold beyond the confines of a single case.

To establish internal validity, most empirical chapters are centered on a natural experiment. This approach, increasingly prevalent within political science, seeks to rule out endogenous relationships by exploiting as-if random assignment in the key causal variable. For instance, the chapter on preferences (Ch. 3) uses forced municipal mergers to assess the effect of geographic proximity on support for redistribution, while the chapters on immigration (Ch. 6) and local government finance (Ch. 7) exploit differential exposure to external reforms. While the observational character of these studies implies that they are by definition quasi- rather than perfect experiments, this methodology provides the best available approach for assessing the determinants of a complex dependent variable such as government spending, which is not prone to experimental manipulation, and is characterized by numerous potential causes and confounding factors.

This methodological approach entails that case selection is driven primarily by the possibility for credible inference — that is, by the presence of as-if random variation in the key causal variable. These opportunities are rare, and do not occur for every country, time period, and variable of interest. Thus the chapters tend to draw on different national cases for different questions, drawing from data for Italy in one chapter, and examining patterns within Danish municipalities in the next. This focus on particular cases extends to the form of analysis: given that modes of financing and government structures vary widely across European economies, I largely eschew cross-national estimates in favor of exploring variation

in redistributive effort across localities embedded within a particular national setting.<sup>7</sup>

Although this approach maximizes internal validity, it entails that the selection of cases may initially appear haphazard. This tendency is balanced by explicitly embedding the empirical analysis within a wider context — an approach that I term externally grounded causal inference. Each chapter includes a comparative section which draws on less detailed data from multiple cases, demonstrating that similar patterns are present across a wider sample of countries. Second, where context permits, the chapters include replications of each natural experiment, demonstrating that the findings from the natural experiment hold in other contexts. For instance, Chapter 3 demonstrates that the natural experiment on municipal mergers holds in both Denmark and the Netherlands, while Chapter 6 demonstrates similar effects of immigrant enfranchisement within Belgium and Switzerland.

Thus, while many quantitative studies swing on a pendulum between maximizing external validity (by drawing on shallow data across cases) or maximizing internal validity (by drawing on deep data from a single case), this study attempts to strike a middle ground. This entails significantly more effort — at various points, detailed patterns of behavior are assessed in Belgium, Denmark, Estonia, France, Finland, Italy, Netherlands, Norway, Sweden, Switzerland, and the UK. However, this approach provides increased confidence that the empirical results identify credible relationships with wide applicability across developed economies.

---

<sup>7</sup>Thus, the primary outcome of interest is the marginal propensity to invest in local redistributive policy, and not the overall system of redistribution – ie., the bargains, fiscal arrangements, and intergovernmental transfers that characterize multilevel governance.

## Chapter 1: The Devolution of Social Policy

*“The Conservative Party wants nothing less than radical decentralisation to reach every corner of the country... localism isn’t some romantic attachment to the past. It is absolutely essential to our economic, social and political future.”*

– David Cameron, *The Guardian*, 17 February 2009.

*“I will launch a new era of decentralisation... strengthening local democracy and freedoms... and granting more autonomy to municipalities, departments and regions.”*

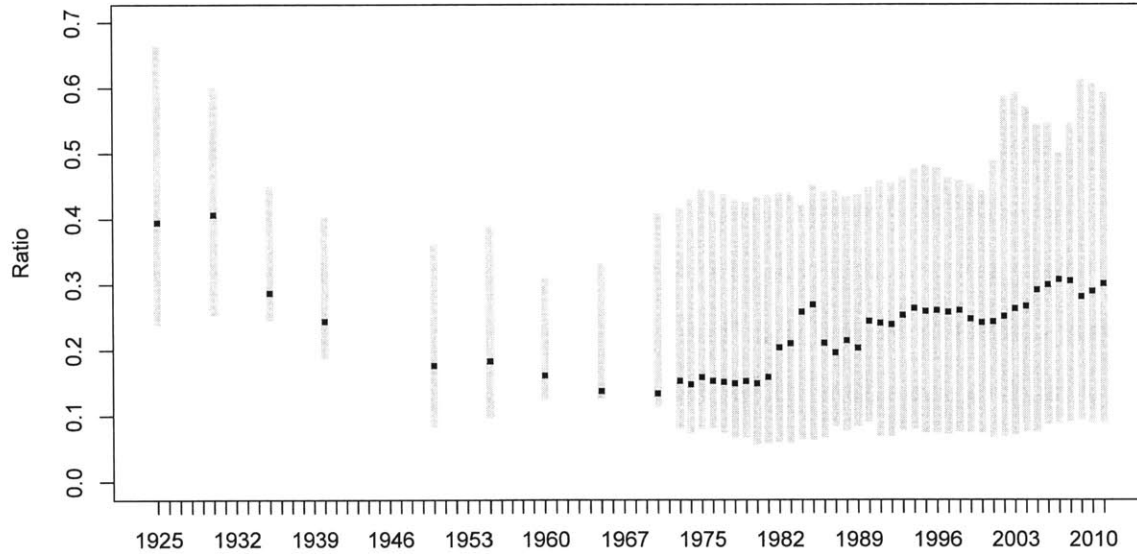
– Francois Hollande, *Election Platform*, 2 February 2012.

If democracy advances in waves (Huntington 1991), then decentralization may be described as a rising tide. Efforts to empower local governments have been a nearly constant feature of governance over the last thirty years. From 1980 to 2000, 84% of governments in the developing world implemented decentralizing reforms (Ebel et al 2001) — a trend that has continued unabated through the subsequent decade (Ahmad et al 2005; Kazepov 2008; Grossman and Lewis 2014). In the words of Pollitt (2005), “decentralization is unassailable,” forming a significant policy plank for pundits, politicians, and international organizations such as the World Bank, IMF, and the OECD. Indeed, the World Bank — which highlighted “localization” as one of the key trends of the 21st century — has tended to discuss decentralization as a phenomenon of nearly apocalyptic force, noting that “strategies to stop decentralization are unlikely to succeed, as the pressures to decentralize are beyond government control. Rather than attempt to resist it, governments should face decentralization armed with lessons from countries that have gone before them” (Altaf et al. 1999).

Although prone to hyperbole, the trend is real. Nor is the phenomenon limited to democratizing states. Developed economies in Europe — the focus of this project — have also embarked on ambitious decentralizing reforms, halting the monotonic trend towards centralization that characterized the post-war era (Moreno and McEwan 2005; Ferrera 2005;

Kazepov et al 2010).<sup>8</sup> This sharp reversal is visible in Figure 1, which spans 15 European countries over the past century. As a conservative indicator for decentralization, it measures the share of total taxes levied by subnational governments in each year.<sup>9</sup> The patterns suggest that the growth of central state power identified during the *Trentes Glorieuses* (Rokkan 1970, Flora and Heidenheimer 1981) was not a destination, but a turning point: after a high-water mark in the mid 1970s, centralizing tendencies have ebbed, with levels of decentralization returning to pre-war levels by the 2000s.

Figure 1: Tax Decentralization in Western Europe



Ratio of subnational to national tax revenue. Sources: Author's calculations based on data from Flora et al. (1983) and OECD Historical National Tax Accounts; (n=15 countries after 1973, n=12 before 1973).

This 'U-shaped' pattern does not have a singular cause. Decentralization is often

<sup>8</sup>Although many examples in this project focus on Western European countries, the scope of the analysis exceeds these cases, and includes countries across the European Economic Area.

<sup>9</sup>In contrast to a measure of expenditure decentralization, operationalizing decentralization in terms of revenues is conservative in that it omits the possibility of local expenditures funded by inter-governmental transfers. Perhaps more importantly, this proxy is consistently available across the entire time series.

viewed as a panacea for multiple and often conflicting governance issues and agendas. Indeed, when assessing the worldwide trend, Shah and Thompson (2004) identify no less than 14 different motivations for decentralizing reforms. Europe is no exception. In some contexts, such as Belgium, Spain, and the United Kingdom, decentralization has occurred as a deliberate concession to ethnic and national minorities. In other instances, reforms were driven by concerns over public sector performance following the structural adjustments of the 1970s (Le Gales 2002; Ferrera 2005). As demographics, family structures, and employment prospects shifted, governments turned to market-oriented reforms in an effort to provide new services at reduced costs. Especially for policymakers working under the rubric of New Public Management (NPM), decentralization provided a means to increase accountability, efficiency, and bring spiraling costs under control (Pollitt 1993; Ferlie 1996; Osborne and Gaebler 1992; Kettl 2000; Alonso et al 2015). And while these reforms were generally initiated by politicians from the right-hand side of the political spectrum, they also found significant support among left-wing politicians seeking to avoid responsibility for costly welfare retrenchment by devolving competencies and deficits to subordinate levels (Keating 1998; Ferrera 2005).

In parallel to these domestic motivations, international organizations have played an important role in driving decentralizing efforts (Brenner 2004; Ferrera 2005). In 1985, for instance, the European Union sanctioned the European Charter of Local Self-Government, a binding treaty since subject to 47 national signatories. The charter formally enshrined the principle of 'subsidiarity', in which "public responsibilities [should] generally be exercised... by those authorities which are closest to the citizen." For the EU, subsidiarity did not imply retrenchment or the passive delivery of centrally-determined policies; rather, the document mandated local government autonomy and instructed that "where powers are delegated to them... local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions." Since 1985, the European Union has continued to push a decentralizing agenda, most recently in the Lisbon Treaty, which granted the Committee on Regions the authority to appeal laws before the Court of Justice in order to protect the

subsidiarity principle.

## Modes of Localization

If devolution is a widely prescribed medicine, it represents a class of related drugs rather than a specific treatment. While all forms of decentralization result in a relative increase in subnational authority, the precise form of devolution often varies significantly across reforms and national contexts. To cut through this analytical confusion, scholars have increasingly converged on a tripartite classification, highlighting a distinction between political, fiscal, and administrative decentralization (Schneider 2003; Falleti 2005; Treisman 2007).

Reforms that promote *political decentralization* seek to establish local, popularly-elected governments in lieu of appointed representatives. The authority of these local governments can in turn be strengthened by *fiscal decentralization*, which has received the lion's share of attention within political science and economics. Fiscal decentralization entails that local governments are granted some degree of autonomy over revenue, either via the power to levy local taxes, or by granting discretion over intergovernmental transfers (for instance, by shifting from earmarked to block grants). Finally, *administrative decentralization* involves reforms that grant localities the authority to directly manage or implement government policies.

This dissertation assesses the partial conjunction of all three forms — a term which, adding to the jargon, I refer to as *policy decentralization*. That is, I focus on contexts where democratically-elected local governments exercise discretion over government programs in their jurisdictions, and must fund at least a portion of these policies with local revenues. Policy decentralization is to some extent an ideal type, and indeed, unfettered local control over policy remains a non-starter within the context of sovereign nation states. Yet to varying degrees and in varying sequences, the majority of European polities have pursued all three trajectories of reform. This trend has progressed organically: political decentralization often

suggests, or creates demands for, local administrative competencies. And in recognition that localities with control over expenditures but no responsibility to generate revenue are prone to 'overfish' the common pool (Rodden 2003; 2006), European governments have increasingly sought to devolve fiscal responsibility in conjunction with administrative reforms. The net result has been a policy environment in which subnational actors increasingly resemble their national counterparts, albeit with jurisdiction over a more limited set of policy areas.

This project focuses on a key component within this wider trend; namely, the emergence of local governments as central actors in redistributive policy. The explicit focus on local governments breaks with the majority of political science research, which has tended to operationalize decentralization in terms of devolution to the regional level.<sup>10</sup> But while regional decentralization remains an active and important area of European policymaking — with countries such as Belgium, France, Italy, Spain, and the UK recently enacting such reforms<sup>11</sup> — it represents only a small share of decentralizing activity. Indeed, some of the deepest structural changes within developed economies have involved policy devolution to local (ie municipal) governments within highly unitary states (Ter-Minassian 1997; Sellers and Andreotti et al 2012). A near-exclusive focus on the regional level has implied that scholars have largely overlooked this transformation.<sup>12</sup>

After thirty years of reform, localities now occupy a central role in social provision within the EEA, accounting for over a quarter of non-pension social spending. As noted by Saraceno (2002) and Ferrera (2005), this 'subsidiarization' and recalibration of the welfare

---

<sup>10</sup>For a useful discussion, see Sellers and Lindstrom (2007).

<sup>11</sup>See Obinger et al (2005), and Beramendi (2012) for an overview of recent federalizing reforms

<sup>12</sup>Despite an increasingly nuanced typology, many analyses within political science continue to operationalize decentralization as federalization. Yet there is little reason to suspect that the dynamics which characterize policy formation in federal systems will be reflective of patterns within localities. By limiting the analysis to federal systems, scholars have also tended to conflate the level at which policymaking actually occurs, for instance, by attributing patterns of social expenditures in Scandinavia to the agency or partisan character of the national government, when in fact a large portion of social spending is driven by politically-independent municipalities.

state reflects an accelerating transition from insurance-dominated models (often predicated on full employment) towards regimes dominated by service provision and targeted transfers.<sup>13</sup>

These patterns are clearly visible in the left-hand panel of Figure 2, which plots the local share of non-pension social expenditures across the EEA in 2012. Following initial reforms in the 1980s and 1990s, the trend towards localization has continued apace, with 14 countries displaying increased shares of local expenditure between 1995 and 2012. Similar trends are visible when broadening the definition of social spending to include expenditures allocated towards the elderly, disabled, and public health. Here, despite greater variation, a significant move towards decentralized governance is visible as well; in 2012 local expenditures met or exceeded the 33% threshold within eight countries.

One possible interpretation of these trends is that they merely represent a shift in the locus of service delivery, in which central governments continue to direct and fund social policy, but have transferred administration to the local level in order to increase efficiency and bureaucratic responsiveness.<sup>14</sup> But while localities do act as mere 'transmission belts' of centrally-determined policies in some states (most notably in Germany and the United Kingdom), on the whole this pattern is an exception rather than the rule. As seen in the left-hand column of Table 1 (next page), administrative decentralization has typically been imposed in tandem with fiscal decentralization, primarily in the form of increased autonomy over tax revenue (Stegerescu 2005). These efforts to ensure that local governments internalize the cost of social spending reflects the neo-liberal origin of many reforms, as well as the accepted wisdom that administrative decentralization, in isolation, may lead to undesirable 'flypaper effects' (Hines and Thaler 1995).

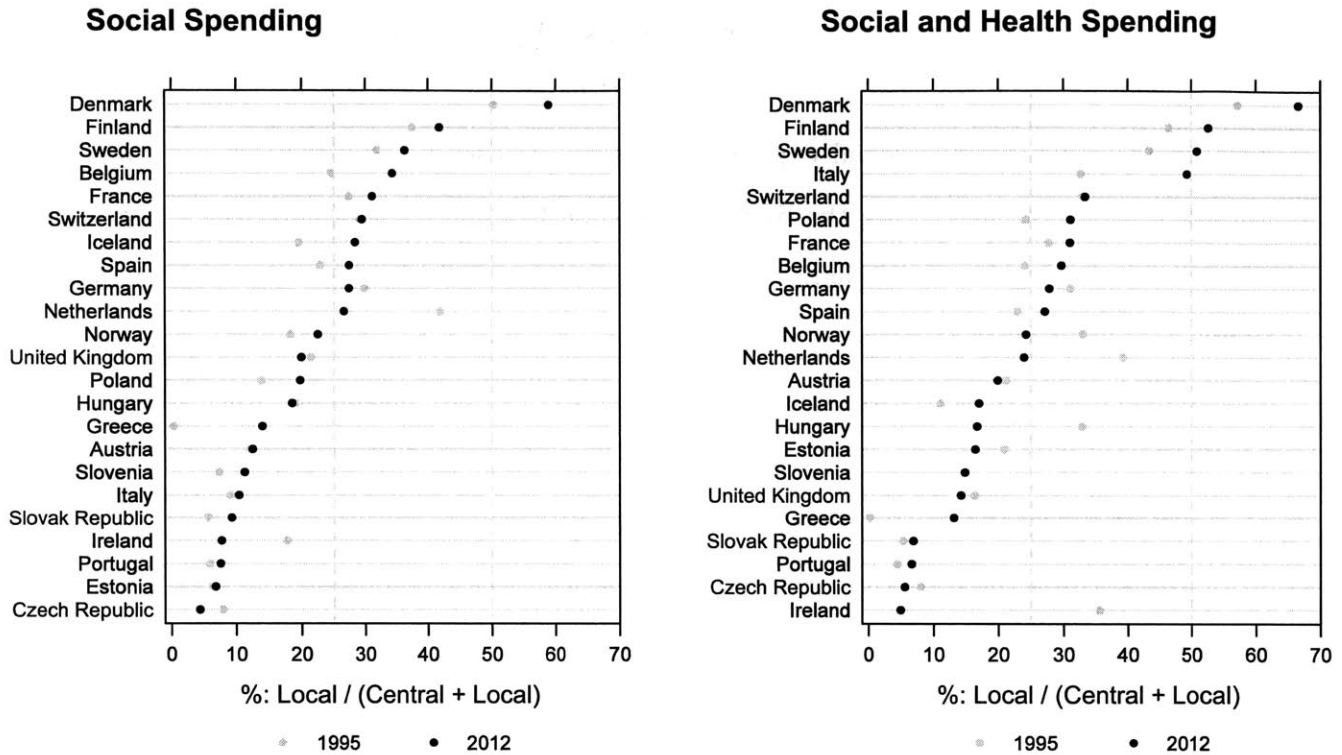
---

<sup>13</sup>This transition occurred much earlier in the Nordic states than on the continent. As Anttonen (1990) notes, Nordic welfare states expanded from 'social insurance states' to 'social service states' in the 1980s, a system Burau and Kroeger have described as "decentralized universalism" (2004). See also Sellers and Lindstrom (2007).

<sup>14</sup>As Falleti (2005) has pointed out, central governments may also seek to devolve competencies without providing necessary resources, as a form of hidden welfare retrenchment.



Figure 2: Social Expenditure Decentralization



Regional governments omitted from totals to provide consistent comparisons between federal and unitary countries. Source: OECD COFOG Database; Author's calculations.

Beyond fiscal and administrative capacities, local governments have also gained significant discretion over the level and scope of social programs. This discretion — which completes the requirements for policy decentralization — tends to occur hand-in-hand with local fiscal responsibilities.<sup>15</sup> The right-hand columns of Table 1 provide a schematic overview of these devolved competencies, as of 2012.

### Cash Transfers

One of the primary areas of discretion concerns basic cash transfers to the poor — typically referred to as 'social assistance' in Europe, and 'welfare' in the American context. In roughly

<sup>15</sup>Speaking broadly, fiscal decentralization tends to be necessary, but not sufficient, for the extension of local policy discretion. With the exception of Belgium or Hungary, where the primary form of financing involves block grants (not visible in these metrics), all states characterized by moderate or high local policy autonomy have engaged in significant fiscal decentralization.

Table 1

	Fiscal Decent.  Ratio: Local-Central Taxation (1)	Local Policy Discretion						
		Cash Benefits				In-Kind Benefits		
		Main SA Program Eligibility (2)	Benefit Rate	Supp. Program (3) Eligibility/Rate	ALMP (4) Conditioning	Housing (5) > 5% stock	Childcare (6)	Elderly Care Home/Residential
Lithuania	0.03	X		X				
Greece	0.04							X
Ireland	0.04					X		
Slovakia	0.05			X				
Austria	0.05					(X)	(X)	
United Kingdom	0.06					X	X	X
Netherlands	0.08	X		X	X		(X)	X
Belgium	0.10	X		X	X	(X)	(X)	(X)
Hungary	0.10	X		X			X	X
Portugal	0.11	X						(X)
Estonia	0.19	X		X			X	X
Czech Republic c	0.21					X		(X)
Norway	0.22	X	X	N/A	(X)	(X)	X	X
Slovenia	0.22			X		X	X	X
Spain	0.22			X			(X)	(X)
Poland	0.25	X		X		X		
Germany c	0.26						(X)	
Italy	0.28	X	X	N/A		(X)	(X)	(X)
France c	0.31					(X)	X	(X)
Denmark	0.36	X		X	X	X	X	X
Switzerland (7)	0.43	X	X	N/A			(X)	(X)
Finland	0.50	X		X	(X)	X	X	(X)
Sweden	0.54	X	X	N/A		X	X	X

c = Local tax figures include counties

(X) = Shared with regional/central levels

(1) Source: Eurostat Government Finance Statistics, 2013.

(2) To receive an 'X', the decision to provide benefits must be made on a case-by-case basis by local governments working within broad framework laws. This excludes cases in which eligibility is determined by local representatives of a national bureaucratic agency.

(3) Discretionary cash transfers. Includes local rent subsidies; excludes local tax breaks.

(4) 'X' if local governments have the power to restrict or condition access to unemployment benefits.

(5) 'X' if municipal governments exercise control over social housing eligibility/rental rates, and if the public share of total housing stock exceeds 5%. Source: 2012 Housing Europe Review: CECODHAS.

(6) 'X' if municipal governments determine eligibility/funding for public childcare. Excludes cases where  $\geq 1/3$  of children over 3 receive no formal care. Sources: Council of Europe Family Policy Database; EU Commission, Provision of Childcare Services: A Comparative Review

(7) Local discretion varies across cantons; coded for the majority case.

Where not indicated, discretion coded on the basis of policy briefs published by:

1 European Commission, Project: Minimum Income Schemes

2 EU Committee on Regions, Project: Division of Powers

3 Kazepov et al., Project: Rescaling Social Policies: Towards Multilevel Governance in Europe

4 Council of Europe Family Policy Database

5 Queries to national experts.

half of all sampled countries, locally-elected authorities play the primary role in determining whether individuals and families are eligible for these payments. While anti-discrimination clauses and framework laws exist to ensure broad access <sup>16</sup>, in practice municipalities often have substantial discretion over eligibility. For instance, in the 1990s the Swedish National Board of Health and Welfare (Socialstyrelsen) conducted a study that distributed identical case files across eleven Swedish municipalities. While the social boards of some municipalities ruled that the individual was eligible, in other instances the claim was rejected. <sup>17</sup>

In addition to acting as gatekeepers, many European local governments have the capacity to directly modify the level and duration of cash transfers. In four countries — Italy, Norway, Sweden, and Switzerland — local governments possess exclusive authority to determine the main cash transfer benefit rate. <sup>18</sup> For instance, in Norway, benefit rates across the country varied from 2,613 Norwegian Kroner per month to 16,469 Kroner in 2013 — a nearly eightfold difference in discretionary payment rates. <sup>19</sup>

In other contexts, local governments disburse a nationally-determined allowance after determining social assistance eligibility. However, in ten countries, these centrally-set rates are complemented by fully discretionary local cash transfer programs, in which municipalities make one-time or recurring payments to meet local needs. These programs are unregulated, and in practice can be quite extensive: in Finland, for instance, 43% of households that received standardized income support in 2013 also received discretionary financial assistance

---

<sup>16</sup>A pattern that Kazepov (2008) refers to as “local autonomy, centrally-framed.”

<sup>17</sup>SOU 2007:002; The Swedish Social Services Act functions as a broad framing law, and merely states that individuals have the right to a “reasonable standard of living.” The definition of such standards are left to municipal governments.

<sup>18</sup>In Spain and Austria (until 2011), benefit rates were determined by regional governments. In the case of Switzerland, legislative authority over social policy rests with the cantons; in the vast majority of cantons social assistance has been further devolved to the municipal level, often with some co-financing arrangements. In Sweden, a minimum benefit standard was imposed in 1998; as will be demonstrated in the subsequent chapter, this had minimal effect on the level of transfers. Finland and Denmark permitted localities to determine the main benefit rate until the 1990s.

<sup>19</sup>Statistics Norway.

from their municipality.<sup>20</sup> And in Estonia, discretionary programs accounted for 42% of all transfers to the poor, with 22% of municipalities spending more on such transfers than on mandated social assistance programs.<sup>21</sup>

Finally, although unemployment programs continue to be regulated at the national level, local authorities have gained discretionary power to condition unemployment benefits in several countries. In Denmark, for instance, two reforms in the mid 1990s — the Act on Active Labor Market Policy, and the Act on Municipal Activation — linked unemployment insurance to local administration and provided local governments with the authority to restrict access to benefits if individuals refused job offers or failed to demonstrate meaningful progress towards employment. Given that the standards of 'activation' differ across municipalities, the reforms effectively placed local governments in a mediating position with respect to national benefit programs. Similar reforms were implemented in the Netherlands, where local governments gained the ability to alter the unemployment allowance by as much 35% from the national standard on the basis of individual activation efforts (Cox 1998).

### *In-Kind Benefits*

Beyond transfer-based policies, local governments often exercise discretion over the organization and provision of in-kind social services. These efforts include traditional programs such as food banks, homeless shelters, local employment programs, and social case work. Most commonly, these activities are organized in the form of highly-visible local poverty relief centers: in Spain, for instance, many municipalities establish Centros de Accion Social (CAS) within poor neighborhoods, while in France and Belgium each municipality has a Centre Publique d'Action Sociale (CPAS).

In addition to these core services, many local governments also have the responsibil-

---

<sup>20</sup>Toimeentulotuki. Suomen virallinen tilasto 2013.

<sup>21</sup>Statistics Estonia, data from 2008.

ity for planning, funding, and administering public childcare (16 countries). Competencies have also been extended with respect to elderly care (17 countries), where modes of action vary widely across contexts. In some countries, such as Italy and Switzerland, localities supplement pensions by providing discretionary cash allowances to elderly citizens (Kazepov et al 2010). By contrast, within Scandinavian states cash distribution is centralized and local government authority is limited to in-kind benefits. However, following reforms in the mid-1990s, municipalities have been granted wide discretion to organize the form and level of funding for such services. While some municipalities limit their activity to the construction and subsidization of retirement homes, others have originated extensive programs that provide home visits, meals, and targeted medical assistance (Trydegard and Thorslund, 2000).

Finally, in nearly all countries within the EEA, municipalities continue to play an important role in providing rent-controlled social housing. This policy area is especially prominent in the Nordic states, where coverage rates typically exceed 20% of the resident population. Despite privatization efforts in the 1990s, municipal housing also remains a core component of local social policy in relatively centralized contexts such as France, Ireland, and the United Kingdom. In Paris, for instance, local authorities financed the creation of 62,200 new social units between 2001 and 2011; as of 2012, such housing accounted for over 17.3% of total housing stock. Given that the waitlist for housing exceeds 140,000 qualified applicants, the trend appears poised to continue.<sup>22</sup>

In sum, European local governments now exercise considerable discretion over the scope and scale of social programs. And while the transformation has been gradual, the emergence of localities as key actors in social policy implies important downstream consequences. Rather than interfacing directly with the national state, individuals are now most

---

<sup>22</sup>"Les Chiffres du Logement Social A Paris Debut 2010", Atelier Parisien D'Urbanism, N. 41; "L'accès au Logement Social a Paris 2012", Atelier Parisien D'Urbanism

likely to encounter welfare state institutions via their interactions with local government. Poor citizens may be housed in municipal buildings, apply to local offices for benefits, and dependent on local governments to secure employment. The next chapter assesses how these deep structural changes have influenced levels of provision across decentralized Europe.

## Chapter 2: The Puzzle of Local Redistributive Spending

Does central control over redistributive policy provide optimal outcomes for the poor? Or is it advantageous to grant local governments discretion over the level of provision? These questions have been the subject of intense debate within policymaking and scholarly circles, often with conflicting conclusions. To sort through these arguments, it is helpful to think of two distinct ways in which a transition from a centralized to a decentralized system — or vice versa — can influence levels of social provision.

First, by introducing variation across districts, decentralization changes the manner in which benefits are allocated across individuals; that is, it affects which groups get a slice of the pie. For example, in Poland, municipalities have the power to provide discretionary cash transfers to residents.<sup>23</sup> Although municipalities provided benefits to over 2.3 million citizens in 2010, the level and form of provision varied extensively across the country. In one municipality within the province of Łódź, distribution was nearly universal, with nearly 75% of all benefits channeled to individual with incomes above the national poverty line. Yet another municipality within Łódź chose to distribute benefits far more narrowly, with only 8% of households above the poverty line receiving grants.<sup>24</sup> Decentralization thus implies clear shifts in allocation: depending on one's background characteristics and place of residence, citizens could expect to receive markedly different levels of service.

If decentralization influences who gets what, it also has clear implications for total levels of provision. As outlined in Chapter 1, within many decentralized systems of governance, localities possess the authority to not only direct transfers to specific groups, but to determine the relative size of these transfers. When aggregated, these micro-level decisions have important implications for the total level of transfers to the poor.

---

<sup>23</sup>Zasiłki specjalne celowe.

<sup>24</sup>Local Data Bank; Central Statistical Office of Poland.

In the developing world, where central government provision may be scarce or subject to corruption, scholars have largely focused on questions of allocation rather than total output. When assessing the optimal manner to deliver a fixed quantity of public goods, the literature has highlighted the efficiency gains inherent in decentralized systems. In contrast to centrally-determined standards — which imply that the level of provision will be too low in some districts and too high in others — decentralization permits expenditures to be more precisely tailored to local contexts and needs. This logic applies not only across localities, but within specific local contexts: in contrast to central bureaucrats, local agents are thought to possess informational advantages that allow them to more accurately target benefits to those most in need (Subbarao et al. 1997; Conning and Kevane 2002; Bhardan and Mookherjee 2005). For instance, research in India has demonstrated that locally-administered programs consistently outperform central poverty relief in terms of the enrollment rate of poor households (Echeverri-Gent 1992; Copesake, 1992), a finding replicated across the developing world (Conning and Kevane 2002).

If decentralization allows for the adaptation and tailoring of benefits levels, it also implies increased agency on the part of beneficiaries. Territorial fragmentation increases the electoral weight of voters, providing them with a credible means to sanction local governments for inefficient service delivery (Bhardan and Mookherjee 2005; World Development Report 2004; Keefer and Khemani 2005). Under some circumstances, this increase in accountability may reduce corruption, further ensuring that resources flow towards those most in need of redistributive transfers.<sup>25</sup>

These mechanisms suggest that for a fixed pool of resources, decentralized systems of redistribution may be more efficient at allocating benefits. But although scholars focused on developed economies have also lauded this implication (Hayek 1939), views of decentral-

---

<sup>25</sup> Although as Bhardan and Mookherjee (2005) point out, programs implemented in a) very poor regions, and b) with large transfer budgets may increase the possibility of capture by local elites.



ization tend to be markedly less sanguine. Unlike the developing world the alternative to a decentralized system of provision in the OECD is not a weak state, but rather a strong bureaucracy with a history of generous social provision. Within this context, concerns about corruption and accountability tend to recede to the background, with scholars focusing primarily on how decentralization influences total redistributive output.

Here the argument is clear. Even if decentralization results in a more accurate distribution of the pie, the consensus that decentralization will strongly inhibit — and perhaps collapse — the overall level of social transfers. Indeed, when examining developed economies, the prevailing wisdom suggests that decentralized systems of redistribution are prone to systematic underprovision.

The reasons are manifold. First, from a policy standpoint, granting authority to subnational actors places numerous roadblocks on the path to an extensive social safety net. Policy devolution introduces a host of local veto players who can block the development of redistributive programs (Pierson 1995; Obinger et al 2005). Moreover, by discretizing the political process, decentralization may also discourage the formation of strong coalitions between labor and left-wing parties — a key variable within many accounts of welfare state development (Stephens 1979; Korpi 1983; Esping-Anderson 1985; Huber and Stephens 2001). Most importantly, devolving redistributive policy to the local or subnational level reduces the attractiveness of risk pooling and may leave regions with insufficient resources to implement policy (Crouch et al. 2001; Andreotti et al 2014; Campbell 2014).

Second, decentralization can be expected to not only negatively affect the ability of subnational governments to implement generous social policies, but also their incentives to do so. Building on the influential arguments of Tiebout (1956), scholars have noted that decentralization prioritizes political exit over political voice (Hirschman 1970). While citizens within a national polity have little opportunity to sort outside national boundaries, decentralization implies that taxpayers can "vote with their feet" and relocate to jurisdictions

with a lower tax burden.<sup>26</sup> In turn, this generates incentives for municipalities to compete to retain and attract net contributors. This extended game— often referred to as yardstick or benchmark competition — is hypothesized to introduce substantial fiscal discipline into decentralized systems, lowering rates of taxation and in turn inhibiting local spending (Brennan and Buchanan 1980, Salmon 1987, Besley and Case 1992).

If wealthy individuals sort across districts, the same logic should apply to the poor. Indeed, a sizeable literature has argued that the mobility of the poor implies that redistribution within decentralized settings will be subject to strong downward bias (Oates 1972, 1977; Brown and Oates 1987; Brueckner 1999; Peterson and Rom 1989, 1990). The intuition is simple: the poor will seek to maximize their disposable income by settling in the locality that offers the highest benefit level. Either in response to these movements or in anticipation of them, local governments will slash benefits. Played out over time and space, this process suggests a 'race to the bottom' in welfare spending, as municipalities seek to avoid 'footing the bill' for the poor within neighboring districts (Brueckner 2000; Wildasin 2001).

Despite the theoretical clarity of these arguments, evidence for the mechanisms remains decidedly mixed. Although data suggests that local tax and benefit rates are spatially dependent within certain contexts, substantially less evidence exists that individuals freely sort across local boundaries in response to changes in redistributive policy.<sup>27</sup> Formal models typically assume that taxpayers and beneficiaries alike possess complete information and limited barriers to movement.<sup>28</sup> However, the empirical record demon-

---

<sup>26</sup>Or, alternately, to localities with a more desirable mix between the tax burden and the quality of local services.

<sup>27</sup>For a review on spatial tax competition, see Feld 2003.

<sup>28</sup>These accounts also tend to assume a one-to-one tradeoff between redistribution and increased taxation. However, in practice increased redistribution may not necessarily result in long-term increases in local taxation. Redistributive expenses are often highly cyclical, and may be funded out of local debt or temporary reallocations from long-term investments. Shorn of an immediate tax consequence, the incentives for municipalities to respond to the migration of the poor are substantially weaker.

strates that movement of populations across boundaries often appears to be “sluggish” at best, suggesting that citizens are unlikely to sort in the absence of extreme policy gradients (Gramlich and Laren 1984; Brueckner 2000; Allard and Danziger 2000; Conning and Kevane 2002; Berry et al 2003; McKinnish 2007).<sup>29</sup>

## Puzzles and Trends

Even if the hypothesized mechanisms obtain only imperfectly, the relationship between decentralization and redistributive spending nevertheless appears overdetermined. Local governments face sufficient constraints to suggest that, at minimum, substantial barriers should exist to the growth of generous redistributive programs within decentralized polities. Indeed, the influential formal model advanced by Brown and Oates (1987) provides a clear prediction: “the average level of transfer payments under a decentralized system of assistance to the poor [should] be less than the average payment level under a centralized outcome.”

Yet if decentralization constrains redistributive spending, empirical trends in Europe present a puzzle. Figure 1 evaluates the bivariate correlation between the average level of transfer payments, less pensions<sup>30</sup>, in constant USD (vertical axis), versus the share of social expenditures incurred at the local level (horizontal axis), across developed European welfare states.<sup>31</sup> Contrary to expectations, the relationship is strongly positive — that is, the most generous welfare states also tend to be those dominated by local social provision. Moreover,

---

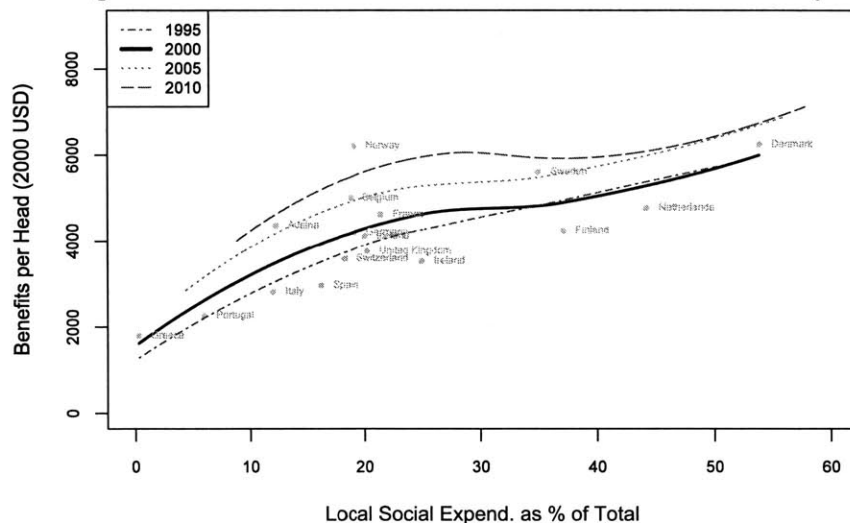
<sup>29</sup>Beyond the municipal context, scholars evaluating a mobility-driven ‘race to the bottom’ in spending within federations have stressed that this dynamic is unlikely to obtain in the absence of significant labor homogeneity and income heterogeneity (Cai and Treisman 2005, Beramendi 2012).

<sup>30</sup>Given that pension expenditures tend to follow a secular trend, they often mask significant variation in redistributive effort.

<sup>31</sup>Similar results are obtained when operationalizing decentralization as the share of taxes incurred at the local level. The percentage refers to local governments only; regional governments are excluded.

this relationship does appear to be an artifact of a particular time period. As seen by the dotted lines within each plot, this positive correlation has remained consistent as the average level of decentralization has increased over time (visible as a shift towards the right-hand side of the plot).<sup>32</sup>

**Figure 1: Decentralization and Benefit Generosity**



Source: OECD COFOG Database; author's calculations. Lines indicate a loess fit (see key for year), while the plotted points indicate values in the year 2000. Each year refers to the same set of countries.

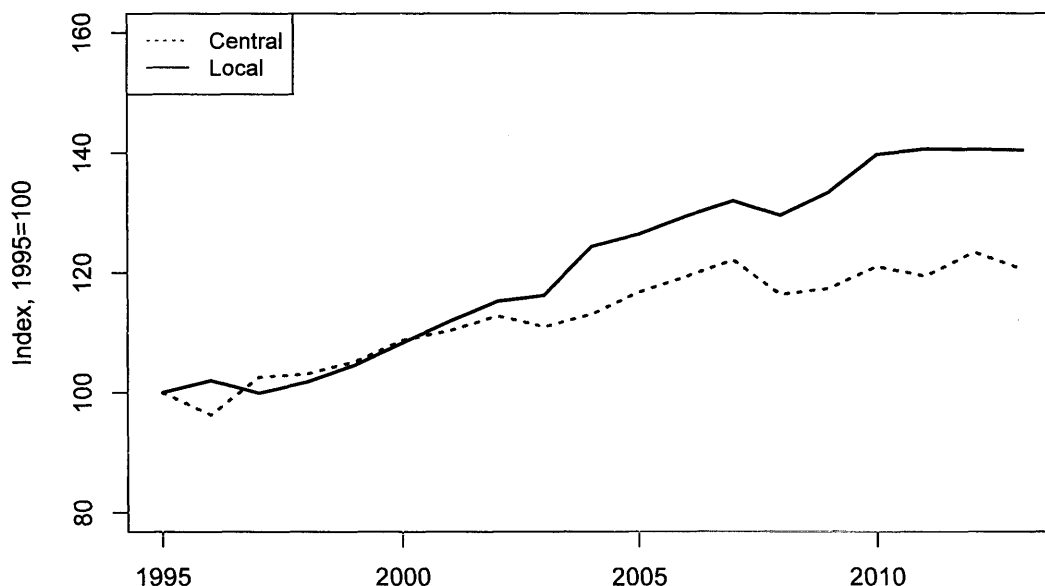
Nor does decentralization appear to inhibit the growth of social spending. Figure 2 plots the growth rate of social expenditure within the European Economic Area between 1995 and 2014, after accounting for inflation.<sup>33</sup> The growth rate for programs administered by local governments appear as a black line, while programs administered by central govern-

<sup>32</sup>These cross-sectional relationships may be prone to bias if generous states are also those likely to engage in decentralizing reforms. Although this issue will be addressed in the subsequent analyses, which focus on the growth of social expenditures within particular national systems, it is also worth noting that many of the Nordic states (clustered at the right-hand side of Figure 1), were characterized by extensive local governance before the emergence of a comprehensive welfare state. See Sellers and Lindstrom (2007) for a discussion of this causal ordering.

<sup>33</sup>Similar patterns are visible when restricting the sample to developed welfare states only; in other words, the patterns are not driven by welfare state origination within former Soviet-bloc countries.

ments (excluding pensions) appear in blue.<sup>34</sup> Beginning in the early 2000s, average local social expenditures across the EEA have rapidly expanded (rising from approximately 300 to 430 Euros per head, in constant 2005 terms), outstripping comparable rates of growth in central government expenditure.<sup>35</sup>

Figure 2: Social Spending Growth Rates



Social spending includes transfers and benefits in kind; yearly rates are not averages but rather calculated on the basis of total spending across EEA countries. Source: Eurostat; author's calculations.

These tests are admittedly simple. Yet despite nuanced micro-foundations, the ‘race

<sup>34</sup>Regional governments are omitted for clarity. However, it is worth noting that expenditure at these levels has also grown at a faster rate than among national governments.

<sup>35</sup>One potential concern is that these growth rates are driven by increasing revenues at the local level. However, spending growth outstrips rates of fiscal decentralization. Instead, the trend appears to be driven by localities dedicating discretionary budgets to social policy. For instance, in Switzerland municipalities allocated 13.2% of their budget to social spending in 1995, while in 2012 the corresponding figure was 18.6% (Bundesamt für Statistik; GFS-Modell). Growth within Eastern Europe has been even more rapid; Polish municipalities spent 13.9% of their budgets on social protection in 1995, and 30.2% in 2011 (Bank Danych Lokalnych).

to the bottom' logic nevertheless suggests equally simple outcomes at the aggregate level. At minimum, the literature leads us to expect a negative correlation between decentralization and total spending (Brown and Oates 1987), or failing that, constraints on the growth of such spending (Brueckner 1998). The fact that neither proposition appears to hold across the EEA suggests a clear mismatch between theory and evidence.<sup>36</sup>

Even so, it is possible that the negative effects of decentralization are masked by aggregate data. Accordingly, the next section focuses on a specific policy area — redistributive cash transfers — where 'race to the bottom' dynamics should be highly visible. In contrast to generalized social expenditures, cash transfers are a) provided in the form of politically-set benefit rates, b) targeted specifically at the poor, and c) highly comparable across countries and time periods. By focusing on this policy area and assessing the degree to which benefit generosity varies across decentralized and centralized regimes, it is possible to more precisely identify the impact of decentralization on the scale and scope of service delivery.

## **Social Assistance, Decentralization, and Generosity**

If local discretion inhibits redistributive spending, these trends should be clearly visible within long-run time series. Accordingly, I first draw on historical data to assess within-country variation in two contexts characterized by stable policies that have moved between central and local control: Germany and Denmark.<sup>37</sup>

---

<sup>36</sup>Existing scholarship has overlooked this puzzle due to a) empirical groupings of undeveloped with developed welfare states, and b) a near-exclusive focus on decentralization to the regional level. However, the theoretical origins of the 'race to the bottom' argument originated in the study of local government (Tiebout 1956), and the principles of mobility and competition should arguably be more present in these scenarios. As such, a measure of decentralization to the local level provides the clearest test of the race to the bottom hypothesis.

<sup>37</sup>In other words, these transitions reflect shifts in the level of local discretion over benefits, without corresponding shifts in the structure of the social assistance program itself. The selection of Germany and Denmark for this analysis is largely data-dependent: few countries that meet these conditions have long-run series on benefit rates.

Germany has operated a universal social assistance program since 1924, when the Weimar Republic enacted the *Reichsfürsorgepflichtverordnung*.<sup>38</sup> Although the basic contours of *Sozialhilfe* — which offers a safety net in the form of basic cash support for poor individuals and families who have exhausted all other means — have remained largely unchanged over the last century, the system has transitioned on several occasions between local and central discretion over benefit levels.<sup>39</sup>

Figure 3 (next page) draws on historical data to plot the average benefit level across these transitions. To provide accurate comparisons of growth rates, all values are deflated and indexed to 1924 and 1949 values, respectively.<sup>40</sup> For instance, in 1991, the real value of transfers was approximately two orders of magnitude higher than in 1949. The shaded regions of the plot indicate periods of transition between decentralized and centralized control over benefits. Between 1924-1934, and 1949-1963, individual municipalities (*gemeinden*) exercised discretion over the basic transfer rate. These periods appear as white regions in the plot, while periods of central control over benefits (1934-37 and 1963-Present) are shown in light gray.<sup>41</sup> Importantly, the transition between local and central control in each case was isolated to discretion over benefit rates; funding and coverage remained similar across each reform.<sup>42</sup> For instance, when benefit levels were pegged to a central standard in 1963 (declining in average value by 12%) the total number of persons receiving benefits remained unchanged (857,100 in 1962, and 857,300 in 1963).<sup>43</sup>

---

<sup>38</sup> Cities provided unregulated poor assistance under the German Empire; however, no basic right to such programs was established by law, and as a result, statistics from the period are non-comparable across municipalities.

<sup>39</sup>See Sachße and Tennstedt (1980) and Wörz (1998) for a useful overview.

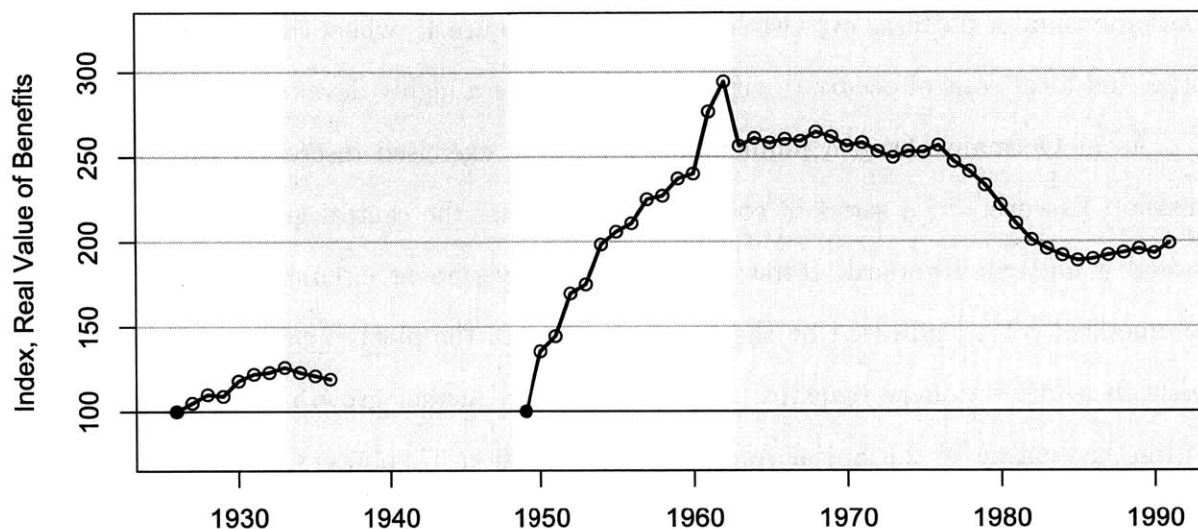
<sup>40</sup>The split series reflects the dramatic change in the economic setting after World War 2.

<sup>41</sup>From June 1962, the *Bundessozialhilfegesetz* granted Laender the statutory authority to set the benefit rate. However, this power is largely symbolic and in practice the Laender have harmonized rates via consultation with the central government.

<sup>42</sup>*Sozialhilfe* is administered by municipalities and funded out of local budgets.

<sup>43</sup>Statistisches Jahrbuch Deutscher Gemeinden

Figure 3: Social Assistance Spending in Germany



Sources: Statistisches Jahrbuch Deutscher Gemeinden (Editions 1924-1938; 1946-1964). Die Entwicklung der Richtsätze in der öffentlichen Fürsorge 1926-1942. Project Sozialpolitische Intervention und Existenzminimum, Universität Bremen; Sozialleistungen: Ausgaben und Einnahmen der Sozialhilfe. Statistisches Bundesamt (1963-Present).

These within-program transitions demonstrate that over the long run, central control over *Sozialhilfe* has been associated with declining benefit levels. In contrast, periods of local discretion have been associated with significant increases in redistributive effort. This variance is driven, in part, by the relative frequency of revision: while average benefit levels varied on a yearly basis under periods of decentralized control, centrally-set benefits remained unchanged (in nominal terms) across long periods, precipitating substantial declines in the real value of transfers.<sup>44</sup>

One possible explanation for these patterns may be that periods of decentralized con-

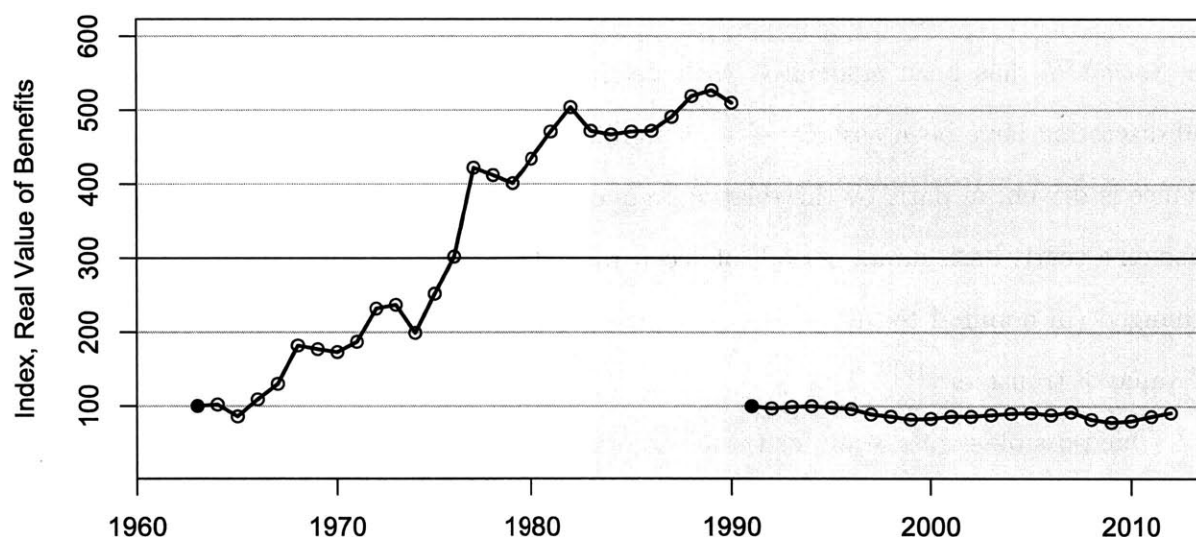
<sup>44</sup>This can be seen as an example of policy drift (Hacker 2005). More broadly, it is useful to think of how the efforts of veto actors play out at the central and local levels. Motivated actors may block the development and expansion at social policy at each level; however, the increase in the number of total actors within decentralized contexts implies that these efforts cannot be simultaneously successful in all locations: some localities will buck the consensus and choose to spend, increasing the average level of benefits. It is precisely this inability to erect effective barriers that led Thatcher's government to pursue centralizing reforms; only by wresting discretion from local governments could she reign in a system that "permit[ted] extravagant local authorities to fleece the [tax]payer to finance excessive levels of spending." (Hansard HC [86/18-25]).



trol in Germany have often coincided with periods of significant economic growth. Yet remarkably similar patterns are visible in Denmark (Figure 4), where the transition between central and local control occurred within the context of a highly developed welfare state.

As in Germany, Danish municipalities initially exercised discretion over local cash transfers. However, in a series of cost-saving measures, the central government gradually imposed a uniform standard. First, in 1982, the government circulated strongly-worded recommended rates (indicated by the light gray area of the plot), significantly slowing the expansion in discretionary benefits. In 1989, however, further growth led the government to strike the clause of the Social Assistance Act (section 37, paragraph 2) which granted municipalities discretion over final transfer rates, transforming the recommended allowances into a binding ‘ceiling’ linked to the inflation-indexed unemployment benefit.<sup>45</sup>

**Figure 4: Social Assistance Spending in Denmark**



The series break reflects a change in the definition of beneficiaries (from cases to persons). Sources: Statistisk Tiars-oversigt 1974-1998; Social Sikring 2010; Local StatBank.

<sup>45</sup>These changes were first proposed in 1987, and entered into force in April 1989 (LOV nr. 836 af 21/12/1988).

By transferring discretion to the central government, the Social Democratic parliament hoped to significantly cut costs and reduce social assistance uptake. Between 1987 and 1988, locally-directed cash transfers exceeded cost projections by 285 million kroner; moreover, in many cases the average rate of municipal support surpassed the centrally-set unemployment benefit. Noting that it was “unacceptable that persons in low-paid unemployment have a lower standard of living...than those receiving passive social assistance,” the government successively reduced the social assistance ceiling from 90% of the standard unemployment benefit (in 1989) to 80% (in 1991), implying an annual cost savings of 430 million kroner (1989 LSF 72; 1991 LSF 41). And while these payment rates have remained relatively constant since the early 1990s, access to benefits has been significantly curtailed, with total coverage declining by 29% between 1990 and 2010. <sup>46</sup>

In sum, the evidence from Germany and Denmark suggests that over the long-run, local control over social policy is not associated with restraint, but rather with significant (and perhaps excessive) growth in redistributive effort.

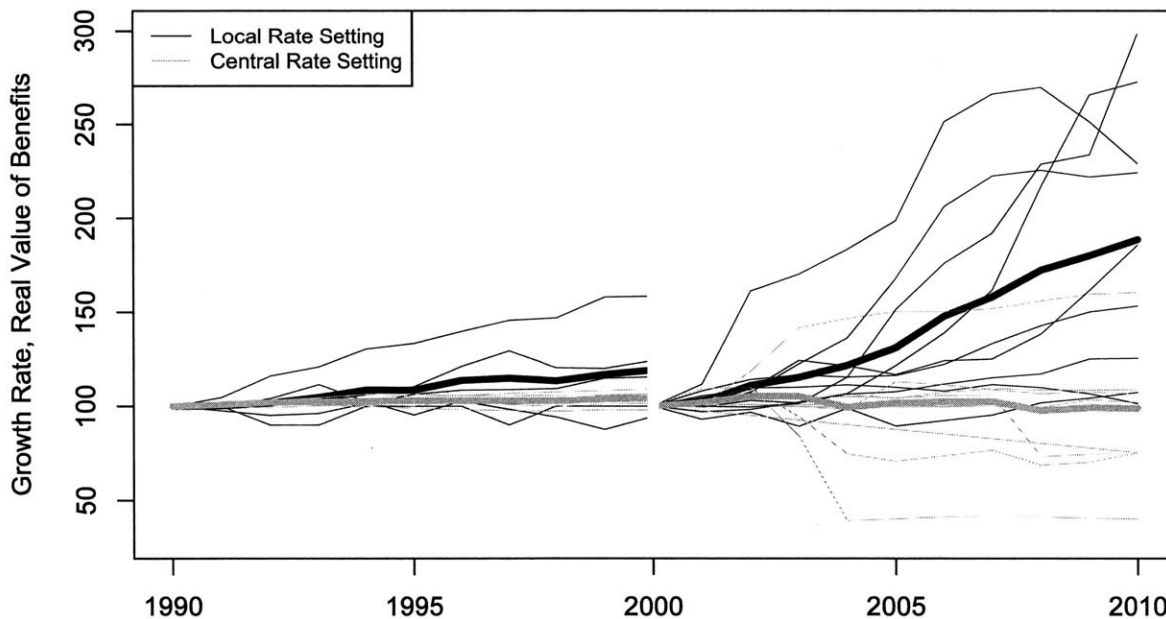
To what extent are these patterns externally valid? Although clean transitions between central and local discretion are relatively rare, we can gain a sense of the broad applicability of these trends by examining data in cross-section. Accordingly, Figure 5 (next page) draws on a unique dataset to plot the relative growth in cash transfers, for both centralized and

---

<sup>46</sup>Early reforms (in 1994 and 1998), significantly tightened the criteria for social assistance by denying benefits to able-bodied individuals who refused to enter the labor market. As noted by Elise Andersen, the Minister of Social Affairs in 1983, “How many times in recent years have we heard phrases such as ‘the unemployment do not want to work?’ I am convinced that the unemployed would like to work” (quote from Reiter 2014). The focus on activation has remained a constant thread within Social Democratic discourse; most recently, in 2013, social assistance payments to those under the age of 30 were abolished in favor of an education grant.

decentralized programs, across the European Economic Area between 1990 and 2010.<sup>47</sup> The patterns suggest a persistent and positive correlation between decentralization and benefit growth. Although exceptions exist, benefit levels tend to grow more rapidly in decentralized systems than in centralized systems, with an average difference of 15% and 90% in the 1990-2000 and 2000-2010 periods, respectively.<sup>48</sup> Nor are such patterns driven by ‘catch-up’: as of the mid 2000s, benefit rates in localized systems matched or exceed centralized rates as a function of average national income (Bahle et al 2011).

**Figure 5: Social Assistance Growth Rates**



Source: Author's compilation from national sources. 1990-2000 Local: Finland, Italy, Norway, Sweden, Switzerland. Central: Belgium, France, Germany, Netherlands, the United Kingdom. The 2000-2010 period adds local rates for Estonia, Hungary, Lithuania and Poland, and central rates for Slovakia and Slovenia. Austria and Spain are omitted since benefits are determined by regions; rate data were unavailable for Ireland, the Czech Republic, Latvia, and Portugal.

<sup>47</sup>The value are reindexed to 1990 and 2000, respectively, to permit proper comparisons as the sample of countries expands. Where countries have both standard and supplementary rates, I plot the growth in supplementary benefits. Within these countries, supplementary rates have tended to expand faster than the main cash transfer rates; I omit plotting both programs to provide consistent comparisons across countries.

<sup>48</sup>If the same (Western European) countries were used in each panel, the difference in the rate of growth between programs would be 65% in 2000-2010.

What explains these expansionary tendencies? While the aggregate nature of the data entails that we cannot rule out all potential confounders, the significant gap between centralized and decentralized growth rates is inconsistent with a process driven by secular trends. Rather, the available evidence suggests that the positive association between decentralization and transfer generosity follows from a political process, in which local governments voluntarily and repeatedly raise the level of provision.

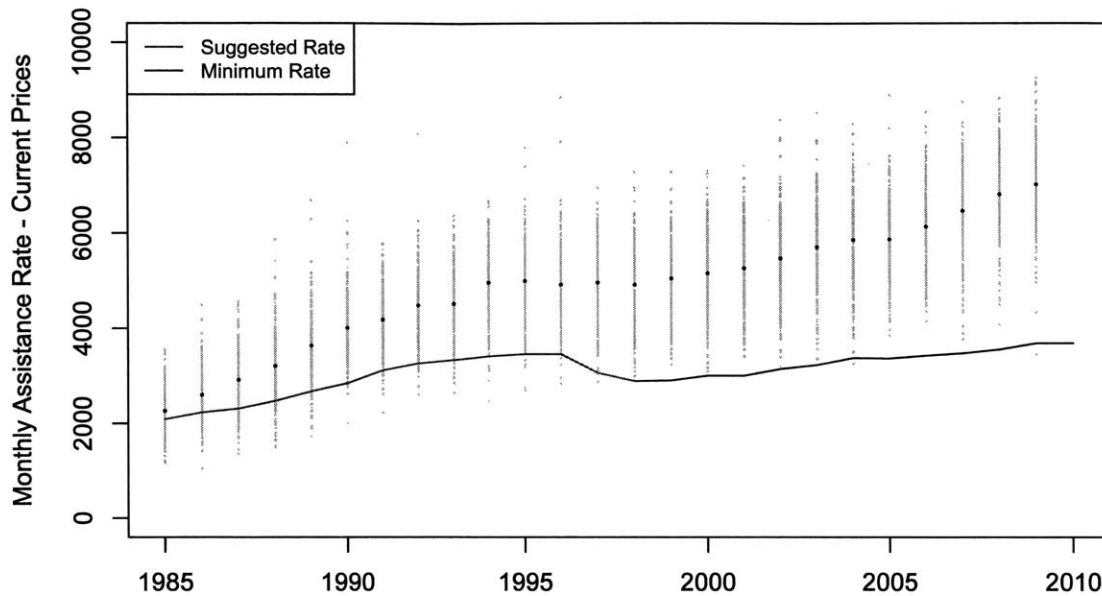
Consider the case of Sweden, where local governments hold the power to set annual cash transfer rates. Concerned by local variation in benefit levels, the central government disseminated a 'recommended norm', beginning in 1985. In 1998, the Swedish Parliament enforced these recommended norms as a minimum binding standard for payment rates in Swedish municipalities.<sup>49</sup> To an outside observer, the introduction of these standards may suggest that Swedish municipalities were prone to systematic underprovision, regularly skirting the limits of an acceptable living standard. But the data (Figure 6), reveal a markedly different picture. Rather than spending the bare minimum, the opposite behavior appears to be the norm. The initial benefit standard published in 1985 was in fact dramatically lower than the average level of provision across the country. This gap continued to widen in subsequent years, with the municipalities at the top percentiles spending nearly 200% of the recommended rate on each beneficiary. And while the imposition of a binding minimum did succeed in pushing a few recalcitrant localities into line, these cases were the exception rather than the rule. Indeed, imposing the recommended rate as a uniform standard across Sweden would have substantially lowered the level of provision.

This pattern of voluntary provision also characterizes the behavior of Swedish munic-

---

<sup>49</sup>Inconsistent treatment is a recurring critique of decentralized policy (Campbell 2014). And indeed, the data within decentralized regimes suggests high variance in benefit levels and quality of treatment. However, the normative implications are unclear — while decentralized regimes have higher variance, they cannot be characterized by lower *average* levels of service. One's perspective on these issues may depend on ideological considerations; see Powell and Boyne (2001) for a useful discussion.

**Figure 6: Municipal-Level Social Assistance Rates in Sweden**

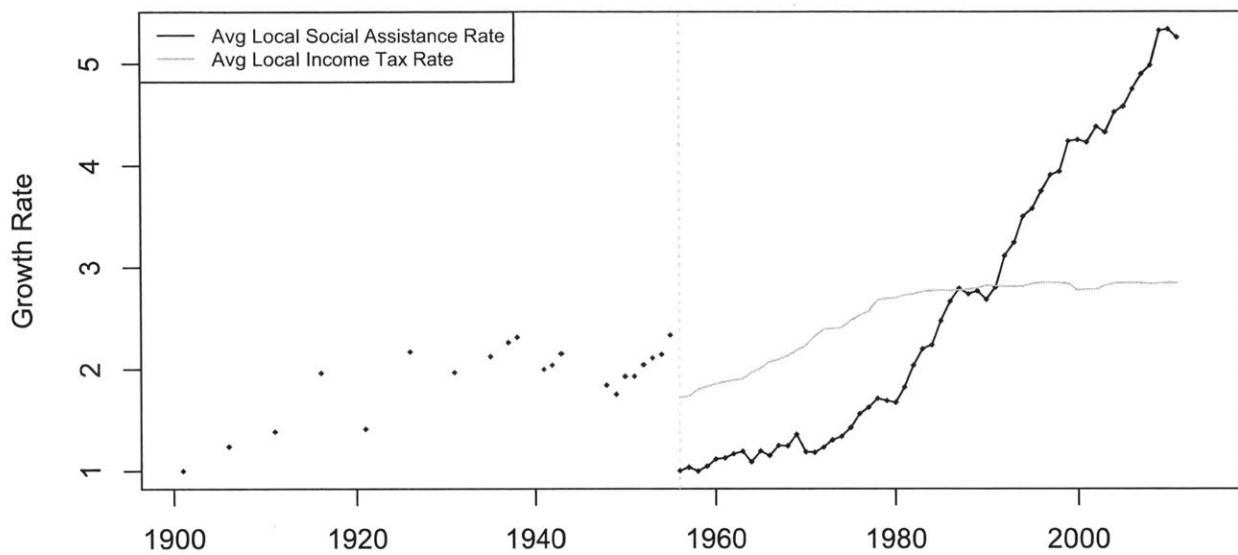


Each gray dot represents a municipality; black dots represent means. Rate data was provided by the Sweden National Statistics Office; National norms gathered from Socialstyresen publications.

palties over the long-run, as seen in Figure 7, which draws on historical data on real benefit rates over the last century. Over the post-war period, benefit rates have increased nearly fivefold in real terms. This growth in transfers has been funded not by central government grants, but rather by voluntary increases in local tax burdens — average local income tax rates increased from an average of 10% in 1950 to 31% in 1990. Indeed, excessive growth in local tax rates led the Swedish government to intervene and impose a revenue-sharing scheme (1993-present) which redirects tax revenues above a certain threshold to other localities. While this system has halted expansion in local tax rates, growth in the cash transfer rate has continued apace, with spending simply redirected from other local expenditure areas.<sup>50</sup>

<sup>50</sup>Budget data from 2000 to 2012 demonstrate that social expenditure growth has occurred at the expense of infrastructural and cultural line items.

**Figure 7: Average Local Benefit and Tax Rates in Sweden**



The series break reflects a shift in data collection. Source: Statistik Arsbok Sverige (yearly editions); Sweden National Statistics Office.

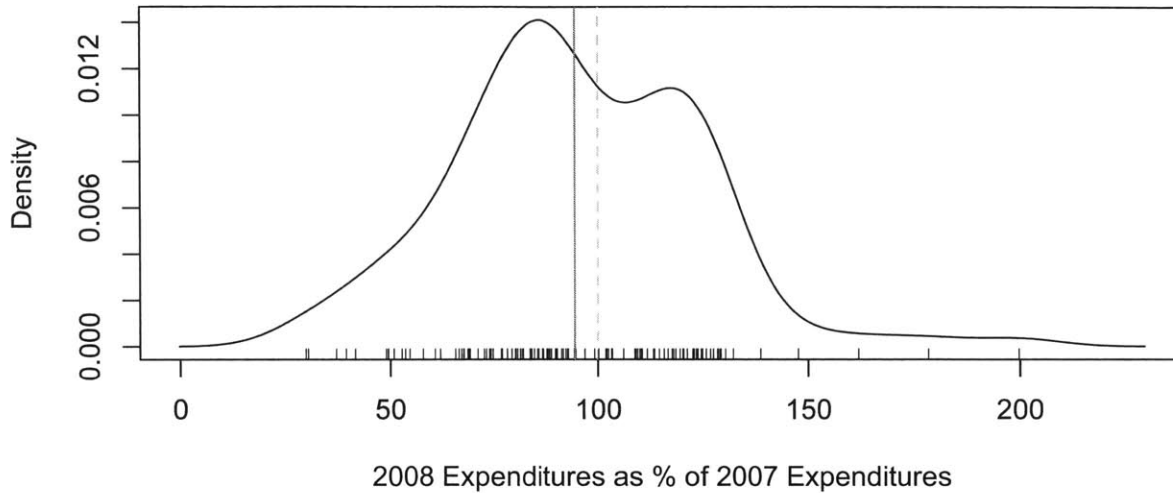
Patterns in Sweden reflect a broader tendency visible across decentralized Europe. In Switzerland, for instance, federal and interest group pressures led many cantons to successively adopt a uniform standard for social assistance payments circulated by a non-profit organization (SKOS).<sup>51</sup> While right-wing politicians within several “hardliner cantons” (Aargau, Solothurn, Schaffhausen, St Gallen) initially expressed concerns that the standards would place undue financial burdens on local communities<sup>52</sup>, these concerns proved unfounded. When forced to adjust their policies to meet the centrally-determined standard, many municipalities within these cantons discovered that they were apparently spending in excess. For instance, when the canton of Solothurn imposed the revised SKOS standards in

<sup>51</sup>The adoption of SKOS was nearly universal in the late 2000s; However, from 2014, rising discontent led several communes and cantons to repeal these standards.

<sup>52</sup>Speaking in 2005, the director of Social Welfare Department in Solothurn expressed his dissatisfaction with the the SKOS guidelines, noting that “the guidelines are designed for large cities. Here (in Solothurn) living costs are lower than the city of Zurich.” **Source**

2008, average expenditures per case declined by 16.1% in real terms.<sup>53</sup>

**Figure 8: Municipal Social Assistance (per capita) in Solothurn: 2007-2008**



Source: Data provided on request by the Solothurn Cantonal Government.

These consistent patterns – in which central government reformers continuously underestimate localities’ willingness to spend – do not appear to be limited to wealthy countries. For instance, concerns about the level of provision in Spain led the national government to pass a law in 2002 requiring all municipalities with more than 20,000 residents to provide social services for the local poor. However, by 2009, 88% of all municipalities *below* this statutory limit had voluntarily implemented their own programs. These voluntary social expenditures accounted for an average of 9% of local budgets, outstripping combined spending on police forces, fire departments, and roads.<sup>54</sup>

---

<sup>53</sup>BFS, Sozialhilfestatistik 2009.

<sup>54</sup>Database: Liquidación de los Presupuestos de las Entidades locales. In some municipalities, voluntary expenditure on social services has reached unsustainable levels, precipitating local crises. For instance, in the city of Albox (population 11,000), social expenditures surpassed 60% of local spending in 2011, resulting in extensive municipal debt. In retaliation for deferred payments, the local energy provider engaged in a political statement by selectively cutting off power to four of the socialist mayor’s initiatives: the Social Services Center, the Center for Women, the Employment Workshop and the Municipal Library. (Almeria 360; Editorial, March 11 2013).

## Discussion

According to the ‘race to the bottom’ logic, decentralization is incompatible with a system of generous redistributive transfers. However, a detailed examination of social assistance policy suggests that local discretion is in fact associated with expansion and growth in such benefits. These tests are not definite, in the sense that they do not identify the exogenous impact of decentralization on benefit rates.<sup>55</sup> Yet in a Bayesian sense, the cumulative evidence strongly suggests that we need to update our posterior probability: decentralization does not appear to meaningfully constrain redistributive activity.

Thus, while decentralizing reforms have been widely prescribed as a means to contain and slow the growth of government spending, the results of this chapter suggest that these effects rarely obtain. The irony is clear: by pursuing decentralizing reforms, cost-conscious governments may have in fact established the preconditions for future expansion.

What explains this mismatch between theory and fact? The answer is not that scholars have misidentified the constraints on local redistributive activity. Indeed, any detailed examination of local policy debates confirms that localities do face significant resource constraints, tend to benchmark performance against neighbors, and to some extent fear becoming local ‘welfare magnets’. However, by focusing exclusively on these challenges and constraints, the literature has overlooked the other side of the coin: namely, the heightened electoral returns associated with redistributive spending in decentralized contexts. Proximity implies that local redistributive politics is characterized by a different set of dynamics and rewards than politics at the national level. As the following chapters demonstrate, the politics of proximity imply that local politicians that choose to invest in generous redistributive policy can expect to reap substantial electoral returns. Faced with a menu of potential costs and clear

---

<sup>55</sup>Decentralization is not prone to experimental manipulation. Moreover, plausibly ‘as-if random’ variation in decentralization does not commonly occur within developed economies; shifts in the level of decentralization are generally deliberate and accompanied by other structural changes.



electoral benefits, self-interested local governments have repeatedly prioritized the latter.

## Chapter 3:

# Proximity and Preferences for Redistribution

When Margaret Thatcher assumed office in 1979, she instructed her ministers to make “large and early cuts” to public spending.<sup>56</sup> But while these efforts initially succeeded at reining in spending growth at the national level, her government soon encountered a formidable stumbling block when trying to lower aggregate levels of provision.<sup>57</sup> Between 1979 and 1985, cuts to central government programs were fully offset by increased taxation and spending at the municipal level, with local outlays rising by 76% across the six year period.<sup>58</sup> By her second term, Thatcher’s government was preoccupied with asserting control over runaway local government expenditures, noting that “we can no longer tolerate a system ... which permits extravagant local authorities to fleece the ratepayer to finance excessive levels of spending.”<sup>59</sup>

Although the Conservative government linked increased local expenditures to “grossly extravagant Labour authorities” who were “spending with scant regard for the bills they inflict on ratepayers,” the available evidence suggests that the trend was neither predatory nor partisan.<sup>60</sup> Rather, local authorities were simply responding to consistent preferences for higher spending. According to the 1987 British Social Attitudes Survey, for instance,

---

<sup>56</sup>National Archives Cabinet Documents, 1979. Quoted in: Travis, Alan. “How Margaret Thatcher asked for cuts – and ministers asked for more.” *The Guardian*. 29 December 2009.

<sup>57</sup>As noted by Boix (1998), these efforts to constrain central government expenditure were ultimately less successful than they initially appeared; cuts to expenditure growth were most effective early in Thatcher’s administration.

<sup>58</sup>Source: Public Finances Databank, HM Treasury. In 1986, Thatcher blamed the lack of progress specifically on these local governments, noting that “we have some difficulties at the moment because we got higher expenditure than we would have wished for a number of reasons...the local authority expenditure is considerable” (Interview, *Financial Times*, Nov 17 1986).

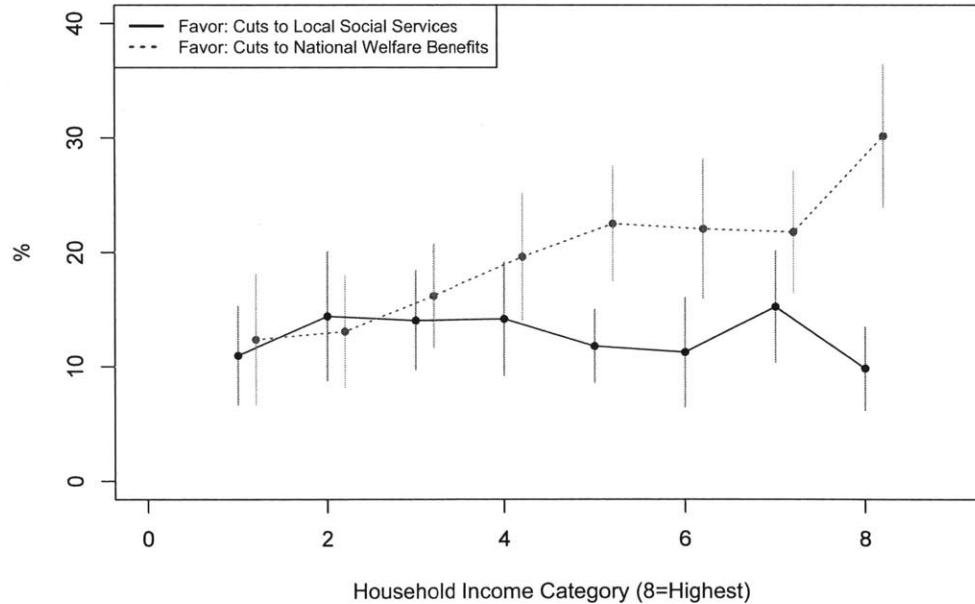
<sup>59</sup>Hansard HC [86/18-25]. These efforts culminated in a) cancelling central government grants, and b) introducing explicit caps on local tax rates.

<sup>60</sup>Conservative Manifesto 1983; Speech to Conservative Central Council, 24 March 1984.

only 13% of citizens preferred cutting local taxes if it would entail a decline in local social services, while the remaining 87% favored keeping rates the same or even raising taxes to finance additional spending.<sup>61</sup>

Nor were such sentiments limited to Thatcher's opponents. Across the sample, only 15% of self-identified Conservative voters favored slashing local tax burdens and services. This broad support for localized spending is clearly reflected in Figure 1, which plots the proportion of respondents favoring cuts to local social services (solid line) versus national welfare benefits (dotted line), grouped by yearly household income. <sup>62</sup> As might be expected, respondents in the highest income categories were significantly more likely to favor cuts in national welfare spending than their poorer counterparts. However, no such trend can be observed with respect to spending at the local level: only 10% of those in the highest income category favored cuts to local social expenditures.

**Figure 1: 1987 British Social Attitudes Survey**

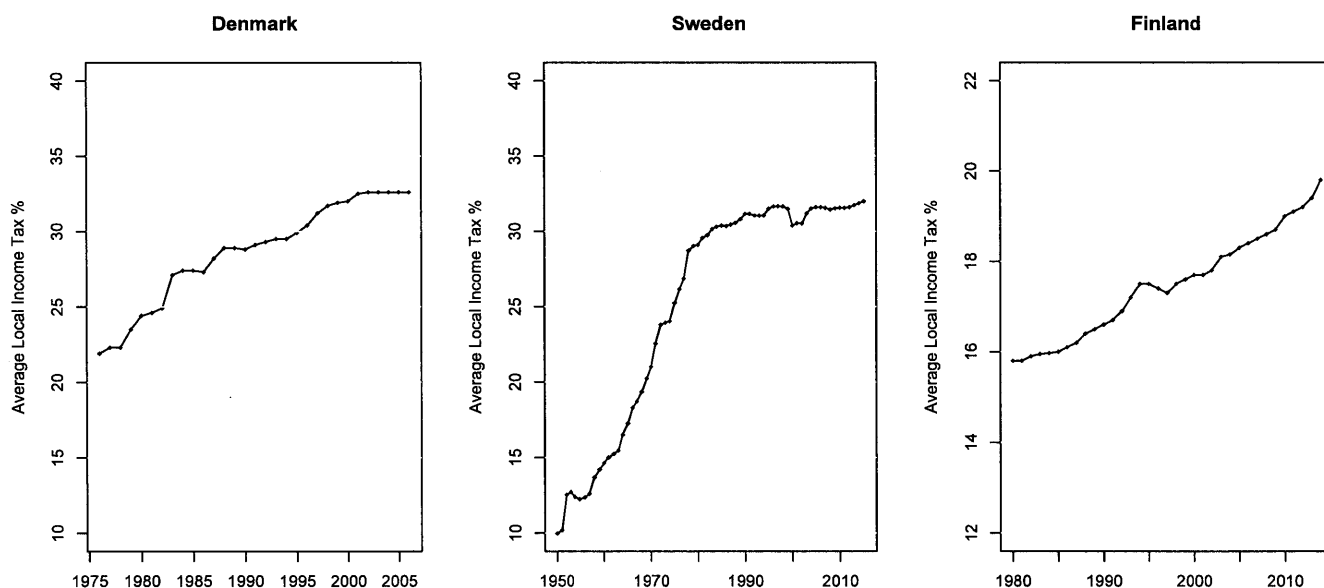


<sup>61</sup>Error: 1.9%. Question: "Suppose your local council had to choose between the three options on this card. Which do you think it should choose? 1) Reduce rates and spend less on local services. 2) Keep rates and spending on these local services at the same level as now. 3) Increase rates and spend more on local services.

<sup>62</sup>Recategorized from 16 income categories; trends across the original groups are identical.

These trends are not unique to the United Kingdom. Persistent support for local spending remains an underappreciated — but highly prevalent — dynamic across developed economies. For instance, in the Nordic states, municipalities have repeatedly and voluntarily increased the rate of local income taxation in order to finance local social programs (Figure 2). Indeed, the increase in tax rates has been so pronounced that national governments have introduced measures to control local tax expansion, including revenue-sharing schemes (Sweden 1993-), or yearly-adjusted tax ceilings. <sup>63</sup>

**Figure 2: Average Local Income Tax Rates**



As in Britain, these tax increases were driven by strong median support for service delivery. For instance, in the 2008 Finland Welfare and Services Survey, 66.8% of respondents indicated that they would “prefer higher levels of social protection, even if it meant that taxes would have to increase.” <sup>64</sup> Similarly, in the 2005 Danish Electoral Survey, a mere 31.4% of

<sup>63</sup>Norway also implements a ceiling on local taxation; this is set at a much lower level than other Nordic countries and is rarely adjusted, effectively capping local revenue.

<sup>64</sup> FSD2888 Suomalaisten hyvinvointi ja palvelut 2009; Variable K17.

respondents agreed that they would favor tax cuts over increased social services.<sup>65</sup>

What explains this persistent demand for local social spending? In this chapter, I argue that this pattern reflects a broad tendency for high-income voters to favor *geographically-proximate* redistributive policy. In contrast to nationally-directed spending, where fiscal costs are clear but benefits are diffuse, net contributors are directly exposed to the consequences of unaddressed local poverty. Conversely, they stand to directly benefit from positive local externalities stemming from locally-directed redistributive expenditure, such as decreased crime rates and higher property values. These two factors, operating in conjunction, should increase support for redistributive policy within local settings.

After elaborating this argument, I test the hypotheses using survey data and a natural experiment. The results strongly suggest that geographic context — and specifically, the relative proximity of the beneficiary pool — plays an important role in shaping preferences for redistribution. This consistent pattern provides a partial answer to the puzzle of decentralized redistribution: while the devolution of social policy may be accompanied by additional constraints and challenges, it can be expected to simultaneously raise median support for social spending, providing clear incentives for local governments to invest in redistributive programs.

## How Proximity Shapes Preferences

What factors shape preferences for redistribution? Standard models within political economy center on a logic of self-interest, in which the poor favor redistribution and the rich are opposed (Romer 1975; Meltzer and Richard 1981). But while this approach is capable of explaining significant variance in redistributive preferences, it remains incomplete (Alesina and Giuliano 2009). Empirically, changes in the income distribution within developed democracies have been unaccompanied by corresponding shifts in redistributive preferences (McCarty

---

<sup>65</sup>2005 Danish Electoral Survey; Variable V179.

et al. 2007). Perhaps more problematically, an account based on direct self-interest fails to explain the frequency to which voters behave ‘out of type’ and select redistributive policies that are unaligned with their economic interests.<sup>66</sup>

Recognizing these limitations, recent studies have examined how perceptions and context shape redistributive preferences. In particular, scholars have focused on how characteristics of the beneficiary pool influence willingness to support redistributive policies. For instance, research has shown that individuals distinguish between ‘deserving’ and ‘non-deserving’ welfare recipients (Katz 1989; Gilens 1999; Fong 2001; Alesina and Angeletos 2003; Alesina and La Ferrara 2005; Cavaille and Trump 2014). This distinction is closely linked to the argument that contributors prefer to distribute to beneficiaries who resemble themselves (Kristov, Lindert and McClelland 1992), a finding with wide support within the racial and ethnic politics literature. Indeed, studies within this field have consistently demonstrated that individuals living within diverse contexts exhibit lower preferences for redistribution and public goods provision (Alesina et al 1997; Gilens 1999; Luttmer 2001; Alesina and Glaeser 2004; Van Oorschot 2006; Dahl and Lindberg 2014).

Building on these approaches, this chapter focuses on how context shapes redistributive preferences. However, while extant studies largely operationalize context in terms of exposure — that is, the likelihood that a contributor will encounter beneficiaries that differ from them — I focus on geographic context. Specifically, I argue that the territorial organization of distribution plays a key role in shaping preferences. All things equal, net contributors will be more likely to support redistribution if it is directed towards geographically proximate beneficiaries.

First, a geographically-bounded system of redistribution implies that net contributors will be directly exposed to the negative consequences of unaddressed poverty. As the level

---

<sup>66</sup>This behavior is most striking in the United States, where a significant proportion of potential beneficiaries remain opposed to generous redistributive policies on ideological grounds (Gilens 1999).

of poverty within a community increases, residents are likely to encounter visible reminders of deteriorating conditions. For instance, local poverty is associated with increased levels of crime (Hsieh and Pugh 1993), downward spirals in property values (Galster et al. 2006), and local budget crises. In the context of partial mobility, this pattern, when unchecked, can lead to a “spiral of decay” in local settings (Skogan 1990).

Exposure to these negative spillovers implies that voters should be highly responsive to changes in local poverty. Indeed, the claim that individuals often prioritize their local context has strong backing within the empirical literature. For instance, research has shown that voters tend to focus on local rather than national economic conditions when evaluating incumbent performance. In the United Kingdom, Johnston et al. (2000) find that local unemployment rates strongly predict the probability of voting for the incumbent; in contrast, national economic trends have little observed effect on vote choice. Similarly, in the American setting Books and Prysby (1999) and Ansolobehere et al. (2014) demonstrate that perceptions of the economy are largely driven by state-level conditions.<sup>67</sup> These studies suggest that the local setting often functions as an informational shortcut, in which individuals form their impressions on the basis of first-hand observations and extrapolate these perceptions to larger settings.<sup>68</sup> In a similar fashion, the visibility of poverty in local settings should, at minimum, increase the saliency of redistributive policy.

Perhaps more importantly, these negative spillovers also imply that the tolerance for local poverty should be lower than at the national level. Individuals living within communities with unaddressed poverty should experience direct fiscal effects; ranging from loss of property value to strain on local public services. And even if local poverty does not directly

---

<sup>67</sup> See also Leigh (2005), who shows that macroeconomic trends offer limited predictions for national vote share in Australia; in contrast, the local level of inequality often proves decisive.

<sup>68</sup> This mechanism extends beyond economic conditions. For instance, Wong (2007) has demonstrated that perceptions of national diversity are strongly shaped by the relative visibility of minorities within respondents’ localities.

impact net contributors, it is likely that deteriorating local conditions will influence relative perceptions of risk. For instance, research has shown that community-level exposure is associated with an increase in the perception that poverty is structurally- rather than individually-determined (Lee et al 2004; Merolla et al 2011). More directly, Cutler (2007) and Johansson Sevä (2009) have demonstrated that increases in local poverty and unemployment are associated with rising support for redistributive policy, even among voters with secure economic status.

If proximity implies that negative spillovers are keenly felt, the inverse also holds: potential contributors stand to benefit from locally-directed social spending. Given that the flow of resources is geographically constrained, transfers should induce positive local spillovers, offsetting or decreasing the frequency of crime, loss of property value, and visible symbols of deteriorating conditions.<sup>69</sup>

The power of externalities to shape behavior has been widely recognized within urban economics. Scholars working within this field have highlighted an apparent puzzle: individuals who contribute the highest share of revenue to public goods are often precisely those individuals who are least likely to benefit from local service provision. Explaining this pattern, several studies have demonstrated that local spending on services induces indirect benefits via increases in local property values (Brueckner and Joo 1991; Hilber and Mayer 2009). Given certain conditions, these gains in capitalization may exceed the cost of local taxation, implying that local spending is economically rational (Oates 1969). In a similar fashion, we can expect that this pattern should hold for transfers towards the poor: geo-

---

<sup>69</sup>Note that these externalities are likely to affect individuals across the entire income distribution. However, the argument focuses on net contributors for two reasons. First, low-income individuals are unlikely to cast the decisive vote on redistributive policy; in the absence of a clear cost in the form of taxation, the theoretical expectation is that these groups will tend to support redistribution, regardless of the level at which it occurs. Second, the focus of this argument is on the marginal propensity to support redistribution across government levels – that is, the expectation is that as the cost of taxation increases, support for local redistribution will be maintained even as support for national redistribution declines.



graphic proximity between contributors and beneficiaries implies that contributors have an increased chance to benefit from these positive local externalities.

In isolation, these factors should be sufficient to raise support for locally-directed redistributive spending. However, the mechanism may be further bolstered by the increased levels of trust within local settings. Building on the arguments of Tufte and Dahl (1978) and Mouritzen (1989), recent research has demonstrated a robust relationship between administrative-unit size and confidence in government. Individuals living within smaller government units are substantially more likely to believe that governments are responsive, competent, and have the capacity to diagnose and solve local problems (Denters 2002; Hansen 2013). These characteristics may ensure that net contributors have further incentives to support localized systems of redistribution.

In sum, this chapter argues that contributors will be more likely to support redistributive policy when the pool of beneficiaries is geographically proximate. This theoretical perspective suggests two testable implications:

- 1: Net contributors should favor local social programs over comparable policies at the national level.
- 2: Within decentralized systems, support for redistribution will vary with district size; *ceteris paribus*, support for redistributive policy should be highest when the pool of beneficiaries is small and proximate.

## **An Initial Test With Survey Evidence**

In principle, the degree to which proximity shapes preferences could be directly tested using cross-national survey data. Unfortunately, however, no existing survey instrument asks respondents to indicate their relative support for social spending at different levels. Accordingly, I first turn to rich survey data from a contemporary decentralized case to provide an initial test of the argument. Specifically, I focus on Switzerland, where social policy is clearly delineated between the federal, cantonal, and municipal levels.

The 2013 wave of the Swiss Household Panel asked respondents to assess whether they thought the government should spend more, less, or the same amount on various social programs. However, while some of these questions referred to social policies that are governed at the federal level, others referred to programs that are exclusively delivered by subnational governments. Table 1 evaluates support for one of these subnational programs: social assistance (cash transfers to the poor). As seen in the top row, social assistance programs enjoy comparatively wide support: while 24% of respondents favored cutting social expenditures at the federal level, only 14% favored cuts to social assistance.<sup>70</sup>

**Table 1: % of Swiss Respondents Favoring Spending Cuts**

	<i>Local:</i> Social Assistance	<i>National:</i> Social Expenditure	Difference
<b>Total: Switzerland</b> n = 5427	14.84 (0.62)	24.15 (0.68)	<b>-9.31</b> (0.74)
<b>A: Municipal Control</b> n = 4328	14.39 (0.55)	25.20 (0.77)	<b>-10.81</b> (0.84)
<b>B: Cantonal Control</b> n = 1099	15.59 (2.12)	19.63 (2.23)	<b>-4.03</b> (2.24)

Standard errors in parentheses.

Although the gap in support could potentially be driven by underlying differences between national and subnational welfare programs, the available evidence suggests that preferences are in fact shaped by the geographic context of service delivery. This can clearly be seen in the bottom two rows of Table 1, which take advantage of territorial variation within Switzerland to subset respondents into two groups depending on whether they reside in regions where a) municipalities exercise control over social assistance programs, or b)

<sup>70</sup>See Appendix for question wording.

cantonal governments assume the dominant role in benefit delivery.<sup>71</sup> While the gap in support between local and federal policies in the municipal case is substantial, in the latter case difference in support between federal and social assistance programs attenuates (4.03%) and is no longer statistically significant.<sup>72</sup>

Table 2 builds on this finding by subsetting Group A according to the size of the respondent’s municipality.<sup>73</sup> Similar to the gap between support in cantonal and municipal settings, the results closely fit the predictions of the theory. Within small communities, the average respondent is significantly more likely to support local programs than national programs, while the gap is considerably narrower in larger districts such as cities, in which relative exposure to positive and negative spillovers is more limited.<sup>74</sup>

Although these results strongly suggest that proximity raises support for redistributive policy, the findings remain incomplete. First, while cross-sectional data permits an illustrative comparison between local and national social programs, these programs necessarily differ in several respects. Similarly, given that individuals sort into particular localities, the effect of community size on redistributive preferences may be confounded by unobserved factors.

In order to address these concerns and to demonstrate that the findings hold in other settings, I leverage two additional tests. By focusing on plausibly exogenous variation in the geographic context of welfare benefits, each test sheds light on the causal relationship linking

---

<sup>71</sup>As of 2013, cantonal governments played a comparatively greater role in French-speaking cantons (particularly within Geneve and Jura), as well as within small cantons such as Appenzell-Innerrhoden.

<sup>72</sup>Given that individuals within each type of canton have different demographic characteristics, comparisons of the baseline levels of support for local and national policy are uninformative. The key factor is the DID estimate (third column).

<sup>73</sup>Recoded from more detailed categories provided by the Swiss Household Panel. Tourist and resort municipalities are omitted given the minor role of local poverty relief programs in these locales.

<sup>74</sup>Note that while baseline support for social assistance is lower within rural communities, these communities are characterized by a higher share of conservative voters. That is, given differences in community composition, the variable of interest is the *relative* difference in support between local and national programs.

**Table 2: % of Swiss Respondents Favoring Spending Cuts**

	By Type of Locality		
	<i>City</i>	<i>Suburb.</i>	<i>Rural</i>
<b>Local:</b>	12.68	13.04	17.73
Social Assistance	(1.12)	(0.89)	(1.21)
<b>National:</b>	20.59	24.15	30.74
Social Expenditure	(1.37)	(1.13)	(1.53)
<b>Difference:</b>	-7.91	-11.10	-13.01
n	1356	2466	1363

proximity to preferences for redistribution. In the first test, I use a survey experiment in the United States to evaluate support for a hypothetical policy, while randomly varying the proposed geographic context of the welfare benefit. The second test turns from a hypothetical policy to a natural experiment, and exploits a series of forced municipal mergers in the Netherlands and Denmark to evaluate how individuals update their preferences in response to a change in the relative size of the beneficiary pool. The consistent results across all approaches demonstrate that proximity exerts a powerful role in shaping preferences for redistribution within decentralized settings.

## Testing the Argument: A Survey Experiment

To assess whether the relationship between proximity and support for redistributive policy holds in a controlled setting, I conducted an online survey experiment within the United States. The survey instrument queried respondent's opinions on a hypothetical redistributive program, while randomly varying the geographic scope of the policy. For a given policy, the treated group received a prompt indicating that all beneficiaries would be within the respondent's municipality, while the control group received a prompt indicating that bene-

fits would be directed to individuals within the respondent's state. By varying the proposed beneficiary pool for otherwise identical policies, this approach provides a direct test of the hypotheses advanced in this chapter. If geographic proximity shapes preferences for redistribution, we should expect that variation in geographic context will be strongly predictive of support for redistributive policy. In contrast, if proximity has little effect on preferences, survey responses should be similar between the treated and control groups.

The survey module was embedded within the MIT PERL (Political Experiments Research Lab) study, administered online in April and May 2015.<sup>75</sup> Participants were recruited by Survey Sampling International (SSI) to meet specific targets on gender, age, race, education, and income (non-probability sampling). Although the resulting sample may be viewed as partially representative of the U.S. population, the use of income targets implies that individuals at the tails of the income distribution were slightly overrepresented. For instance, 219 of 1247 respondents (17.6%) had a yearly household income greater than \$100,000. For the purposes of this study, this skew is non-problematic, given that it effectively oversamples individuals who can expect to be net contributors to redistributive policies.

To measure preferences on redistribution, the survey asks the following question:

Following the financial crisis, governments continue to have difficulty funding public services. With this in mind, would you support a yearly property tax surcharge of 0.10% (ie, \$100 per \$100,000 in assessed home value) that contributes to the following initiatives: [ Temporary financial support for the unemployed ] in your [ municipality ] / [ state ] ?

with responses aligned on a 5-point Likert scale, ranging from 'Strongly Support' to 'Strongly Oppose'. Importantly, this question does not measure preferences in the abstract, but rather mimics an actual redistributive setting by identifying a potential financial cost (taxation) as well as as group of beneficiaries. The target (unemployed individuals) and the revenue source (property taxation) were selected to maximize plausibility within the US context.

---

<sup>75</sup>MIT IRB COHUES Exemption #1502006946.

Receipt of the geographic prompt was randomized, with 50% of respondents receiving either the treatment (municipality) or control (state).

Given that preferences towards redistributive policy should vary as a direct function of income, I evaluate the effect of receiving the treatment — in this case, the municipal prompt — for four separate categories of gross household income.<sup>76</sup> Within each income category, the sample size remains sufficient to achieve balance between the treated and control groups on a variety of socio-demographic covariates, including age, gender, race, education, marital status, party identification, ideological orientation, and religiosity.

To assess the results, I use an ordered logit model to predict the probability that respondents within each income group would oppose the hypothetical redistributive policy.<sup>77</sup> Figure 3 (next page) plots results for each income group, after using entropy balancing to adjust for any remaining imbalance between respondents who received the municipal and state prompts (Hainmueller 2012).<sup>78</sup>

The results suggest that opposition to municipal and state redistributive programs increased monotonically with respondent's income levels. However, proximity appears to play a significant role in conditioning these preferences. Of respondents in the top income group, 72% of those who received the state prompt opposed the policy, while only 43% of those who received the municipal prompt were opposed — a difference of 28% for an otherwise identical policy. And while the small sample size necessarily limits the precision of this estimated effect ( $t = -2.73$ ), the magnitude of the observed shift strongly supports the hypothesis, and demonstrates that a change in the territorial organization of welfare benefits is sufficient to raise support for redistributive policy.

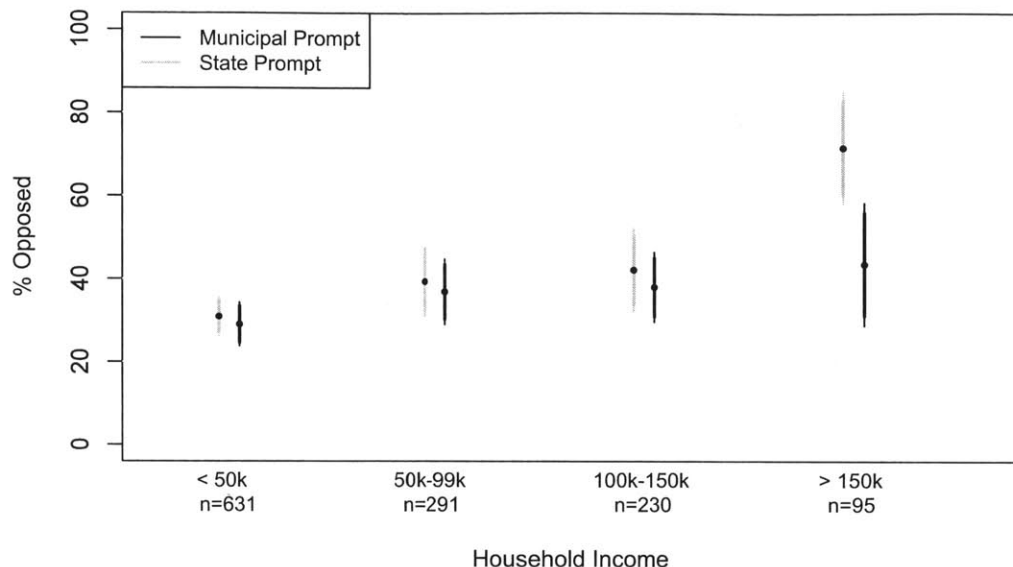
---

<sup>76</sup>Due to a small sample size ( $n=1247$ ), the income groups were recoded from 15 categories in the original survey using even \$50k bins. The results remain robust to alternate codings that evenly distribute individuals across bounded categories.

<sup>77</sup>Pooling respondents who indicated that they Strongly Oppose (5) or Oppose (4) the policy.

<sup>78</sup>Estimates remain statistically significant without entropy balancing. Respondents were balanced on age, education, religious attendance, and left/right ideology.

**Figure 3: Preferences for Redistribution**



Although proximity had a strong effect on wealthy households, it had little observed effect for respondents with lower household incomes. This may be driven by the low cost of the proposed tax instrument (0.1%), which may imply that the sticker price of the tax is only salient for individuals with relatively high home or property values.<sup>79</sup> In any case, given that individuals with high incomes are those most likely to be initially opposed to redistribution, the fact that treatment effects are limited to this group nevertheless implies a significant aggregate effect.

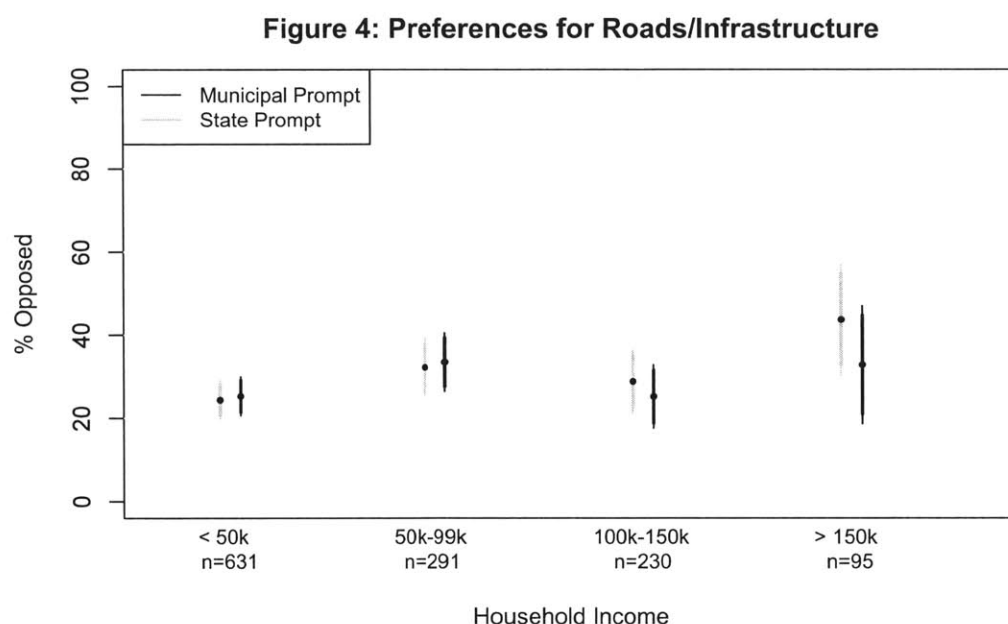
Finally, while the results indicate that proximity influences preferences, it is not clear whether these effects are distinct to redistributive policy. For instance, it is possible that wealthy respondents generally prefer locally-directed spending for reasons orthogonal to redistributive preferences. To assess this possibility, I included an additional question within the survey module:

Would you support the surcharge if it also contributed to [road and infrastructure development] in your [municipality / state]?

<sup>79</sup> Although the tax is structured as a flat tax, a higher home value implies a greater shock, which will be imposed in addition to pre-existing higher marginal rates of taxation.

Respondents were presented with a similar 5-point scale as before; to avoid potential bias, the relative order of the infrastructure and the redistributive prompts were randomly assigned.

Figure 4 displays the treatment effects associated with this prompt. Although the municipal treatment appears to have slightly increased relative support for the tax surcharge among wealthy individuals, the effect is not statistically significant ( $t=-1.11$ ) and point estimates remain small. The results suggest that support for local redistributive policy cannot be fully explained by a general tendency to prefer localized spending.



## Testing the Argument: A Natural Experiment

The results of the survey experiment provide direct support for the hypotheses advanced in this chapter. When confronted with an otherwise identical policy proposal, net contributors displayed elevated levels of support when benefits were directed towards geographically proximate beneficiaries. Building on this underlying pattern of behavior, this section asks whether similar effects can be detected within a realized setting.

Using observational data to evaluate the relationship between proximity and prefer-



ences is fraught with potential problems. For instance, if individuals who are likely to settle in large cities are also those likely to favor redistribution, an observed relationship between administrative size and preferences could be biased. To address this issue, I exploit a natural experiment related to forced municipal mergers in two countries characterized by localized redistributive policy: Denmark and the Netherlands.<sup>80</sup> Drawing on register-linked survey data, I demonstrate that exogenous changes in the proximity of the beneficiary pool significantly altered preferences for redistribution in each case.<sup>81</sup>

### *Municipal Mergers in Denmark and the Netherlands*

The boundaries of redistributive policy rarely change, and when they do, these shifting borders are often accompanied by significant fiscal, demographic, and political disruptions. Yet despite these challenges, municipal mergers in Denmark and the Netherlands nevertheless provide a relatively controlled environment to evaluate how territorial reorganization shapes preferences for redistribution. First, the delivery of benefits and social services within each country is highly decentralized. In Denmark and the Netherlands, municipalities are tasked with delivering welfare benefits to local populations, finance these benefits with local funds,

---

<sup>80</sup>The selection of two cases rather than one represents a deliberate attempt to balance internal with external validity. The design effectively replicates the findings across two distinct settings.

<sup>81</sup>I operationalize the beneficiary pool in terms of population, rather than in terms of spatial distance, for two reasons. First, the likelihood of benefiting from positive spillovers should be tightly correlated with the absolute size of the beneficiary pool. Second, within the local government context, high population counts are highly predictive of urbanization, implying increased physical proximity.

and exercise discretion over redistributive policy (see Chapter 1).<sup>82</sup> Given that municipalities serve as the focal point for service delivery, municipal consolidation thus implies a clear change in the perceived beneficiary pool. Second, in each case, the change in the scope of redistributive policy was exogenously imposed upon municipalities by the central government, and subject to a careful and regimented consolidation process.

In the Netherlands, municipal consolidation has been a constant feature of the political landscape. Since 1980, the number of municipalities has declined by over 50% — from 810 to 393. Working on the basis of informal guidelines to achieve economies of scale, provincial authorities, in consultation with the national parliament, have selected a small number of contiguous municipalities to merge in each year (since 2000, an average of 10 municipalities have merged annually).<sup>83</sup> Given that boundaries are redrawn on a yearly basis, municipal mergers are governed by a uniform process established in the Joint Regulations Act of 1984.

To gain a sense of how this process unfolds, it is helpful to consider the case of a typical municipal merger. On January 1, 2014, the new municipality of De Fryske Marren was established by consolidating three former municipalities: Gaasterlân-Sleat (10,184), Lemsterlân (population 13,544), and Skarsterlân (population 27,467). As with most Dutch communities, each of these former municipalities could trace their origin to a previous round of municipal consolidation, which grouped several villages (Dutch: *hoofdplaats*) within a single administrative unit. Thus, while De Fryske Marren encompassed three former administrative units, these municipalities in turn were partitioned into 51 distinct villages, many

---

<sup>82</sup>Denmark is characterized by a higher degree of fiscal decentralization than the Netherlands; in the latter case, the central government provides a significant share of local revenues in the form of grants. However, in the Netherlands, matching grants for cash transfers were abolished in 2004; municipalities must now finance such policies with their own revenues. In terms of discretion, municipalities within each country have mandates to provide certain types of services and transfers, but may condition these benefits or supplement them at their discretion. For instance, in the Netherlands (as of 2014) municipalities could raise or lower the unemployment benefit (+/- 35%), grant discretionary local tax relief, and provide housing allowances or one-off transfers to poor citizens.

<sup>83</sup>De Ceuninck et al. (2010).

of which possess their own histories, coats of arms, and town centers.

The origin of the amalgamation process in De Fryske Marren dates back to 2012, when the Frisian provincial government selected the three contiguous municipalities for consolidation. From the perspective of the provincial authorities, Gaasterlân-Sleat, Lemsterlân, and Skarsterlân were ideal candidates for amalgamation, given that they were demonstrably similar in terms of demographics, local tax rates, and spending patterns.<sup>84</sup> The Dutch Parliament agreed, and members of the Upper and Lower House approved the proposal as part of a yearly amalgamation review in early 2013.

Upon the passage of the bill through the Dutch Parliament, the Joint Regulations Act immediately took effect. Following the guidelines established in the Act, the three municipal councils began to meet in joint sessions, with the explicit task of harmonizing local policies throughout the 2013 fiscal year. In January 2014, this transitional government ceded its authority to the new combined municipal government, which was appointed in a special election in November 2013.<sup>85</sup> Given that the Dutch local electoral system is fully proportional, the number of councilors within the new municipality (31) was similar to the number of members within the joint council. All former municipalities were represented in the new council, with the FNP and CDA (the dominant parties in the joint council) remaining the largest parties in the revised structure.

Although the transition necessarily entailed changes to municipal taxation and the organization of social services, these adjustments were relatively minor.<sup>86</sup> Given that the Joint Regulations Act covers transition costs, fiscal shocks were largely limited to a slight increase in taxation within Skarsterlân (+ 0.1%), and a slight decrease in taxation within

---

<sup>84</sup>In 2012, for instance, the percentage of residents in the lowest income bracket ranged from 6.3% to 6.7%, property taxes ranged from 0.098 of assessed value to 0.117 %, and total spending per head ranged from 2170 euros to 2396 euros (Statistics Netherlands).

<sup>85</sup>The election also allowed residents to decide on the name and identify of the new municipality.

<sup>86</sup>This trend is representative of patterns across the Netherlands. See: Fraanje et al. (2008), van Twist et al. (2013), Allers and Geertsema (2014).

Gaasterlân-Sleat ( -0.2 %), which were phased in gradually over the course of 2013-2015. Similarly, the delivery of services and social benefits remained uninterrupted within all three municipalities. Although the town hall was moved to a central location (in Joure, a village within Skarsterlân), the former town halls in the other two municipalities (in Lemmer and Balk) were maintained as fully staffed service centers. Thus, those receiving benefits from these local offices continued to do so – indeed, from the perspective of taxpayers and beneficiaries alike, the only ostensible difference in service delivery was that such benefits were funded jointly by taxpayers in all three former municipalities.

### *Denmark*

As in the Netherlands, the process of municipal consolidation in Denmark was highly controlled and managed, resulting in minimal disruptions to local service delivery. After extensive consultations in 2002, the central government announced that mergers would occur across the country in 2004, with all municipalities with less than 20,000 residents required to establish merger agreements with neighboring municipalities by 1 January 2005. In practice, however, the contiguity requirement implied that a substantial number of municipalities with more than 20,000 residents were also forced to merge. As a result, the number of municipalities declined dramatically — from 270 to 98 — with only 33 municipalities remaining unaffected.

When shepherding the transition process, the Danish government relied on the experience gained from a previous round of municipal mergers conducted in 1974, when 1098 original settlements were consolidated into 275 administrative units. Similar to the previous round of reforms, elections for amalgamated municipalities were held prior to the merger — in this case, in November 2005. After election, the elected council for the combined municipality operated as an 'integration committee' tasked with harmonizing administration and policies throughout the 2006 fiscal year, in conjunction with the activities of the former

municipal administrations, which remained in office throughout the transition period.

Wary of spikes in spending and taxation, the central government specifically designed the process to minimize potential disruptions.<sup>87</sup> As in the Netherlands, transition costs were covered by central government grants to avoid imposing additional fiscal burdens on the merged units. Moreover, in the years preceding and following the reform (2005-2007), tax rates were frozen to reduce potential shocks and to prevent administrations from passing costs on to residents. Similarly, significant deviations from 2004 expenditure levels were subject to approval by the Ministry of Interior.<sup>88</sup>

Although research has suggested that the level of local taxes and expenditures were not subject to significant shocks (Blöchliger and Vammalle 2012, Hansen et al 2014, Blom-Hansen 2014), the extent of reform was nevertheless greater than in the Netherlands. Rather than maintaining old municipal offices, consolidated municipalities were instructed to establish one-stop social service centers, following a model widely adopted in Belgium and France. These service centers — euphemistically termed 'Job Centers' by the conservative government— were placed in central locations within each municipality and were intended to serve as the focal point for local service and benefit delivery. Despite the revised territorial structure, the adjustment process was not particularly abrupt, with the change in service delivery introduced only after a four-year transition period and gradual unfreezing of benefit levels (2004-2008). From the perspective of local taxpayers, the main shift was thus primarily in terms of scope rather than in kind: with similar benefits and services flowing to a larger pool of beneficiaries.

### *Data and Research Design*

---

<sup>87</sup>Blöchliger and Vammalle (2012).

<sup>88</sup>Blom-Hansen (2014) has found that current expenditures increased in the year prior to the reform, however, as he notes the data does not permit a determination of whether these are due to transition costs or attempts to spend more subject to common pool problems.

The controlled municipal consolidation process in Denmark and the Netherlands provides a direct opportunity to test the hypotheses advanced in this chapter. Specifically, by examining how individuals within merged municipalities responded to exogenous changes in the scope of local welfare policy, it is possible to identify the degree to which proximity influences preferences for redistribution.<sup>89</sup>

To evaluate this effect, I draw on panel data from each country. For Denmark, I examine the Danish Values Study, which was conducted in three waves with a nationally-representative sample in 1990, 1999, and 2008.<sup>90</sup> For the Netherlands, I draw on data from the Netherlands Longitudinal Lifecourse Study (NELLS), conducted in two waves (2009 and 2014) across a representative subset of Dutch municipalities.<sup>91</sup> Within each survey, observations are linked to register data that provides a government-verified location for each respondent. As a result, it is possible to exclude any individuals who voluntarily switched their municipality of residence between survey waves.<sup>92</sup> For the remaining (non-mobile) sample, I categorize individuals according to whether they lived in a municipality that experienced a merger. The final sample size for the Danish panel consists of 405 respondents in merged municipalities and 68 respondents in non-merged municipalities; the corresponding

---

<sup>89</sup>See Hansen (2014) for a similar design that leverages Danish municipal mergers to study changes in public trust.

<sup>90</sup>Datamateriale DDA-23518: Den danske værdiundersøgelse, panel 1990-2008. Primærundersøger: Peter Gundelach. DDA-21432, 1. udgave (ved Birgitte Grønlund Jensen og Nanna Floor Clausen). Odense, Dansk Data Arkiv 2009.

<sup>91</sup>Tolsma, Jochem, Gerbert Kraaykamp, Paul M. de Graaf, Matthijs Kalmijn, Christiaan W. S. Monden (2014). The NEtherlands Longitudinal Lifecourse Study (NELLS, Panel). Radboud University Nijmegen, Tilburg University & University of Amsterdam, Netherlands.

<sup>92</sup>For these individuals it is impossible to determine whether they moved to a given municipality before or after it experienced a merger.

ratio in the Netherlands is 88/2696.<sup>93</sup>

In order to isolate the effect of the consolidation process on preferences, it is necessary to compare preferences from individuals in consolidated municipalities to those who did not experience a municipal merger. For valid inference, the parallel trends assumption must hold: that is, we must believe that in the absence of a municipal merger, opinions on redistribution would move along similar trajectories for individuals in each type of municipality. Although the subsequent analysis will evaluate this assumption empirically, it will be trivially met if individuals did not select into the treatment, and the shift in municipal borders is orthogonal to individual background characteristics.

In this case, these assumptions are plausible. In Denmark, municipal mergers were not initiated by municipalities or citizens, but rather imposed by the national parliament. In the end, failure to merge was determined largely by geographic isolation (due to islands or coastlines), limiting the possibility that municipal mergers were directly correlated with individual-level background characteristics.<sup>94</sup> Similarly, in the Netherlands, municipal mergers were determined on a bureaucratic basis by provincial governments. Given that municipalities selected for merger were relatively small, it is possible that municipal consolidation may be correlated with individual background characteristics that predict settlement in small communities. However, in this case the parallel trends assumption is aided by the gradual consolidation process. In particular, since many small municipalities remain unmerged in a given year, it remains reasonable to expect substantial overlap in background characteristics between treated and control groups.

As expected by the quasi-random assignment process, there is significant overlap be-

---

<sup>93</sup>The different ratios of respondents entail different analytical strengths for each case. The large control group for the Dutch panel implies significant overlap with respect to individual characteristics; while the large treated group for the Danish panel reduces the possibility of sampling bias.

<sup>94</sup>See Appendix for a map of the mergers.

tween individuals living in each type of municipality (see Table 3). Although respondents in consolidated Dutch municipalities are slightly older than their counterparts, no other significant differences in pre-treatment variables can be detected, suggesting that mergers may be reasonably viewed as an exogenous shock orthogonal to individual-level characteristics.

**Table 3: Difference in Means Between Respondents  
in Merged and Unmerged Units**

	Denmark	Netherlands
	t	t
Gender	0.036	0.647
Age	0.735	2.322
Education	0.416	-0.398
Income	-1.509	-0.846

This similarity appears to hold with respect to municipal-level outcomes as well. Examining the Danish panel, where municipal identifiers are non-anonymized, Figure 6 (next page) assesses how the demographics of municipalities differed before and after mergers. Across a variety of characteristics, including the % of foreigners living in the municipality, the % of individuals of working age (20-70), the local unemployment rate, the % of individuals receiving public cash assistance, and the % of individual's in Denmark's lowest tax bracket, consolidated municipalities tended to be similar to their constituent 'daughter' municipalities: a finding likely driven by the requirement to merge with directly contiguous units.<sup>95</sup> Coupled with the managed transition process, this suggests that the merger process primarily entailed a change in the relative size rather than the composition of the beneficiary pool.

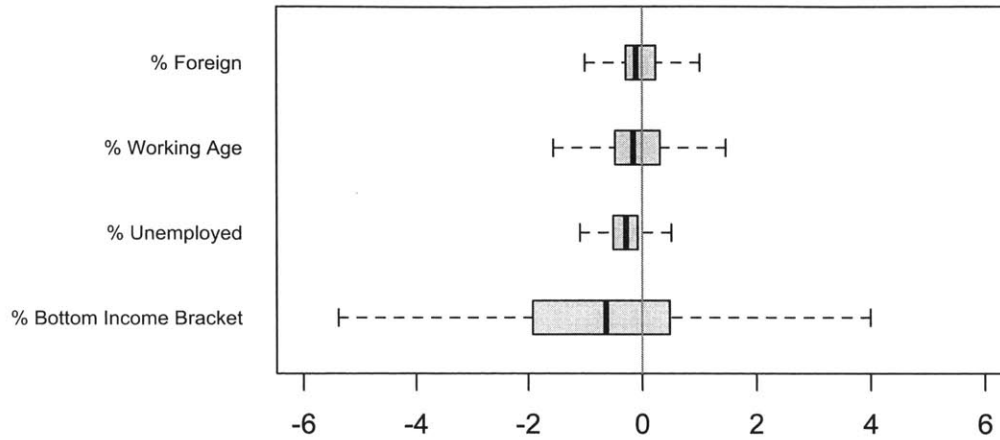
## *Results*

---

<sup>95</sup> All covariates are pre-treatment, and drawn from 2006.



**Figure 5: Differences across consolidated Danish municipalities**



To assess whether an increase in the beneficiary pool affected preferences, I focus on questions that directly assess support for social spending. In the Danish panel, the survey asks respondents to rank their preferences on a 10-point scale, with 10 indicating “The public authorities should take more responsibility to ensure that everyone is provided for,” and 1 indicating “Individuals should take more responsibility to provide for themselves.”<sup>96</sup> In the Dutch panel, the survey asks respondents to agree or disagree with the statement: “The government should increase welfare benefits,” using a five-point scale.<sup>97</sup>

Leveraging these questions, Table 4 displays difference-in-difference estimates across merged and unmerged municipalities. Model 1 displays the raw estimate, while Model 2 adds individual-level covariates that may plausibly influence opinion change, including gender, age, years of education, income, and citizenship. Finally, Model 3 explicitly balances the two groups using the entropy balancing method (Hainmueller 2012).

The results demonstrate that the consolidation process sharply decreased preferences

<sup>96</sup>V941 in the 2008 wave, V624 in the 1999 wave; identical wording.

<sup>97</sup>Questions W1SCE2D (2009) and W2SCE2D (2014).

**Table 4: Effects of Municipal Mergers on Support for Social Spending**

	Unadjusted	Covariates		Balanced	
		1	2	1	2
<b>Denmark</b>	-0.50	-0.58	-0.59	-0.63	-0.62
10 point scale	(0.33)	(0.34)	(0.35)	(0.34)	(0.35)
<b>Netherlands</b>	-0.31	-0.34	-0.33	-0.33	-0.32
5 point scale	(0.11)	(0.11)	(0.12)	(0.10)	(0.10)
<i>Pre-Treatment Covariates</i>					
Gender		✓	✓	✓	✓
Age		✓	✓	✓	✓
Income		✓	✓	✓	✓
Citizenship		✓	✓	✓	✓
Education		✓	✓	✓	✓
Left-Right Self-Placement			✓		✓

Standard errors in parentheses, clustered by final municipality.

A negative sign indicates a decrease in support for social spending.

for social spending. In Denmark, average support for welfare benefits fell by 0.50 on a 10-point scale, relative to individuals in non-merged municipalities. In the Netherlands, the effect was even stronger, with support declining by 0.31 on a 5-point scale. These effects are substantively significant, and indicate that the expansion of administrative boundaries was sufficient to decrease support for redistributive policy. Moreover, the fact that the results remain consistent after the addition of covariates (Model 2) and balancing (Model 3) suggests that the design is capturing a relatively unbiased effect.

### *Assessing Alternate Explanations*

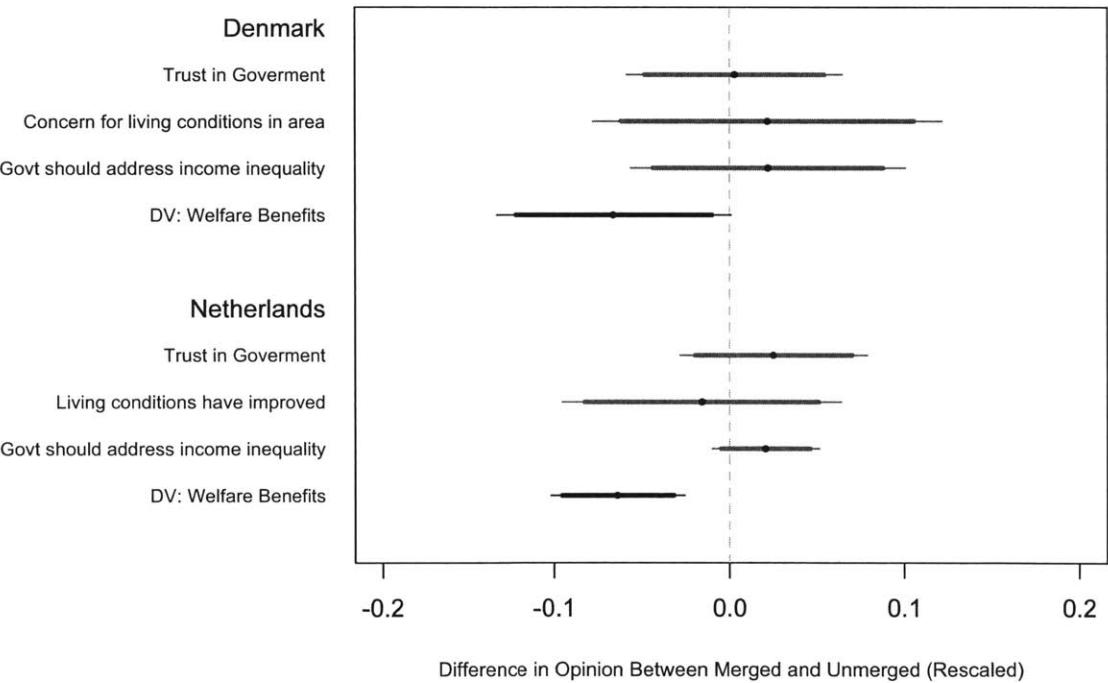
The decline in support for redistributive policies closely aligns with the theoretical perspective established in this chapter. The territorial context of welfare benefits is clearly not a nuisance variable — rather, it appears to strongly shape redistributive preferences.

Despite these clear findings, the process driving these results remains opaque. While the patterns may be driven by a logic of self-interest, as argued by this chapter, it is possible

that proximity conditions support for redistribution via other pathways. For instance, it is possible that the results are driven by a decreased sense of community and trust following the consolidation process. If respondents and voters felt close ties to the poor in their area, or alternately, had confidence in their former municipal administrations, it is plausible that these ties may have been disrupted by the shock of municipal mergers.

To assess this possibility, we can evaluate whether we can observe any differences for alternate dependent variables that tap into these issue areas. Accordingly, Figure 6 plots the difference between respondents in merged and non-merged municipalities, using questions that evaluate a) trust in government, b) concern with living conditions, and c) preferences regarding national-level income inequality (See Appendix for question wording). To provide comparability between questions, I adjust responses to use a common 0-1 scale, and include rescaled estimates of preferences for social spending as a point of reference.

Figure 6: Changes in Political Attitudes



All observed differences are statistically insignificant and substantively quite small. In addition to providing further support for the parallel trends assumption <sup>98</sup>, these results suggest that, at least in Denmark and the Netherlands, proximity does not appear to shape redistributive preferences by altering baseline levels of trust.

A second mechanism that could explain these findings involves disruptive shocks. Even within the context of a highly managed and consultative process, the redrawing of municipal boundaries entails dramatic changes. These changes – in the form of shocks to community composition or tax levels – might conceivably alter support for redistributive policy. For instance, if citizens were exposed to higher rates of taxation and spending within their new municipality, we might expect them to respond by decreasing support for redistributive transfers. Similarly, if residents have a latent bias against distributing to immigrants or to certain categories of the poor, we might expect support for welfare benefits to decline if their municipality was merged with a locality with a higher proportion of these sociodemographic groups.

Although this argument cannot be evaluated in the Netherlands, given that municipal identifiers are anonymized, we can directly test the hypothesis using data from the Danish panel. Figure 7 (next page) adopts a nonparametric approach, and plots the observed change in preferences (relative to the control group) against several variables that encapsulate differences between municipalities pre- and post-merger. <sup>99</sup> For instance, although respondents experiencing consolidation observed, on average, a 0.02% increase in the share of immigrants living within their municipality, the range was considerably larger, from -1% to 2%. If the shock of an increased foreign population accounts for the opinion shift, we would expect to observe decreased levels of support for redistributive policy in municipalities that

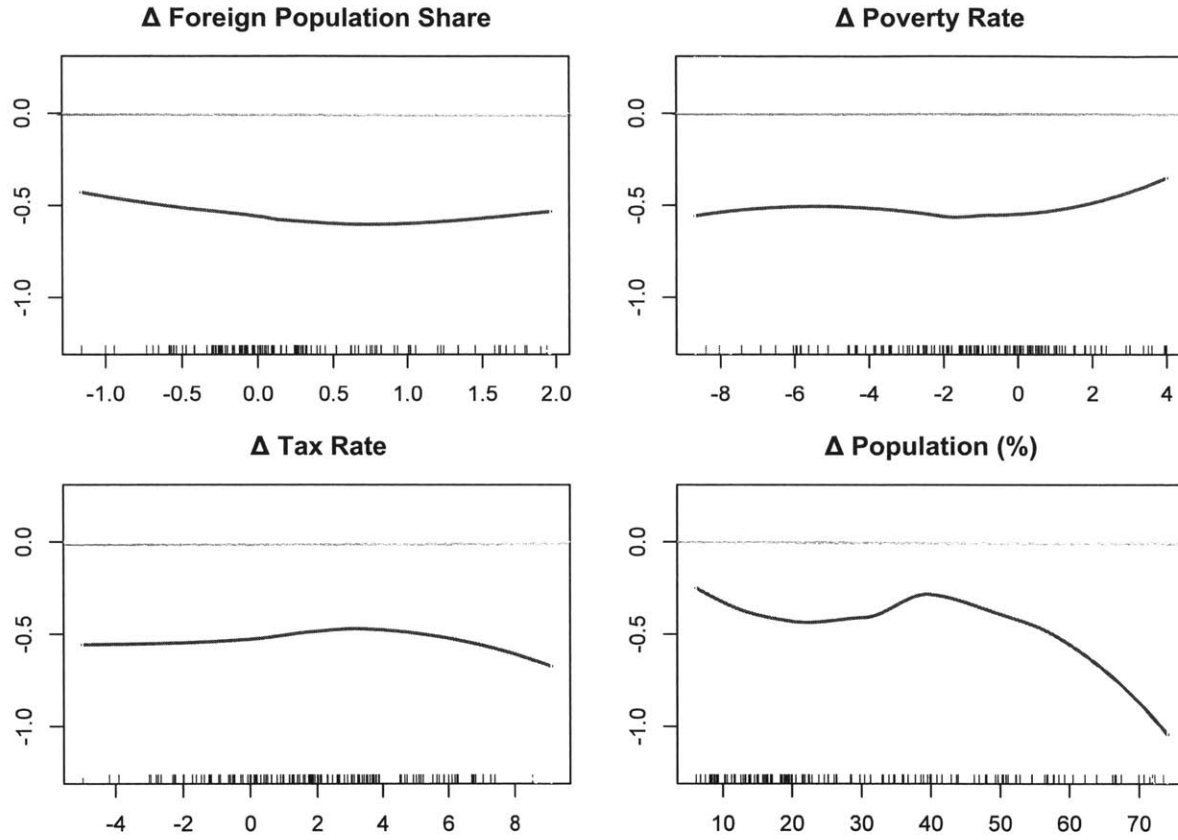
---

<sup>98</sup>The results suggest that political preferences orthogonal to local social service delivery tended to change along similar trajectories across both merged and unmerged municipalities.

<sup>99</sup>Specifically, the sample is limited to respondents in merged municipalities and demeaned by the average response observed in the control group:  $\Delta Y_{i,D=1} - E[\Delta Y_{D=0}]$

experienced a more dramatic increase in foreign population share.

Figure 7: Municipal Shocks in Denmark



LOESS fits; shaded regions represent standard deviations. The horizontal axis indicates a percentage point change, with the exception of population, which is calculated as (Difference in heads / Former heads).

Yet as Figure 7 makes clear, no such pattern is visible. Similarly, shocks to local levels of poverty or tax rates appear to have little bearing on changes in support for redistributive policy.<sup>100</sup> Despite the lack of relationship for these variables, there appears to be a strong correlation between support for redistribution and the relative size of the municipal merger. As seen in the bottom right-hand panel of Figure 7, respondents within municipalities that

<sup>100</sup>No clear effect can be detected for shocks to per capita spending; however, since this variable may be endogenous to preferences on welfare, I omit it from these formal tests.

experienced a small increase in population experienced almost no shift in preferences relative to the control group. However, the size of the observed effect increases directly with merger size, with the largest declines in preferences visible in municipalities that experienced the largest increase in population. The fact that the size of the effect varies directly with the ‘dose’ — in this case, the relative change in the size of the beneficiary pool — provides strong support for a mechanism based on geographic proximity.

One implication of this process is that we should expect declines in support to be most visible among wealthy respondents, given their decreased relative exposure to the direct consequences of local poverty and redistributive spending within expanded municipalities.<sup>101</sup> To assess this implication, Table 5 displays estimates from a semi-parametric specification which evaluates the change in preferences for each income quartile:

**Table 5: Effects of Municipal Mergers, by Income Quartile**

	Unadjusted				Balanced			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Denmark</b>	-0.26	-0.40	-0.37	-0.93	-0.62	-0.50	-0.49	-1.17
10 point scale	(0.52)	(1.00)	(0.62)	(0.37)	(0.54)	(1.03)	(0.69)	(0.44)
<b>Netherlands</b>	-0.51	0.01	-0.25	-0.39	-0.52	0.01	-0.27	-0.58
5 point scale	(0.24)	(0.50)	(0.04)	(0.04)	(0.24)	(0.50)	(0.04)	(0.07)

Standard errors in parentheses, clustered by final municipality.

The results parallel the findings of the survey experiment from the previous section, and suggest that the shift in the scope of welfare benefits exerted the strongest effects on wealthy voters. In each country, the estimated shifts at the tail of the income distribution are large and statistically significant, with those in the top quartile displaying an average decline in support of 1.17 points on a 10-point scale, and 0.58 points on a 5-point scale,

<sup>101</sup>The expansion of the beneficiary pool implies that tax contributions have a decreased relative impact on conditions within the individual’s immediate vicinity, given that such benefits now flow to beneficiaries outside the former boundaries of the municipality.

respectively, in response to an expansion in the beneficiary pool.<sup>102</sup>

## Conclusion

Conventional wisdom suggests that decentralization inhibits the development of the welfare state. Yet across the developed world, local discretion over redistributive policy is associated not with retrenchment, but rather with growth. This chapter has identified a persistent pattern that offers a partial answer to this puzzle. By constraining the pool of potential beneficiaries to those who are geographically proximate, the localization of redistributive policy increases relative exposure to externalities and in turn, raises baseline support for locally-directed social policy among wealthy voters.

The available evidence suggests that these findings have broad internal and external validity. Within the context of a survey experiment, a simple shift in the geographic context of a proposed policy was sufficient to alter contributors' preferences for redistributive policy. Moreover, as demonstrated by a natural experiment replicated across two countries, the relationship also obtains within realized settings. In Denmark and the Netherlands, individuals within consolidated municipalities displayed sharp declines in support for redistributive policy, relative to those living within unchanged administrative boundaries.

These findings have important implications. While governments have implemented decentralizing reforms with the aim of increasing efficiency and accountability, little attention has been paid to the manner in which the territorial structure of policies may in turn

---

<sup>102</sup>Although the results provide strong support for the theoretical perspective advanced in this chapter, they also suggest avenues for future research. Most prominently, the research design has not fully clarified the degree to which the relationship between preference and administrative unit size is subject to threshold effects. As suggested by some of the experimental and observational results, it remains possible that the positive externalities highlighted in this account may no longer obtain after an administrative unit achieves a certain size. Conversely, it is possible that increased support for redistribution will no longer obtain within very small units, where personal relationships and perceptions of deservedness act to counter the emergence of generalized support for redistributive policy.

shape voters' preferences. Yet this chapter provides evidence that administrative boundaries not only aggregate preferences — but also shape them, raising baseline support for local redistributive policy. As the next section will demonstrate, these politics of proximity not only influence voter preferences, but also directly shape the behavior of local governments.



## Chapter 4: Proximity and Public Order

In 1924, the federal government of Weimar Germany granted municipalities the authority to implement a system of cash transfers to the poor. Although initially intended to function as a residual complement to Weimar's broad social programs, 'Sozialhilfe' (social assistance) quickly emerged as the dominant social program in Germany. The case of Nuremberg is emblematic. Beginning in 1926, city councilors voted to increase the benefit rate on three separate occasions. By 1932, the year before the Nazi seizure of power, discretionary cash transfers accounted for nearly 41% of the budget (and 115% of tax revenues), plunging the city deeply into debt. These patterns were mirrored across Germany as a whole. Government surveys show that approximately 77% of German cities voted to voluntarily increase their redistributive rates of Sozialhilfe between 1926 and 1932; the net result was that cash transfers to the poor accounted for nearly 30% of total government outlays by 1932.<sup>103</sup>

Across the Atlantic, similar patterns were unfolding. In the United States, where municipalities likewise exercised discretion over poor relief, total municipal expenditure rose from 16 million dollars in 1929 to 402 million dollars in 1933 – a twenty-five fold increase.<sup>104</sup> By 1933, over 1,000 cities had defaulted on their debt due to the financial strain of discretionary cash transfers, prompting widespread calls for the federal government to intervene and centralize redistributive policy.<sup>105</sup>

Why did so many municipalities in Germany and the United States spend to the point of no return? The question is especially interesting given that there was no statutory

---

<sup>103</sup> Author's calculations based on Weimar statistical sources, primarily the *Statistisches Jahrbuch Deutscher Gemeinden/Staedte*. See Figure A1 in the Appendix for data on increasing rates of discretionary transfers in Weimar Germany.

<sup>104</sup> Figures from Baird, 1942.

<sup>105</sup> Katz 1996.

requirement to provide a minimum level of poor relief in either case.<sup>106</sup> One possibility is that municipalities in the period were simply profligate spenders who entered into debt with the expectation of a central bailout. But although centralization of benefits occurred in 1933 in both countries, outstanding municipal debts were not relieved – a pattern consistent with historical patterns in the United States and Germany, where bailouts of local governments were rare (Rodden 2006). A second, and more plausible, possibility, is that municipalities in both countries were simply responding to rising need. But this factor alone would not explain why we would observe sharp increases in benefit rates as well as enrollment. Moreover, this factor alone cannot account for why municipalities would be willing to enter into bankruptcy in an effort to assuage local needs.

The historical record suggests an alternate, more strategic, motivation. In both cases, contemporary statements suggest that local politicians raised the level of social provision because they feared the electoral consequences of public disorder. In Germany, decisions to raise the social benefit rate were often linked with efforts to dispel riots and counteract rising support for the Nazi party (Bußmann-Strelow, 1997; Eisele 2002). Likewise, in the United States, the statements of contemporary municipal and state leaders make it clear that the rise in unemployment and the collapse in order was viewed as an existential threat to incumbent local administrations. Amidst rising levels of looting and violence and dire warnings that effective poor relief “would be the only way to keep down the barricades in the street,” incumbents engaged in a pattern of raising redistributive spending in order to “buy off the agitators” and ensure their own electoral survival.<sup>107</sup>

In this chapter, I argue that the decision to leverage redistributive spending as a means

---

<sup>106</sup>In the United States, as late as 1931 several cities refused to allocate any public funds to poor relief – although these cities eventually caved as well. In Germany, municipalities were obligated to provide relief but had discretion over the generosity of such benefits.

<sup>107</sup>Editorial by William Allen White, 1931. See McElvaine 1993; Report to Secretary Harry Hopkins by Lorena Hickock, 1932. See Piven and Cloward 1971 for a description of rising unrest and violence during the Great Depression.

to counter the perceived consequences of public disorder is not simply an artifact of unsettled times. Rather, this tendency is driven by the politics of proximity, which entail that local governments are highly exposed to the electoral consequences of unaddressed poverty. Drawing on detailed budgetary data from five contemporary and comparatively tranquil settings, I demonstrate that European local governments continue to respond to declines in public order (as proxied by increases in visible crime) by increasing spending on discretionary cash transfers and social services. Played out over the long run, these responses suggest that governments are likely to establish and enforce a minimum level of provision as a form of electoral insurance, obviating an unimpeded ‘race to the bottom’ in local welfare benefits.

## Proximity and the Electoral Consequences of Disorder

When examining redistribution in decentralized settings, extant theories overlook or gloss over the consequences of failing to respond to local poverty. As poverty rises, communities are subject to a variety of negative spillovers, ranging from an increase in homelessness and vagrancy to decaying property values. Perhaps most visibly, research within sociology and criminology has demonstrated that rising levels of local poverty are accompanied by increases in the level of crime.<sup>108</sup>

These negative externalities present substantial challenges for local governments. Given that voters observe a limited set of policy areas when evaluating local government performance, dissatisfaction stemming from a decline in public order should place substantial electoral pressure on incumbent politicians. This pressure is likely to be heightened in local settings, where research has demonstrated that voters are largely oblivious to positive government performance but highly responsive to negative signals (Boyne et al 2009). Within this environment, the perceived level of security and public order offers voters a particularly salient cue. For instance, polls conducted in Spanish cities during the height of the

---

<sup>108</sup>See Hsieh and Pugh 1993, for an overview of the literature.

financial crisis suggest that concerns about crime nevertheless dominated voter's concerns; in Barcelona, for instance, 36.6% of respondents listed the local crime rate as the most important factor informing their vote in the 2011 local elections, second only to unemployment at 38.7%.<sup>109</sup>

Incumbents who value their electoral survival possess clear incentives to respond to these negative signals. And while local governments have limited capacity to address underlying economic trends that are correlated with public disorder, they can undertake two potential courses of action to contain or counteract negative spillovers stemming from local poverty. First, and most directly, incumbents can increase expenditure on policing and local security, reacting to declining order with increased enforcement. Second, and often in parallel, they can proactively raise the level of service provision in an effort to "strike at the roots of crime."<sup>110</sup>

Although the motivation for the first course of action is straightforward, the second bears additional explanation. From the perspective of local governments, social provision counteracts a decline in public order via two different pathways. First, it insulates high-risk individuals from the shock of income loss. By decreasing the level of social and material deprivation, higher benefits may thus lower incentives to engage in criminal activity.<sup>111</sup> Second, local governments can expect that raising levels of social provision will increase the capacity to monitor and control potential offenders. Even within relatively generous settings, enrollment in social assistance programs lags far behind the actual poverty rate, largely due to stigma and the invasive conditions associated with such policies. Yet by raising the relative

---

<sup>109</sup>Estudio CIS nº 2890. Postelectoral Elecciones Municipales 2011, Barcelona, n=978.

<sup>110</sup>Quote from Franklin D. Roosevelt, discussing motivations for the New Deal, April 17, 1939. See Johnson et al. (2007) for a discussion of the use of welfare relief as a means to combat public disorder during the Great Depression.

<sup>111</sup>A broad literature within criminology has demonstrated that increased levels of welfare are effective in limiting crime through this mechanism. See for example Hannon and Defronzo, 1998. For the purposes of this analysis, the actual results of raising the benefit level matter less than politician's expectation of the effects.

attractiveness of social assistance (in the form of increased monthly benefits), municipalities increase incentives for individuals to voluntarily enroll in such programs. This may be an attractive proposition in municipalities where benefits are conditional on participation in community programs or interaction with a social worker. In these contexts, increasing enrollment entails additional oversight and control over populations with high propensities for criminal activity.

Across Europe, ample evidence exists of municipal leaders explicitly referencing an increase in the social benefit rate — especially to families and youth — as a means to proactively dissuade and counteract criminal activity. For instance, in Malmö, Sweden, the political council noted in a budget release that “fighting crime is largely a matter of combating all kinds of poverty” and justified increases in local social expenditure by arguing that “Malmö’s children and young people must be given the social resources required to prevent a future life within criminal subcultures.”<sup>112</sup> In a position paper, Malmö’s Social Democratic party elaborated their position, noting:

“We live in a violent society. . . and so there is now a widespread feeling of insecurity among many. This must be taken very seriously. A strategy to reduce crime and increase safety must contain both law enforcement and social efforts. We are convinced that a society characterized by equality and decreasing disparities between rich and poor is the best basis for crime prevention. Therefore, we are ensuring an ambitious redistributive policy.”<sup>113</sup>

As the rhetoric from Malmö reveals, local governments tend to favor an ‘all of the above’ strategy, simultaneously increasing expenditures on policing and social expenditures. However, local governments may be constrained by the scope of local competencies. For instance, in contexts such as the United States and Canada, local governments exercise wide

---

<sup>112</sup>City of Malmö Budget Communication 2009: English.

<sup>113</sup>“Bekämpa brott och orsakerna till brott.” <http://www.socialdemokraterna.se/Webben-for-alla/Partidistrikt/Skane/Politiken/Arkiv/Skaneprogram/Ett-tryggt-Skane-att-leva-i/Bekampa-brott-och-orsakerna-till-brott/>. Accessed May 5, 2014.

control over local policing but have limited jurisdiction over redistributive policies, favoring a security response (Levitt 1997). The opposite constraint holds in many European countries, where localities may have wide discretion over redistribution but limited direct control over policing, which may be partially administered at the county or the national level.

In addition to these structural constraints, two additional factors can be expected to raise the propensity of the redistributive response within the European context. First, local governments may be reticent to increase police expenditures because they believe (correctly or not) that poverty relief serves as a more effective tool in combating criminal tendencies. Similarly, governments may fear the negative consequences of an enforcement response, such as decreased feelings of security and police violence (Justino 2006). Driven by these considerations, in Winterthur, Switzerland, the city council completed their review of crime prevention in 2010 by noting that the city should combat crime, not by increasing police expenditures, but by increasing transfers towards youth, noting that doing so would be the best means to “reduce crime.”<sup>114</sup> And in conservative-dominated Oslo, Norway, municipal officials justified a cut in the crime prevention budget by noting that increased social assistance to disadvantaged families would serve as a more effective measure.<sup>115</sup>

Second, policing and redistributive responses entail different fixed costs and time horizons. While additional law enforcement implies long-term costs in the form of increased staffing and infrastructure, politicians may view increases in redistributive spending as a short-term or seasonal expense, with the expected cost declining as economic conditions improve. Similarly, the fact that redistributive cash transfers are typically provided on a monthly basis implies that an increase in redistributive expenditure may have an immediate effect on the level of public order, as opposed to increases in law enforcement, which require a corresponding staffing process. The shortened time horizons implied by the redistribu-

---

<sup>114</sup>Winterthur, November 3, 2010 GGR no. 2010/049

<sup>115</sup>“Oslo kutter i kriminalitetsforebygging blant unge.” Osloby. 1 November 2013.

tive response may be particularly attractive for politicians operating within a competitive electoral cycle.

Regardless of whether it is a primary or a secondary strategy, I argue that in contexts in which local governments have discretion over social programs:

*H1*: Incumbents will respond to a decline in public order, in part, by increasing the rate of discretionary redistributive expenditure.

This argument, in which politicians use redistribution as a tool to maintain public order, recalls an older form of distributive politics. Seeking to explain the rapid rise of benefits in Europe prior to World War Two, scholars have noted that welfare was often extended as a *concession* in response to the unrest associated with rapid economic change. In this framework, welfare is extended as a preventative measure to win the political support of marginalized and disaffected groups who would otherwise engage in radical activity. The classic example of this pattern is Bismarck's decision to extend social insurance to workers in order to explicitly pre-empt a Socialist threat; similar patterns are visible across the developing world (Steinmetz 1993).

Concession-based politics has also been advanced to explain rapid welfare expansion in the turbulent 1960s. Focused on the puzzle of sharply rising benefit rates in U.S. states, a prominent scholarship argued that these welfare responses were motivated primarily by a desire to preserve social stability in the face of political riots and unrest. According to these arguments, these responses were not preventative, but rather reactive: politicians only raised the level of benefits when forced to do so by insurgent populations (Piven and Cloward 1971, 1978; Tilly 1974, 1978).<sup>116</sup>

The perspective outlined in this chapter builds upon these approaches, but differs in two important respects. First, I anchor the argument firmly in the local setting, where

---

<sup>116</sup>See Albritton 1979, Schram and Turbett 1983, Hicks and Swank 1983, Sharp and Maynard-Moody, 1991 for tests of the argument as applied to US States.

proximity implies that the negative spillovers of poverty and unrest (and the electoral consequences) are most keenly felt. Second, rather than arguing that redistribution is a concession granted to the poor, I focus on the median voter. In other words, rather than providing benefits to the poor to satisfy their demands or win their political support, I argue that local incumbents extend benefits in order to purchase their acquiescence, and minimize negative externalities that may affect electoral support among the larger population.

This mechanism entails that incumbents gain incentives to maintain a minimum level of provision as an insurance mechanism, specifically:

*H2: Local governments will be reluctant to cut the level of redistributive expenditure for fear of generating negative local spillovers.*

This tendency should be present even in instances in which local social expenditures are unpopular; that is, governments will tend to prioritize maintaining a benefit 'floor' even when such policies entail citizen dissatisfaction. For instance, while noting that the municipality should keep benefit rates in check in order to discourage "welfare tourism", the head of social assistance in Lucerne, Switzerland noted that "if we cut benefits, we would provoke a new underclass. And that is not in our interest...The public safety benefits from it. Poverty may ultimately induce criminal acts." <sup>117</sup> In nearby Zurich, the town council responded to criticism of high social assistance spending by issuing a press release noting that "without social assistance, thousands of residents of our city would live in poverty and indigence. . . we cannot forget that [social assistance] is the most effective means to prevent crime." <sup>118</sup>

In sum, the politics of public order apply not only to 'unsettled times' – such as the Great Depression or the race riots of the 1960s — but also to relatively tranquil settings, where proximity has reactivated the tendency use redistribution as a tool to maintain social

---

<sup>117</sup> "Weniger Sozialhilfe schafft eine neue Unterschicht." Zentral Plus, 30 August 2013.

<sup>118</sup> "L'aide sociale dans la ville de Zurich." Stadtkanzlei, Stadt Zurich. 7 July, 2006.



stability. As the next section demonstrates, concerns over the electoral consequences of public disorder provide strong stimuli for sustained growth in local redistributive activity across decentralized Europe.

## Empirical Evidence

To test the hypotheses, I operationalize a decline in public order as an increase in the rate of violent and property crime. Violent crimes – which include offenses such as assault, mugging, rape, and murder – serve as a highly visible demonstration of deteriorating local conditions. Similarly, aggravated property crimes – including break-ins, bank robberies, and car theft – dramatically impact local perceptions of economic security.<sup>119</sup> Accordingly, if the theoretical approach outlined in this chapter holds, incumbents should be particularly responsive to these events when seeking to safeguard local electoral support.

In order to measure the impact of an increase in crime on redistributive spending, I focus on discretionary cash transfers to the poor. While this category of spending does not cover all aspects of municipal social policy (which cover a range of social services), maintaining a narrow focus on cash transfers has two clear advantages. First, the policy is explicitly redistributive, and is likely to be viewed as such by incumbent politicians and the general public. Second, in many contexts, local governments not only administer such programs, but have exercise discretion over the *rate* of benefits. This provides a clear opportunity to test whether the increase in social expenditures represents a deliberate political action.

Although local governments have discretion to modify main or supplementary rates of social assistance in 14 countries (see Table 1, Chapter 1), this chapter focuses on a subset of five cases. To some degree, this represents a convenience sample, given that statistics on

---

<sup>119</sup>These two categories of crime are also relatively standardized in international police statistics, and as a result are largely comparable across developed countries. Due to their relative visibility, these categories are less likely to be tainted by the measurement problems that often accompany statistics of petty crimes (or counts of total crimes).

municipal-level crime are rarely published or gathered across countries. However, the cases nevertheless span several types of welfare states: Nordic (Sweden, Norway, Finland), Bismarckian (Switzerland), and post-Communist (Estonia), which should increase the external validity of the findings.

In all five countries, social assistance is funded primarily by municipal revenues derived from income taxation.<sup>120</sup> Accordingly, in each of these contexts the decision to increase the level of redistributive spending is not costless and requires either raising additional revenue (via taxation or the debt market), or cutting spending in other discretionary policy areas. As a result, changes in social assistance spending in response to an increase crime may be plausibly viewed as a deliberate tradeoff in favor of redistributive spending.

### *Model Specification*

I measure the effect of crime on subsequent spending levels using an error-correction model (ECM).<sup>121</sup> ECMs can be viewed as a generalization of auto distributed lag (ADL) models, and measure how deviations in the independent variable influence levels of the dependent variable in both the short- and the long-run (De Boef and Keele 2008; Beck and Katz 2011). Unlike ADL models, the ECM parameterization provides a relatively straightforward way to estimate a standard error for long-term effects. In practice, ECMs have been widely used to measure dynamic relationships in panel data in instances where the length of the lag is unknown.<sup>122</sup>

For each country, I measure the long-term effect of changes in the crime rate on municipal spending patterns. Specifically, for each country and spending category  $j$ , I fit the

---

<sup>120</sup>Reimbursements for social assistance expenditures exist in some Swiss cantons. However, the rate of reimbursement never exceeds 50%, and most cantons do not reimburse any such expenditures.

<sup>121</sup>The results hold for other (simpler) specification as well. These robustness checks will be added to an appendix at a later date.

<sup>122</sup>In this case, the unknown quantity is the delay with which policymakers respond to an increase in the rate of violent/property crime.

following model:

$$\Delta \ln(y_{j,t}) = \alpha_1 \ln(y_{j,t-1}) + \beta_0 \Delta \ln(c_t) + \beta_1 \ln(c_{t-1}) + \theta \Delta X_t + \theta_1 X_{t-1} + \gamma_i + \tau_t \quad (1)$$

where  $y$  is in terms of net spending per head,  $c$  is the number of violent and property crimes (per 1000 heads) reported in the municipality in year  $t$ ,  $X$  is a matrix of covariates, and  $\gamma_i$  and  $\tau_t$  represent municipal and year fixed effects. In this framework,  $B_0$  estimates the short-run (same year) effect of changes in violent crimes on spending, while the total long-term effect can be shown to be  $\frac{B_1}{\alpha_1}$ . Standard errors for the latter term can be directly estimated via a Bewley transformation.<sup>123</sup>

Although the unit and year fixed effects provide strong controls for unobserved variation, I also include several additional time-varying covariates at the municipal level.<sup>124</sup> These covariates help to control for other factors that may influence levels of redistributive spending. They include the count of local population, % of residents earning the 10th decile of national income or less, the local unemployment rate, the % of residents aged 15-65, the % of foreign-born residents, and the share of Social Democratic seats in the local council.

<sup>125</sup>

**Table 1: Cases and Covariates**

	Estonia	Finland	Norway	Sweden	Switzerland
Population	Y	Y	Y	Y	Y
% Aged 15-65	Y	Y	Y	Y	Y
Unemployment Rate	Y	Y	Y	Y	Y
% Foreign		Y	Y	Y	Y
% at 10th dec. Income	*		Y	Y	Y
% Soc. Dem Seat Share		Y	Y	Y	Y
Number of Municipalities	204	223	193	289	147
Years	07-12	86-93	04-12	98-12	07-12

\* Note: For Estonia, only p50 income is available.

Counts of municipalities exclude those for which no crime data is available.

<sup>123</sup>See De Boef and Keele 2008.

<sup>124</sup>The results are fully robust to the exclusion of these covariates (not shown).

<sup>125</sup>All countries in the sample use proportional election systems for local governments.

Figure 2 (next page) displays the estimates obtained from the error-correction model. Each line represents a 95% confidence interval for the estimated long-term effect ( $\sum y_{t+i}$ ) of a 10% increase in violent and property crimes on current expenditures.<sup>126</sup> In addition to expenditures on cash transfer programs, the figure displays estimates for other municipal budget items. These additional categories serve, in part, as internal placebo tests. If an increase in visible crime motivates a clear redistributive response, as suggested by this chapter, we should observe a change in social assistance spending, but little shift in other discretionary budget areas.

Across all five countries, an increase in visible crime is associated with a substantively and statistically significant increase in discretionary cash transfers. For instance, according to the model, a Norwegian municipality that experiences an increase in crime of 10% over the prior year can be expected to increase redistributive spending in the following period by 2.52%, plus or minus 1.82%. An even more prominent response is visible in Switzerland, where municipalities raised *Sozialhilfe* spending by 5.2%, plus or minus 5%. Crucially, across all five countries, crime does not appear to induce a statistically significant increase in other forms of spending.<sup>127</sup> Although care should be taken when comparing results across countries due to differences in accounting categories and measurement, the consistent support across cases should raise confidence that the result is indicative of a general trend and not driven by idiosyncratic factors.<sup>128</sup>

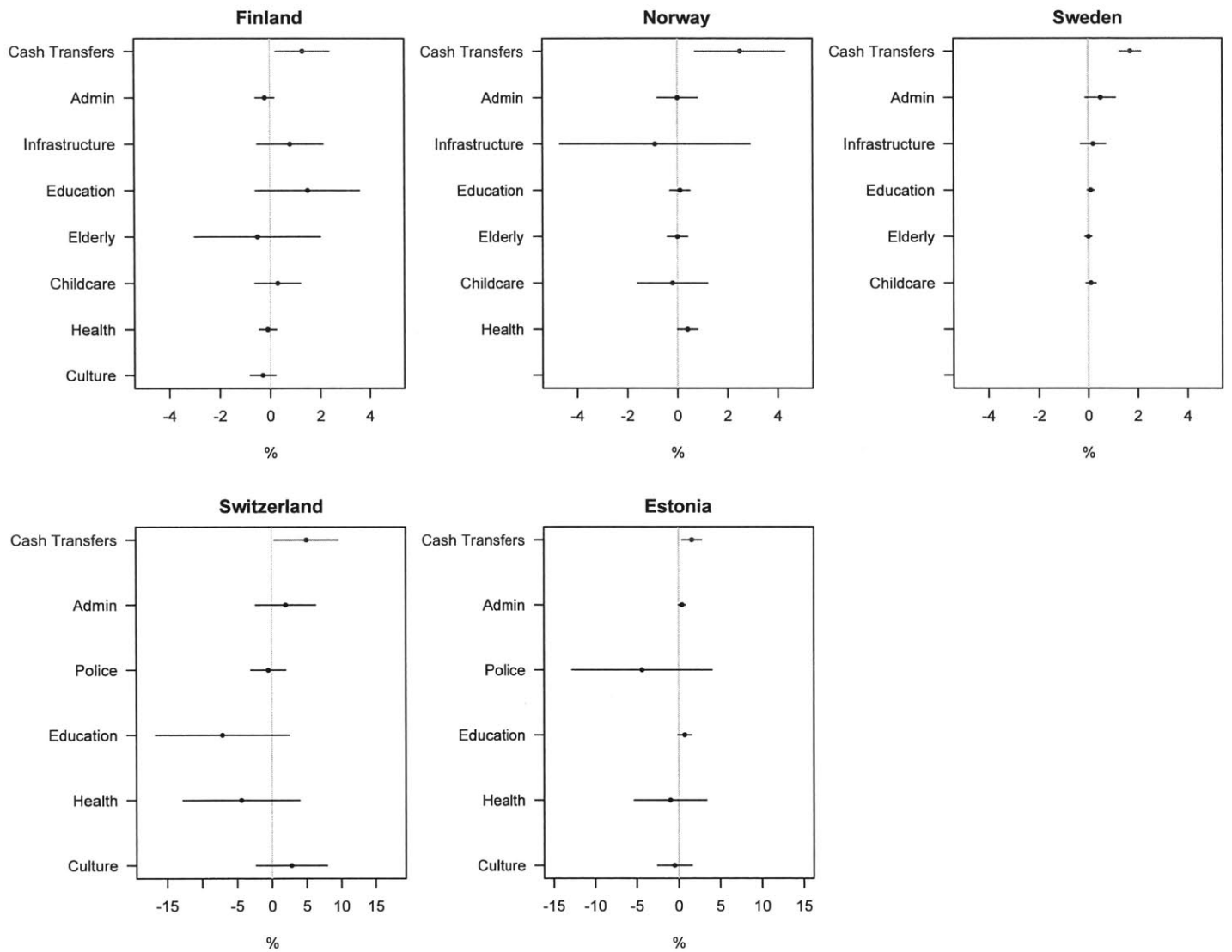
---

<sup>126</sup>Typical changes in crime rates are visible in Appendix Table 1 for each country. To avoid endogeneity concerns, short-term (ie. same-year) effects are not displayed. None of these effects were statistically significant at the 95% level.

<sup>127</sup>This does not appear to be the result of aggregation. More detailed breakouts of other spending categories fail to show significant shifts in spending (not shown).

<sup>128</sup>Note that while cash transfer spending is standardized so as to be comparable across each case, the composition of other categories varies according to national accounting standards. For instance, crime prevention efforts in Sweden and Norway are folded into administrative costs.

Figure 2: Estimated change in spending after a 10% increase in crime



### *Alternative Specification - A ‘Shock’ to Crime*

The panel structure of the dataset and the use of lags reduces the possibility that the observed relationship between crime and social spending. is driven by an endogenous relationship. However, to evaluate the robustness of the finding, I provide an alternative specification that exploits ‘shocks’ to local crime rates.

Although levels of crime depend on a variety of structural factors, the observed change in crime rate from year-to-year can be demonstrated to be partially stochastic. Accordingly, a large percentile increase in the level of crime within a municipality may be plausibly viewed as quasi-random after controlling for time trends. Based on this variation, I fit a first differences model:

$$\Delta \ln(y_t) = \beta_0 S_t + \beta_1 S_{t-1} + \theta \Delta X_t + \gamma_i + \tau_t \quad (2)$$

where  $S$  is a dummy variable indicating whether the municipality in question received a ‘shock’ to violent crime in either the current ( $S_t$ ) or the previous year ( $S_{t-1}$ ). These shocks are dynamically sized within each country to corresponds to a 75th and 80th percentile event across the entire sample. In other words, I measure the average year over year change in crime rates within each country across all years. Observing a 75th/80th percentile event, I assign a value of 1 to cases where  $\Delta \ln(c_t)$  exceeds this value, and a 0 to all other cases. The results, presented in columns 1-4 of Table 2 (next page), are fully consistent with the error-correction model: local governments that experienced a ‘shock’ to crime respond on average, by substantially increasing redistributive spending relative to governments that did not experience large increases in crime rates.

**Table 2: % $\Delta$  in Redistributive Spending Following a ‘Shock’ to Crime**

Expected change in cash transfer spending in time  $t$ , in percentage points, following a shock to the crime rate in either the current year or the previous year. Standard errors in parentheses, clustered by municipality.

	<i>Shock: 75th ptile</i>		<i>Shock: 80th ptile</i>		<i>Placebo</i>
	t	t-1	t	t-1	t
Estonia	1.58 (5.57)	6.68 (3.60)	5.42 (5.62)	9.52 (4.48)	-8.90 (3.78)
Finland	2.48 (1.11)	0.70 (1.16)	2.28 (1.10)	0.12 (1.07)	-0.07 (0.97)
Norway	4.03 (3.09)	4.58 (2.47)	-1.85 (3.33)	5.17 (2.40)	-1.58 (1.88)
Sweden	-0.28 (0.54)	1.64 (0.60)	0.18 (0.60)	1.41 (0.66)	9e-3 (0.54)
Switzerland	12.08 (6.45)	13.92 (6.09)	14.82 (6.37)	17.21 (5.57)	-0.87 (3.42)

In column 5 of Table 2, I report the results of a placebo test that measures whether an increase in crime (at the 75th percentile) in the current year affects expenditures on redistribution in the prior year. No positive effects are detected, increasing confidence that the model is not overly susceptible to false positives.

## Unpacking the Evidence

The evidence presented thus far has demonstrated that municipalities respond to declines in public order — as proxied by crime rates — by increasing the level of discretionary redistributive spending. However, the precise factor driving these increased expenditures remains unclear.

In this section, I demonstrate that increased redistributive activity can be traced to intentional action on the part of incumbents seeking to preserve their electoral status. First,

I draw on data from two cases – Norway and Sweden – where detailed information on the politically-set benefit rate is available at the municipal level. The results demonstrate that increased costs are not simply the result of secular increases in enrollment, but rather can be traced to deliberate increases in the level of cash transfers. Second, I analyze how responses to crime differ according to the partisan character of the local political council and the competitiveness of local elections. I find that while local partisanship plays little role in influencing benefit increases, the margin of victory in local elections strongly predicts how actively incumbents respond to threats to public order. When viewed in conjunction, these findings provide strong support for the theoretical perspective outlined in this chapter.

### *Social Assistance Rates in Norway and Sweden*

In Sweden and Norway, social assistance is fully devolved to the municipal level. Although in each state lawmakers established a set of broad framework laws that mandated the establishment of social assistance programs and prohibited discrimination, municipalities possess wide discretion over the implementation and contours of cash transfer programs.<sup>129</sup> Beginning in 1979 and 1981, respectively, municipalities in Norway and Sweden assumed responsibility for local administration – enrolling beneficiaries and determining whether they were eligible to receive cash benefits. More importantly, municipalities in each country gained full control over the benefit rate, and assumed responsibility for funding social assistance via local income taxation.

Figure 3 plots recent trends in these politically-set benefit rates within each country. Although governments in Norway and Sweden have the capacity to reduce benefit levels, the

---

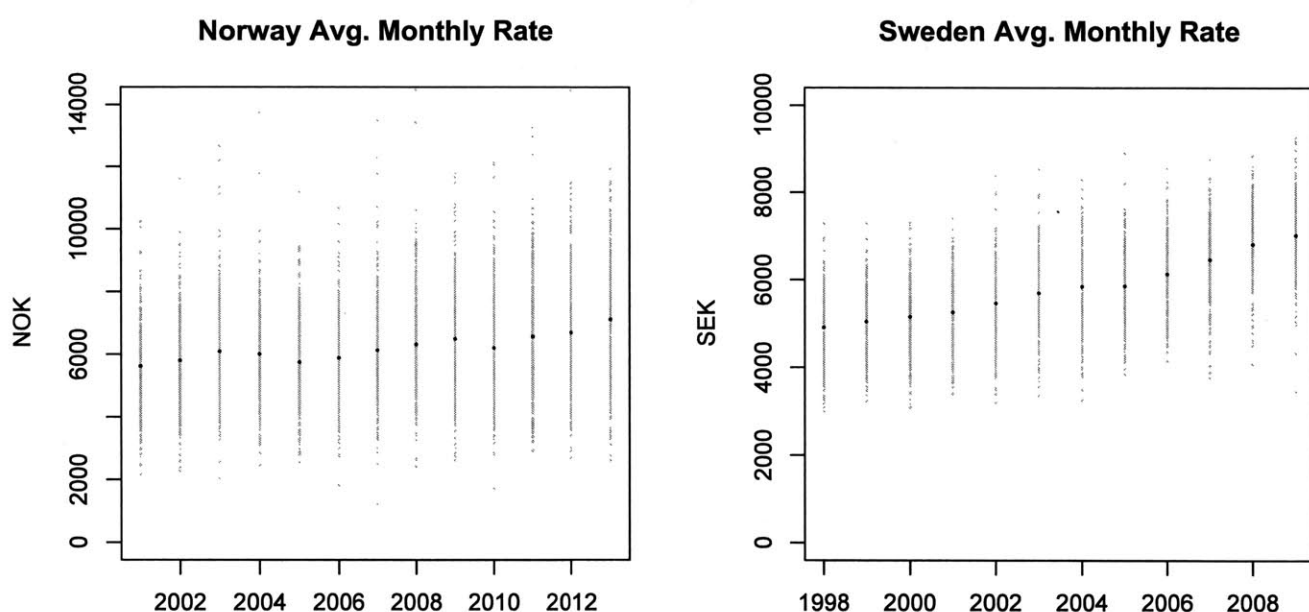
<sup>129</sup>Act on Social Services and Benefits (Norway); Social Services Act (Sweden)



median level of transfers has in fact increased year-over-year.<sup>130</sup> This trend is driven not only by deliberate increases in rates, but also by the relative infrequency of cuts: in Norway between 2001 and 2013, an annual average of only 3% of municipalities cut statutory benefits relative to the previous year, while the remaining 97% of municipalities raised or maintained their welfare norms.

**Figure 3: Benefit Rates**

Black circles reflect median rates.



To assess whether governments modify these rates in response to local concerns over public order, I apply the ‘shock’ model used in Table 2 to assess whether sharp and stochastic increases in crime rates influence the politically-determined benefit rate. Given that rates vary according to background characteristics, I also control for variation in case structure by

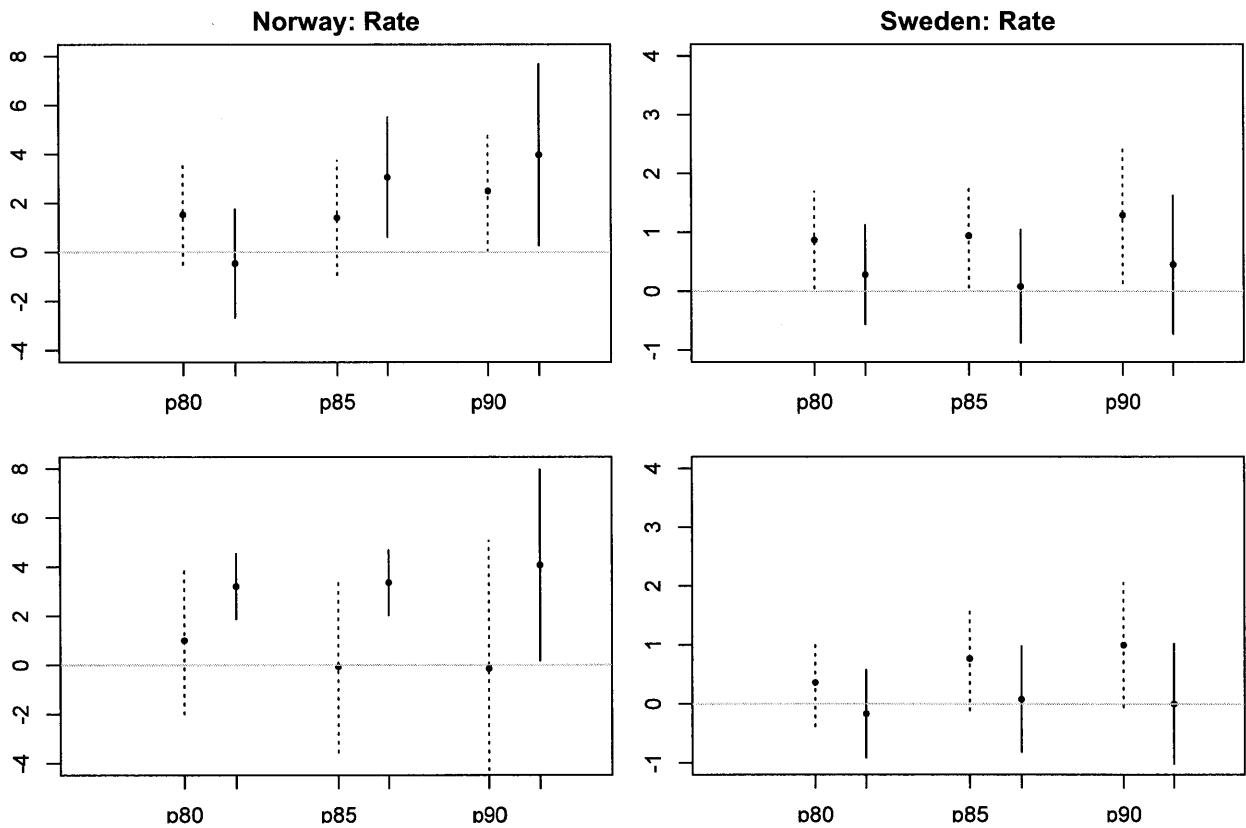
<sup>130</sup>In Norway, the central government publishes a recommended rate, but this rate is non-binding. In Sweden, the government has published a binding minimum rate since 1998; however, the level of benefits in municipalities across Sweden significantly exceeds this rate, which in principle should provide the necessary leeway for discretionary cuts.

restricting the analysis to the benefit rate applicable to single individuals without children. The rates are thus fully comparable across time within each country case.

Figure 4 displays the results of this analysis. 95% confidence intervals for the effect of a shock in the current year appear as dotted lines (note that for Sweden the benefit rate is monthly and may thus be altered during the fiscal year), with the effect of a shock occurring in the prior year displayed in solid lines. The upper panel plots the effect of increases in both violent and property crime, while the lower panel displays the effect of an increase in violent crime alone; the expectation is that reactions to different types of crime may provoke different responses.

**Figure 4: Change in Political Benefit Rate Following a ‘Shock’ to Crime**

Top row: Violent crimes. Bottom row: Violent/Property Crimes.



The results suggest that the benefit rate is highly responsive to sharp increases in crime. In other words, the uptick in redistributive spending observed in the wake of increased crime is not driven solely by secular increases in enrollment; rather, it is at least partly attributable to deliberate increases in the *rate* of discretionary cash transfers. These benefit increases are substantively significant, and of similar size whether viewing the effect of violent/property crimes or violent crimes alone. To place the results in context, consider the effect of a 90th percentile increase in violent crime. Norwegian municipalities that experienced such an increase responded by raising the announced welfare norm in the following year by 1.56% (plus or minus 1.43%), and the actual benefit rate by 3.97% (plus or minus 3.7%), relative to municipalities that did not experience large increases in crime. Similarly, in Sweden, municipalities, on average, responded by raising the monthly benefit rate by 1.29% (plus or minus 1.16%), in the current year.<sup>131</sup> Results are robust across different percentile shocks, with the size of the effect increasing at higher percentile events, as expected.

### *Partisan Politics, or Just Politics?*

The previous section has demonstrated that expansion in the level of redistributive activity can be characterized as a deliberate decision on the part of local policymakers. But it remains unclear whether these results truly represent a different form of politics from the national level, or whether the increases merely represent partisan politics filtered through a different lens. For instance, it remains possible that increases in crime provide rhetorical or institutional openings for left-wing politicians to pursue expansion in local redistributive expenditure.

To assess this argument, I analyze whether the reaction to sharp increases in crime

---

<sup>131</sup>The fact that effects are limited to the current year for Sweden may be due to timing of budget decisions and/or crime reports. I am looking into this further.

varies between municipalities with high left-wing council shares and those without strong left-wing support. In order to test the argument most directly, I retain the focus on Sweden and Norway, where partisan predictions concerning the influence of Social Democratic parties should be relatively clear. Functionally (see next page), I introduce an interaction term into the existing analysis in order to measure whether response differs for municipalities with high Social Democratic seat share ( $\geq 40\%$ ).

**Table 3: Interaction of Social Democratic Seatshare and a ‘Shock’ to Crime**

Expected percentage point change in net social assistance spending after a shock to crime rates in either the current year ( $\Delta_t$ ) or the previous year ( $\Delta_{t-1}$ ). High SD Seatshare is coded as ‘1’ when the social democratic party holds at least 40% of the seats in the municipality, and ‘0’ otherwise. Results hold for alternate cutoffs for SD (50%,30%) – not shown. All models include covariates, fixed effects, and year dummies. Standard errors in parentheses, clustered by municipality.

	<i>75th ptile</i>		<i>80th ptile</i>	
	Curr. Year	Prior Year	Curr. Year	Prior Year
<b>Norway</b>				
Shock * High SD Seatshare	1.24 (5.35)	-5.31 (4.19)	1.04 (5.58)	-5.72 (4.69)
Baseline Shock	3.82 (3.53)	5.51 (2.95)	3.90 (3.99)	5.31 (3.37)
<b>Sweden</b>				
Shock * High SD Seatshare	-0.35 (0.97)	-1.22 (1.03)	0.27 (1.11)	-2.50 (1.20)
Baseline Shock	-0.13 (0.70)	1.76 (0.76)	-0.04 (0.79)	2.10 (0.86)

The results suggest that strongly Social-Democratic municipalities are not more likely to react to increases in crime by increasing the level of redistributive expenditure. None of the interaction terms are statistically significant, while the baseline effect remains significant across all models. I confirm the result by subsetting the data into municipalities with high and low support and re-running the analysis in Table 3. The results (not shown) strongly

confirm the findings – municipalities that lack strong Social-Democratic presence are also likely to respond to decreases in public order by raising the level of redistribution.

The findings are in alignment with the character of the debates that can be observed at the local level. Municipal leaders – of all political stripes – are likely to express dismay about rising social assistance costs, given that these costs introduce significant pressures on local budgets. However, concerns over the maintenance of public order likewise transcend political divisions, with politicians on both side of the aisle emphasizing the prevention and reduction crime – through all available means – as a key plank in local political platforms. As stated succinctly by Claude Ruey, a Liberal politician in Switzerland, cutting social assistance “manufactures criminals.” <sup>132</sup>

Even if the redistributive response to local disorder is not overtly conditioned by partisanship, the theory outlined in this chapter predicts that the response should be driven by political motives. For instance, the theory would predict that incumbents operating in politically-secure districts would experienced a reduced electoral threat from a decline in local public order, and as such, should not be highly responsive. Conversely, incumbents operating in politically engaged and competitive districts should be highly responsive to an increase in crime.

To evaluate this implication of the theory, I include an interaction term between a shock to crime and the margin of victory observed in the most recent municipal election. <sup>133</sup> The expectation is that incumbent parties within less secure districts should be, on average, more responsive to increases in crime than incumbents who achieved higher victory margins.

The results of this analysis, visible in Figure 5, suggest that the local margins of victory strongly condition the redistributive response. Incumbents who have relative insecure seats (left side of the plot) tend to respond to sharp increases in the crime rate by substan-

---

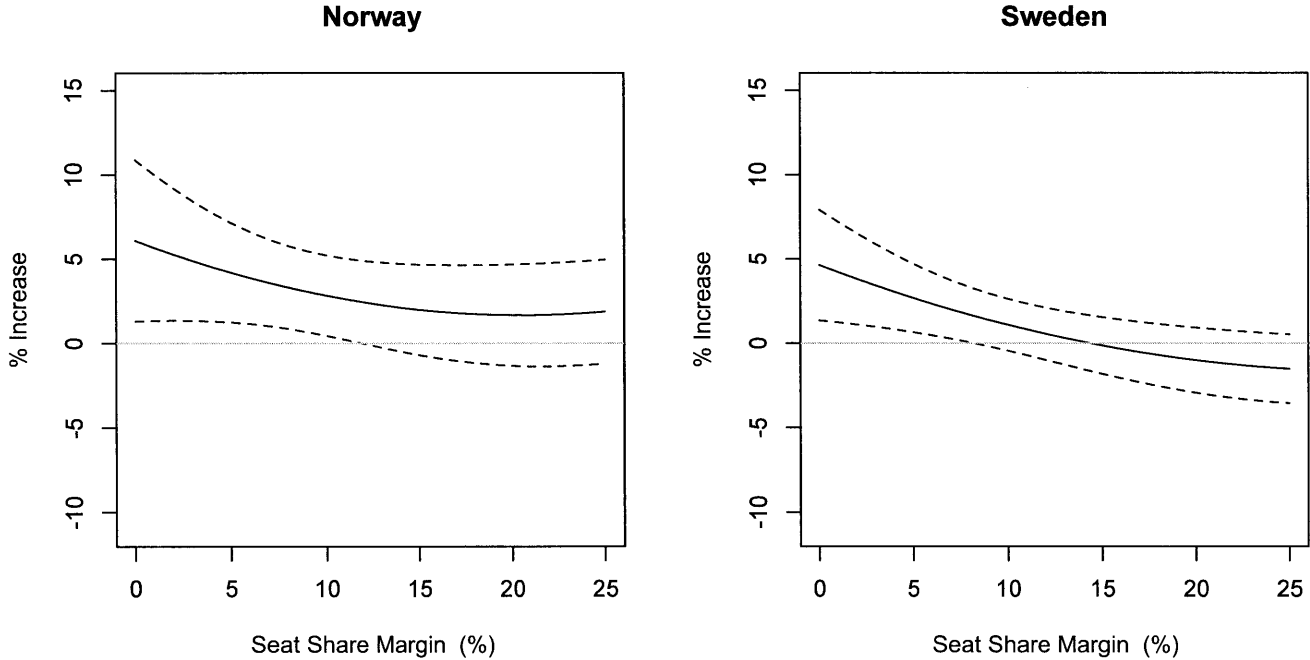
<sup>132</sup> “Refuser l’aide sociale aux gens, c’est fabriquer des criminels.” Tribune de Geneve. 13 June 2012.

<sup>133</sup> I define margin of victory as the difference in seat share between the largest and second largest party on the municipal council. In the interaction specification, I square this term.

tially increasing the level of spending. For instance, in Norway, an incumbent party with a narrow margin of victory (4%) would be expected to respond to an 80th percentile shock to the crime rate by increasing redistributive spending in the following year by 4.9%, plus or minus 3.6%; in Sweden, the comparable figure is an increase of 3.0%, plus or minus 2.2%. In contrast, across both countries incumbents with higher margins of victory are markedly less responsive to increases in crime.

**Figure 5: Effect of a Shock to Crime, by Electoral Competitiveness**

Shock of size p80, for the prior year only. Low values indicate relatively insecure districts, while high margins of victory reflect districts dominated by a single party.



This finding strongly aligns with a theoretical perspective that the redistributive response is conditioned by electoral pressures stemming from a decrease in public order at the local level. Incumbents across the political spectrum who have reason to fear such negative spillovers respond to visible decreases in public order by consciously raising the rate of redistribution, trading off increased short-term costs with the possibility that such action will reduce the level of local disorder and protect their electoral status.

## Conclusion

This chapter has demonstrated that local governments across Europe tend to counter increases in visible disorder by increasing discretionary redistributive spending. This consistent pattern of behavior is driven by the politics of proximity, which implies that local governments are highly exposed to the electoral consequences of unaddressed local poverty. Played out over the long run, efforts to avoid these damaging spillovers entail that local redistributive expenditures rarely stray below a certain threshold, effectively imposing a floor on benefit levels.

Thus, although decentralization is often cast as part and parcel of a larger pattern of retrenchment, these results suggest a more nuanced picture. While the devolution of social policy grants local governments the ability to cut benefits below the level established by their neighbors or the central government, it also entails that they remain electorally vulnerable to the consequences of unaddressed local poverty. In an environment in which self-interested local governments must assess the tradeoff between cost savings and a potential decrease in public order, the evidence suggests an unimpeded ‘race to the bottom’ in benefits may no longer be preordained.

## Chapter 5: Mobilizing the Poor

Why do local governments invest in redistributive programs? The previous chapters have provided two clear reasons. First, proximity reduces the likelihood that net contributors will oppose redistributive policy, implying that local governments face a more receptive audience when directing discretionary expenditures towards social programs. Second, even when voters do not explicitly favor such spending, proximity entails that local governments will be exposed to negative externalities stemming from unaddressed poverty. In this environment, local governments have incentives to maintain a minimum level of provision in order to safeguard their electoral interest.

While these factors obviate the dynamics driving a 'race to the bottom,' they do not necessarily explain the dramatic growth in local social expenditure observed across the EEA. This chapter provides the remaining piece of the puzzle. By fusing service delivery with politics, proximity substantially lowers the costs associated with mobilizing poor voters. As a result, local governments that choose to direct expenditures towards the margins can expect to receive outsized electoral returns.

### The Poor and Local Elections

The 'poor voter' is an endangered concept in many advanced democracies. Low-income citizens are substantially less likely to vote in national elections than their wealthier counterparts; recent figures suggest about 11% less, on average, across the developed world.<sup>134</sup> Research in the United States — where lagging participation has long been endemic— has

---

<sup>134</sup>The max discrepancy is 22%, in Estonia. Figures represent the difference between the reported turnout of the first and fifth income quintiles. The data, drawn from Alber & Kohler (2008), includes 24 EEA Area countries, as well as the United States. I exclude countries with compulsory voting. Similar evidence of turnout inequality within developed countries is reported in Kasara and Suryanarayan (2014).



shown that these turnout inequalities are driven by a series of disadvantages facing poor voters, ranging from a lack of education and information to material disincentives to vote (Verba and Nie 1972; Wolfinger and Rosenstone 1980; Verba et al 1995).

In Europe, these disadvantages were historically overcome by the concerted mobilization efforts of trade unions and left-wing parties. But these efforts show signs of abating. Union membership is at a historic low, income cleavages are sharply on the rise, and many left-wing parties have shifted their strategic focus from marginalized voters (outsiders) to a narrow core of middle-class voters with secure economic status (insiders) (Evans 1999; Grey and Caul 2000; Rueda 2005, Cronin et al. 2011). The result has been a decrease in turnout within European elections, particularly among the marginalized and poor.<sup>135</sup>

In this chapter, I demonstrate that the oft-cited declining relevance of the poor voter — while valid at the national level — does not hold within local settings. Rather, poor voters occupy a central role in contexts where local governments exercise policymaking authority over cash transfers and social services. This can be traced to two factors. First, relative to the national level, the poor participate at substantially higher rates in local electoral contests, shifting the median voter significantly to the left. Second proximity transforms the relationship between poor voters and local governments by substantially reducing the costs of mobilization. In turn, the relative responsiveness of the poor to changes in local social expenditures provides strong stimuli for governments to invest in local social provision.

To demonstrate the centrality of poor voters within local electoral contests, I draw on a unique dataset of 25,900 municipalities across Europe. Examining turnout discrepancies between national and local elections, I demonstrate that the standard relationship between poverty and electoral participation is reversed in contexts where local governments exercise discretion over redistributive policy. After outlining the processes driving this ‘turnout

---

<sup>135</sup>See Gallego (2007) for a useful discussion of the widening income gap in European political participation.

inversion', I test the argument using detailed individual and aggregate-level data from two 'least likely' cases: France and the United Kingdom.

## When and Where Do the Poor Vote?

Analyzing the relative participation of the poor in subnational elections is empirically challenging. The most obvious method consists of analyzing cross-national survey data to determine the relationship between income and voting. However, this approach is infeasible because existing cross-national surveys only report voting behavior in national elections.<sup>136</sup> And while data on local electoral participation is occasionally available within country-specific surveys, question wording remains idiosyncratic and country coverage is scattered.

Given the absence of survey data, I measure the divergence between local and national participation rates using comparable administrative data. To do so, I collected information on municipal-level turnout across 15 European countries.<sup>137</sup> Of these 15, data for both national and local elections is available for 12 countries; where national and local electoral districts do not coincide, I include data for local elections only.

To estimate how turnout varies according to income, I also gathered data on local poverty, measured in the year the local election took place. This variable is internally consistent within each country, but varies slightly across countries depending on the quality of the underlying data. Where data granularity is sufficiently high, I replace the mean income with more detailed measures: either the percentage of individuals in the bottom income decile (preferred) or the percentage of individuals falling below the national poverty

---

<sup>136</sup>These questions are commonly asked in the Afrobarometer, but unfortunately not in surveys that cover Europe, including the Eurobarometer, European Social Survey, European Values Survey, and International Social Survey.

<sup>137</sup>The sample excludes countries with compulsory voting in national elections (Belgium), as well as countries where the municipal and national elections are held on the same date (Sweden); in the latter case it is not possible to determine whether turnout is driven by municipal or national factors. Other countries — primarily in Eastern Europe — were excluded due to data availability.

threshold.<sup>138</sup> After listwise deletion, the final dataset spans 25,959 unique municipalities.

139

I plot these relationships for each of the 15 countries in Figure 1 (next page). Within the figure, countries are displayed in descending order according to the degree of local discretion over cash transfers (recall the overview in Chapter 1, Table 1).<sup>140</sup> The first set of countries, Group 1, includes countries where municipalities have authority to set the main benefit rate for social assistance programs. Group 2 includes countries with authority to condition these rates or supplement them, and Group 3 includes contexts where local governments have no capacity to shape cash benefit levels. Within each group, countries are sorted by the scale of local social expenditures relative to national expenditures, in descending order (Chapter 1, Figure 2). The horizontal axis in each plot measures district poverty (increasing left to right), while the vertical axis indicates centered (demeaned) turnout.<sup>141</sup> Positive slopes thus indicate higher relative turnout for poor municipalities, while negative slopes indicate that residents in wealthier municipalities tend to participate at higher rates. For each municipality, I simultaneously plot the turnout in local (solid line) and national (dotted line) elections. Thus, the gap between the two lines reflects the gap in relative turnout between each election type, estimated across each municipality in the sample.

---

<sup>138</sup>Since these two measures are focused on the tail of the distribution, they provide a more accurate depiction of the true level of poverty than a measure that assesses the entire income distribution.

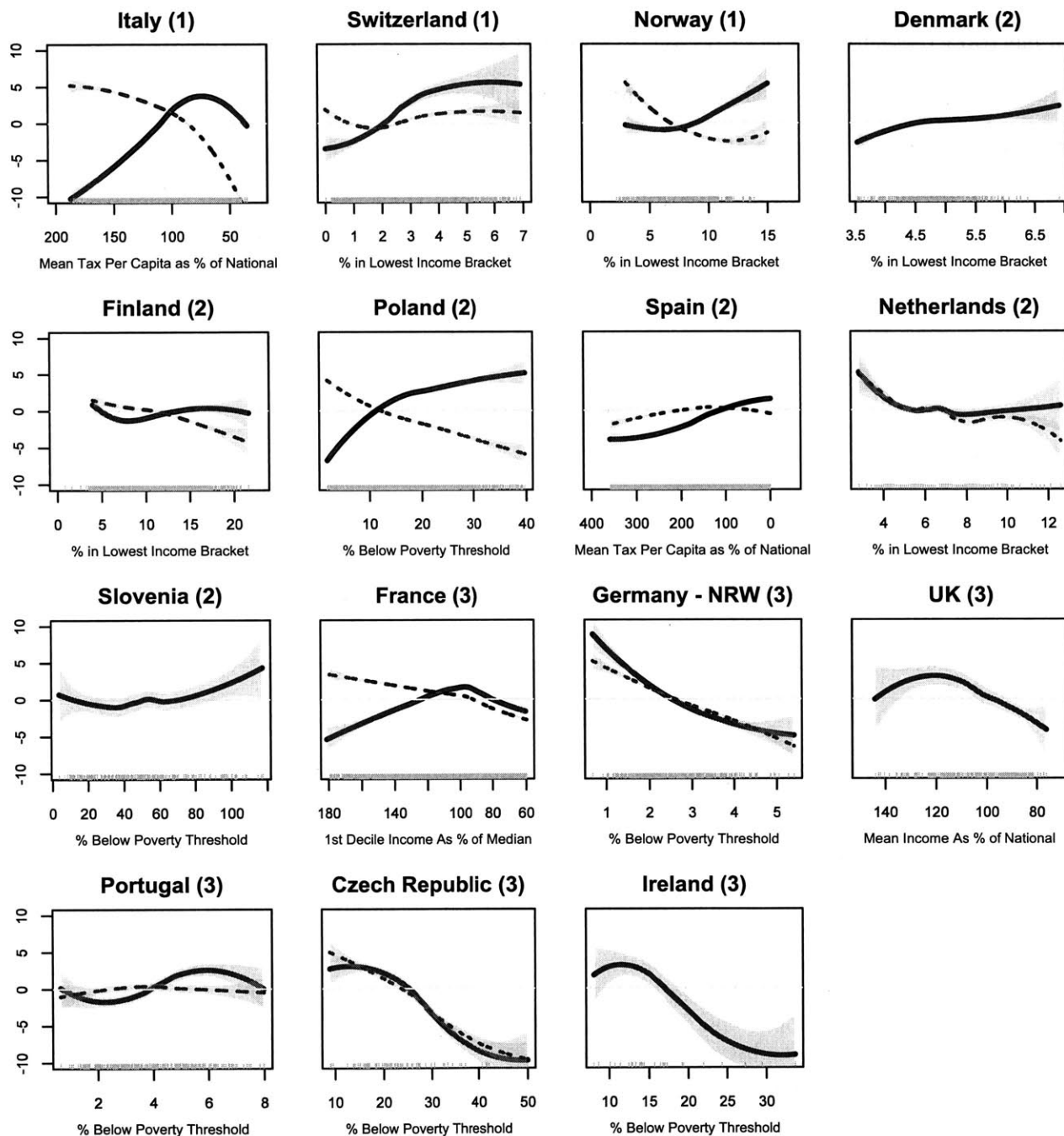
<sup>139</sup>Attrition was largely driven by poverty data, which is not always available for particularly small municipalities. See the Appendix for details.

<sup>140</sup>For poor voters, direct cash transfers are likely to exert the strongest mobilization potential. Similar patterns are visible when looking at broad discretion over the contours of social services.

<sup>141</sup>I demean each series to provide an accurate *relative* comparison between turnout across countries. Non-demeaned series can be seen in the Appendix.

**Figure 1: Relative Turnout in Local and National Elections**

Y-axis: demeaned turnout. X-axis: poverty. Dotted lines indicate national elections, solid lines local elections. Information on election years is available in the Appendix; all national and local elections occur within two years of each other.



What do these relationships reveal? First, they suggest that the conventional wisdom holds for national elections: in the majority of countries, the slope for national elections is strongly negative. In other words, wealthier municipalities are characterized by higher rates of electoral participation than poorer municipalities.<sup>142</sup>

However, contra existing expectations, we observe nearly the opposite pattern when examining relative turnout within local elections. Poor municipalities are likely to have substantially higher rates of participation in local elections than their wealthier counterparts. As expected, this effect is strongest among the most decentralized countries, Group 1. The pattern also holds for the majority of Group 2, and disappears entirely for the centralized countries, Group 3, where local electoral turnout fully mirrors the pattern in national elections. In sum, this bivariate analysis strongly suggests that local and national elections are driven by a fundamentally different mobilization logic. Within countries where local governments exercise an important role in service provision, the predicted effect of poverty is inverted - with poor districts displaying a more engaged and competitive electorate than their wealthier counterparts.<sup>143</sup>

Although it is infeasible to collect a full array of controls for all municipalities, I control for two prominent factors that may bias the results. First, because previous research has shown that smaller districts tend to experience higher turnout, I include a variable measuring

---

<sup>142</sup>These aggregate results do not identify the voting behavior of specific individuals (ie, the ecological inference issue is present). However, the pattern is fully consistent with a shift in individual-level voting behavior. Moreover, these observed patterns correlate strongly with individual-level data from the few countries that do have electoral surveys which query national and local electoral behavior: for instance, reported individual-level turnout in Finland, Norway, and Denmark corresponds to the trends observed in Figure 1.

<sup>143</sup>This inversion is also visible in developing countries dominated by local service delivery (ie, India) (Khemani 2001, 2010). However, the phenomenon has not been identified in advanced industrial settings, where local elections are often assumed to operate in a manner similar national elections, albeit with reduced turnout and saliency (Hajnal and Trounstein 2005). Verba et al (1995) show that in the United States, where local governments have limited financial resources, the income cleavage in local elections is reduced, but not inverted.

district population.<sup>144</sup> Second, I include a variable measuring the percentage of foreigners within the municipality to control for the possibility that the result is driven by changes in the underlying electorate (in some EU countries foreign residents possess voting rights; in all EU countries EU members can vote in local elections). The results, visible in Table 1 below, show that the relationship is robust to the inclusion of these covariates.<sup>145</sup> Within decentralized contexts, poverty is positively and significantly associated with local electoral participation.<sup>146</sup>

**Table 1: Effect of District Poverty on Local Turnout**

	IT	SUI	NO	FI	POL	DK	ES	NED
10p - 90p	5.79 (27.38)	4.01 (4.43)	2.48 (3.81)	-0.92 (-1.06)	2.15 (6.07)	0.76 (1.86)	1.75 (6.28)	1.61 (2.72)
n	6814	1832	420	291	271	2363	7836	319
year	2004-7	2005	2003	2008	2001	2006	2004	2006

	SLO	FR	POR	UK	DEU	IRE	CZE
10p - 90p	-1.06 (-0.80)	-1.68 (-6.06)	1.50 (1.89)	-1.69 (-2.75)	-4.01 (-7.17)	-7.16 (-3.31)	-7.37 (-7.62)
n	205	4773	305	150	393	27	73
year	2010	2008	2009	2010	2010	2010	2010

t-statistics in parentheses. Coefficients represent the effect of moving from the 10th to the 90th percentile in poverty on local turnout. All regressions include logged population; countries that allow non-EU citizens to vote in local elections include an additional control for foreign population.

<sup>144</sup>For empirical evidence, see Geys (2006) and Remmer (2010). In a rational choice framework, a smaller electorate increases the probability that any given vote will be decisive (Owen and Grofman 1984; Hansen et al 1987). Size may also increase political engagement by bringing political issues closer to citizens (Dahl and Tufte 1973, Mouritzen 1989; Ahmad et al 2005).

<sup>145</sup>Since the relationship is not fully linear, a single-order regression may be a conservative test.

<sup>146</sup>Finland is an exception; this is likely driven by fairly even rates of participation in local elections across the income cleavage (see Figure 1). Among relatively centralized countries, only Portugal shows inversion in the income cleavage in local elections.

## Why Do the Poor Vote?

What accounts for the increased participation of the poor in local electoral contests? I argue that it derives from two factors: issue congruence, and mobilization advantages stemming from geographic proximity.

### *Passive Mechanism: Issue Congruence*

By definition, the policymaking authority of local governments is limited. Even within highly decentralized countries, localities only have the capacity to wield influence over a narrow range of policies that have been expressly devolved by higher levels of government. As a result, many of the issues that play a key role in shaping national political contestation — ranging from foreign and macroeconomic policy to thorny social issues — are of little relevance to local politics.

How does this shift in the range of policies under consideration affect electoral participation? The traditional view holds that local elections are secondary affairs, often characterized by reduced stakes and low saliency (Reif & Schmitt 1980). Accordingly, we might expect that local elections will be characterized by markedly lower turnout than national elections, with declines in electoral participation particularly pronounced among voters with low levels of political knowledge and engagement (ie, the poor) (Lijphart 1997).

Yet if we consider the issues at stake within local electoral contests, it is not clear that the decline in salience will apply to poor voters. For instance, while debates over local service delivery may not be particularly salient to a portion of the electorate, these policies have a

clear and direct impact on the financial security of low-income citizens.<sup>147</sup> Relative to their wealthier counterparts, low-income individuals are highly exposed to the vagaries of local settings, and experience comparatively greater shocks when subject to interruptions or declines in local social delivery.<sup>148</sup> Thus, as the range of policies under consideration declines, the content of local electoral platforms becomes more visibly congruent with poor voters' material interests, raising levels of interest and reducing the costs of acquiring information on relevant policies.<sup>149</sup>

This pattern is readily visible within survey data from decentralized contexts. Focusing on Norway, where local governments provide the majority of cash transfers and social services, the left-hand panel of Figure 2 (next page), examines the relationship between the saliency of local service provision and income. Drawing from a nationally representative 2007 Norwegian local election survey,<sup>150</sup> the vertical axis plots the percentage of individuals who indicated that service delivery was more important than political considerations within local election, versus reported household income (horizontal axis). Consistent with the issue congruence mechanism, poor respondents are significantly more likely to stress the importance of local service delivery over ideological considerations.

These preferences also have implications for the relative turnout of the poor across

---

<sup>147</sup>We might expect middle-class and wealthy voters to be interested in these issues when the provision of social services entails corresponding increases in local taxation. It is important to note that this theoretical perspective is ambivalent to this possibility; the main factor under consideration is the degree to which electoral contests are salient to poor voters, regardless of potential counter-mobilization. That is, the approach seeks to explain the relative participation of the poor in local and national electoral contests.

<sup>148</sup>The magnitude of these potential shocks likely exceeds the marginal costs to wealthier voters resulting from higher local taxation.

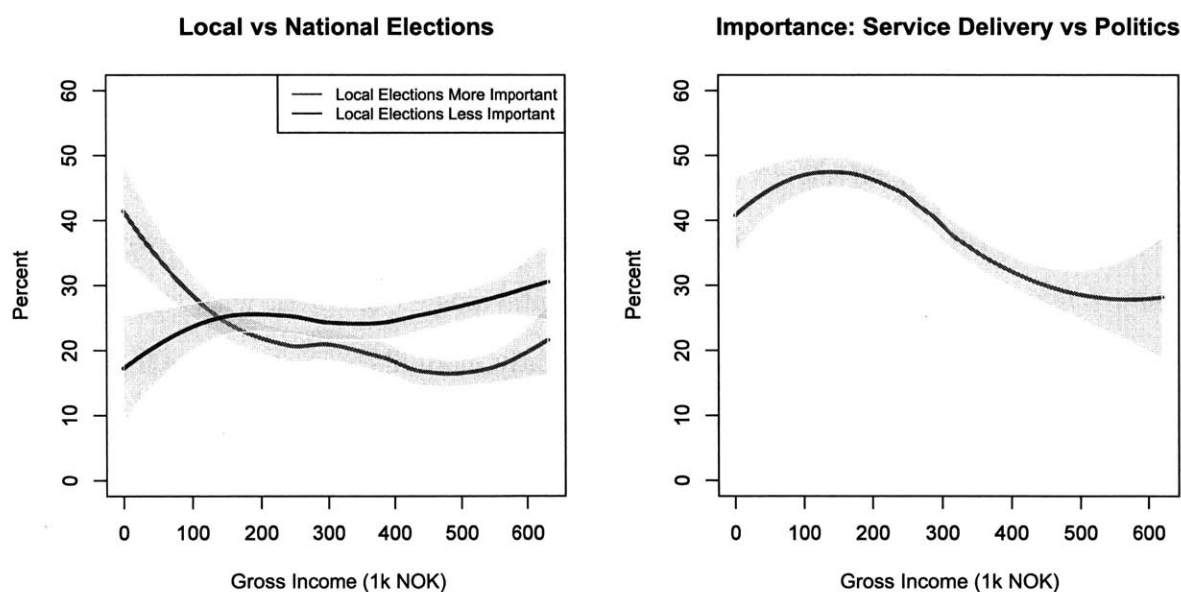
<sup>149</sup>From a Downsian perspective, the expected payoff of voting will be higher in contexts where local governments have control over policies of interest to voters. For a formal argument concerning the effect of decentralization on total participation levels see Hajnal and Lewis (2003) and Michelsen et al. (2014). Here, I highlight the fact that decentralization often restricts authority to competencies that are of interest to poor voters.

<sup>150</sup>Norwegian Social Science Data Services (NSD), Study NSD1353. Respondents=2369.



election types. The right-hand panel of Figure 2 plots the percentage of individuals who indicated that they feel that municipal politics are *more important* than national politics (blue line), or *less important* (black line), as a function of income. <sup>151</sup> At the bottom end of the income distribution, roughly 42% of respondents felt that local elections were more important, while only 18% stated that they were less important than national elections. <sup>152</sup> This pattern inverts as one moves across the income distribution, with wealthier respondents placing comparatively more emphasis on national elections than local elections.

Figure 2: Norwegian Survey Respondents



#### *Active Mechanism: Proximity and Mobilization*

Although issue congruence serves as an important precondition, it may be insufficient to generate a sizeable shift in local electoral turnout. As extant research has demonstrated, salience is rarely sufficient to promote political participation, especially in the face of persistent gaps

<sup>151</sup>This is a derived variable. Respondents were asked to rank the importance of each election type using a common 4-point scale.

<sup>152</sup>The remainder of respondents assessed the election types as equally important.

in political knowledge and material constraints (Verba et al 1995).

Yet substantial evidence exists that the turnout of the poor is actively driven by local governments engaged in vote mobilization. These efforts are aided and enhanced by the politics of proximity, which substantially reduce the costs of engaging in mobilization strategies. In other words, within local settings, politicians can expect to receive a higher return when mobilizing poor voters than they would obtain for a similar degree of effort at the national level.

This is driven by several factors connected to the geographic context of local governments. First, and most directly, the relative cost of mobilization is rendered less expensive by the proximity of local governments to their constituencies. As a thought experiment, consider the level of organization necessary to organize a door-to-door campaign or a program that transports individuals to the polls on election day. At the national level, politicians and parties can, at best, exert low levels of control over these strategies. Indeed, any efforts at direct mobilization must necessarily rely on decentralized agents, which entails unclear costs, limited oversight, and variable levels of efficacy. In contrast, local politicians can take advantage of economies of scale and local knowledge when mobilizing voters, lowering costs and raising the effectiveness of targeting efforts.

Second, and more importantly, the proximity of service delivery implies that local governments obtain a captive audience. In order to receive local benefits and services, individuals must interact directly with the local governing authority. For instance, in Norway and Sweden, individuals who seek access to local benefits must fill out a locally-provided form; upon receiving benefits, they must subsequently visit local government offices at least once a month to update caseworkers on their financial situation.<sup>153</sup> This degree of direct interaction with constituents, as well as the accompanying monitoring and oversight, is largely absent in higher-level political contests. In other words, the fusion of administration

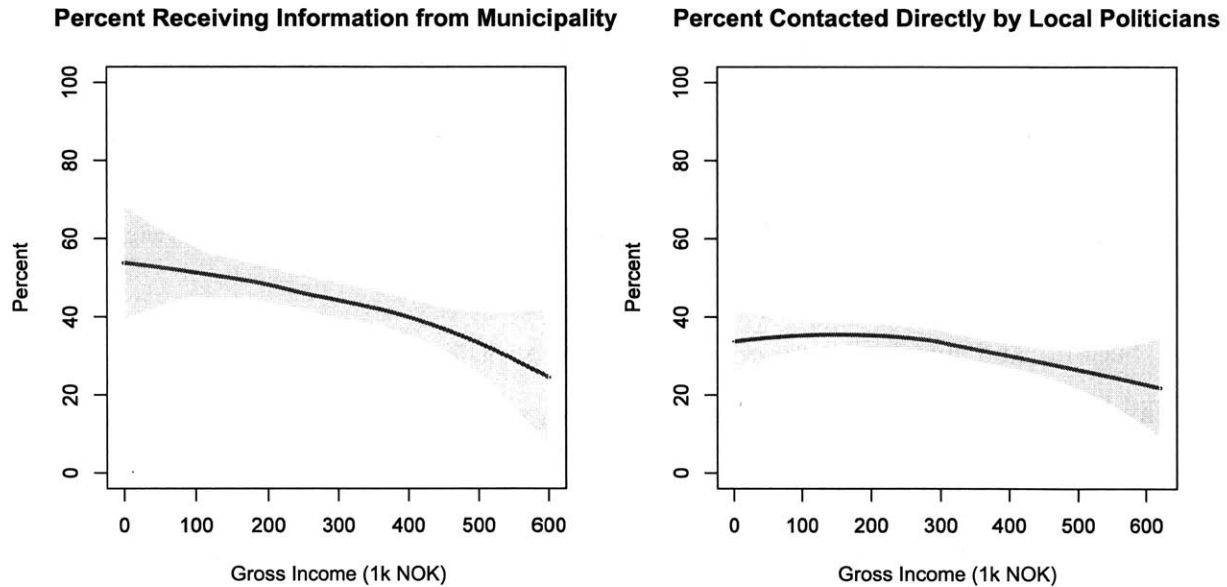
---

<sup>153</sup>See <http://www.socialstyrelsen.se/fragorochsvar/ekonomisktbistandpasvenska>

and governance in decentralized settings provides incumbents with embedded advantages in mobilizing beneficiaries.<sup>154</sup>

We can see the effect of these frequent interactions by returning to local survey data from Norway. The left-hand panel of Figure 3 displays the percentage of individuals who reported receiving printed election information from the local government over the course of an electoral campaign, as a function of household income. The right-hand panel displays the percentage of individuals who reported having direct contact with a member of the municipal council in the same period. Consistent with the mobilization mechanism, direct contact rates are sharply higher for poor voters, with the effect falling consistently across the income distribution.<sup>155</sup>

**Figure 3: Norwegian Survey Respondents**



<sup>154</sup>Put differently, the authority delivering services is also simultaneously campaigning for votes. Layers of bureaucracy and delegated agents inhibit this dynamic in national settings.

<sup>155</sup>Note that direct data on benefit reciprocity is not available. However, uptake of minimum income benefits in Norway is high, and it is reasonable to assume significant overlap between individuals at the bottom end of the income distribution and benefit recipients.

Finally, local social programs are highly variable. As Chapter 2 demonstrates, while benefits set at the national level are subject to relatively infrequent adjustment, local governments tend to modify service levels and rates on a nearly annual basis. For instance, in Norway, where local governments control the social assistance rate, the typical municipality adjusted the benefit level, on average, seven times between 2003 and 2013.<sup>156</sup> This variability can be traced, in part, to reduced barriers to policy formation at the local level. While changes to national welfare policies may require concentrated efforts to overcome embedded interest groups and veto points, the reduced saliency of local settings implies that local governments face fewer risks when modifying benefit levels. Moreover, even when local governments have no intention at revising service provision, they may be forced to do so given financial constraints. Relative to the national level, municipal governments face a highly variable fiscal situation, with uncertain transfers from higher-level of governments, limited access to debt markets, and lack of outstanding capital reserves contributing to variation in the amount of discretionary funds available in each year.

This year-to-year oscillation will be directly felt by the local poor, who may rely on local benefit rates, services, or housing assistance as a key source of financial security. From the perspective of poor voters, the variable nature of benefit generosity will enforce the belief that local social spending is *partially contingent*. In particular, poor constituents who receive stable or elevated benefits from the incumbent administration will be reluctant to trade in the certainty of benefit provision for uncertain outcomes under another electoral outcome.<sup>157</sup> On average, we can expect that individuals operating within this environment will be highly responsive to shifts in local social expenditure that may signal a change in future levels of provision.

From the perspective of local politicians, this advantages a strategy that resembles

---

<sup>156</sup>Nominal rate for single person; Source: Statistics Norway, author's calculations.

<sup>157</sup>In contrast, governments that cut levels of provision may be quite vulnerable to challengers who promise elevated levels of service provision to the poor population.

‘turnout buying’, in which personalized benefit delivery is used to mobilize potential supporters (Nichter 2008; Rosas et al 2014; Gans-Morse et al 2014). In the European context, this strategy is not clientelistic, given that the delivery of benefits is often couched in universalistic terms. However, the fact that local governments exercise significant discretion over access to cash benefits and social services implies that these programs often retain an individualized (and targetable) character. Within this setting, local government appeals to participate in local elections may implicitly carry more weight.<sup>158</sup>

In sum, the politics of proximity transforms the electoral position of poor voters. In contrast to national elections, issue congruence implies that the poor have a clear stake in local political outcomes, providing fertile soil for mobilization. In turn, economies of scale, captive audience effects, and implicitly contingent benefit delivery reduce the effort required to mobilize poor voters. These changes in relative payoffs provide substantial incentives for local governments to use service delivery as a means to secure electoral status.

## Testing the Mobilization Mechanism

How does the delivery of local benefits translate into votes? Although this process could theoretically be observed across most countries within the sample, I focus on two ‘least likely’ cases. Specifically, I limit the analysis to two countries where consequential benefits are delivered nationally, while local benefits are reduced in scale: France and the United Kingdom.

Selecting these two cases biases against the finding that local benefit delivery exerts a consequential effect on local political behavior. Indeed, if one argues that the responsiveness of the poor depends primarily on the amount or scale of benefits received, one would expect

---

<sup>158</sup>This dynamic is likely to be even more prevalent in countries where local governments control electoral registration. In these situations, beneficiaries that receive appeals may believe (correctly or incorrectly) that the local administration will be aware of failure to participate in local elections.

*national* benefits to exert the strongest mobilizing effect in each country, with local benefits relegated to a minor role. In contrast, if proximity fundamentally transforms the centrality and responsiveness of poor voters, as argued by this chapter, we should observe strong mobilization effects in local contexts, even where the level of benefits remains small.

I select two ‘least likely’ cases rather than one to increase external validity. Each case provides a different context to evaluate the effects of benefit reciprocity.<sup>159</sup> For instance, France has 36,569 subnational governments that independently vary the level of local service delivery<sup>160</sup>; this provides an ideal environment to analyze the effect of changes in service delivery on subsequent vote mobilization. In contrast, the United Kingdom has only 159 subnational governments with authority over social services<sup>161</sup>, rendering an analysis of policy changes more difficult. However, unlike France, the UK has large electoral surveys that permit a detailed analyses of the individual-level relationship between local benefit reciprocity and electoral behavior. If the politics of proximity increase the mobilization potential of social spending, we should expect to observe strong effects within each case.

### *France*

The French welfare state is characterized by a strict administrative partition between cash and in-kind benefits. The former — which include core programs such as minimum income schemes (social assistance), unemployment benefits, family allowances, and pensions — are regulated by the national government. And while recent attempts at administrative reform have devolved issues of implementation to the departments and regions, the national gov-

---

<sup>159</sup>Any analysis of the relationship between local benefit delivery and electoral behavior is challenging. In contrast to the dynamics of national political mobilization, local political processes remain somewhat hidden. Local elections are rarely covered by media sources, documents and campaigns are rarely archived, and data coverage is poor.

<sup>160</sup>The cross-national dataset includes all of these governments; however, detailed poverty data is unavailable for all municipalities, resulting in attrition. In the analysis that follows, I leverage the larger sample.

<sup>161</sup>Excludes non-metropolitan lower-tier districts.

ernment retains exclusive authority to set benefit rates and expenditure levels, uniformly applying a social benefit standard across metropolitan France.

In contrast, national control and oversight do not apply to in-kind benefits, which are fully devolved to France’s 36,569 municipalities. These benefits, which include a range of discretionary social services such as food programs, housing support, emergency aid, elderly care, counseling, and family assistance, are funded at the discretion of local governments with revenues from local property taxation and transfers.<sup>162</sup>

Table 2 displays expenditure on poverty relief, according to government level. Although social services delivered by municipalities rose as a share of total expenditure across the past decade, the size of these benefits remains quite small (12%) when compared to benefits delivered by higher-level governments. Indeed, a single national poverty relief program — the RMI/RSA (Revenu de solidarité active) — accounts for a greater share of total expenditure than all municipal expenditure across the period.<sup>163</sup>

**Table 2: Social Expenditure by Level**

	2006	2007	2008	2009	2010	2011	2012
Higher-Level Govts	46.77	48.08	49.31	50.54	51.15	52.33	54.24
RMI/RSA	6.24	6.33	5.70	6.05	7.37	7.54	7.81
Communes	5.26	5.52	5.74	5.90	6.17	6.54	6.87
Share	11.3%	11.5%	11.6%	11.7%	12.1%	12.5%	12.7%

Source: DREES. Poverty-oriented programs only: excludes pensions, health, unemployment.

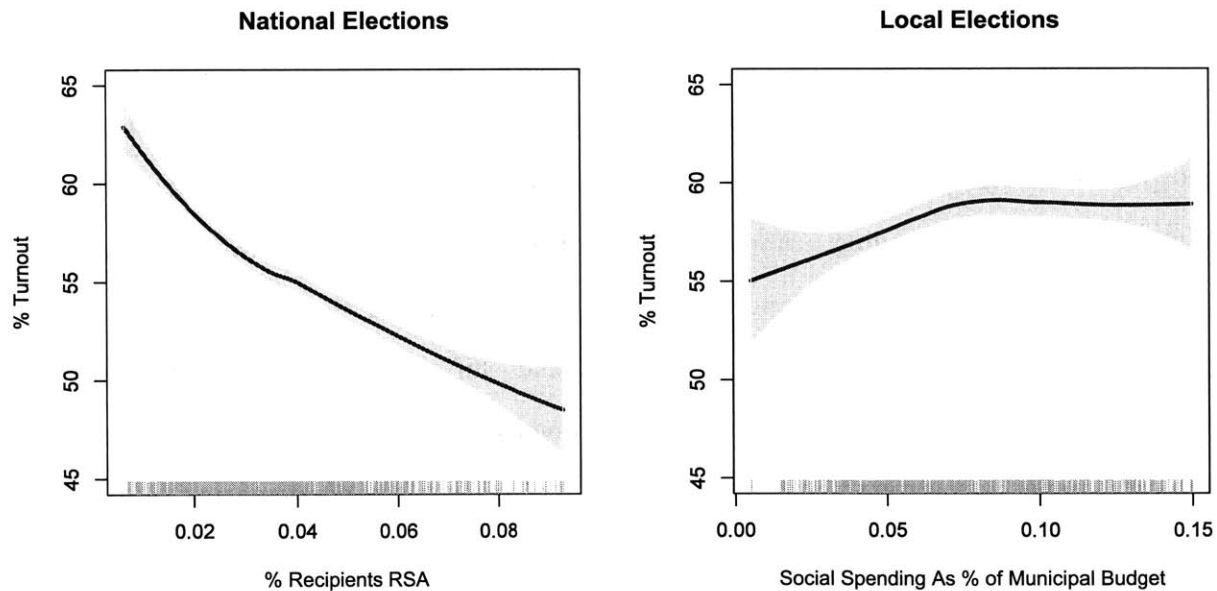
Given this discrepancy, which package of public goods — national or local — is more

<sup>162</sup>As in Belgium, the majority of social services are provided by a Centre Communal D’Action Sociale (CCAS), whose board of directors is controlled by the local mayor. In addition to large grants from the municipalities, the status of CCAS as a separate legal entity allows them to receive private donations.

<sup>163</sup>The RSA functions as a negative income tax that raises earnings to a specific national threshold. This measure replaced the RMI in 2009, which had less strict provisions requiring individuals to seek work. Note that aspects of the RSA are administered by the departments, but all benefit rates are set nationally.

successful at mobilizing the votes of the poor? Figure 4 provides a descriptive answer to this question by examining the relationship between benefit delivery and aggregate electoral participation. The left-hand panel plots electoral turnout in the legislative elections of 2012 as a function of the percentage of individuals receiving the national minimum income, the RSA, in every municipality with at least 1,000 voters.<sup>164</sup> The observed relationship is strongly negative; that is, municipalities with a higher share of individuals receiving national poverty benefits are likely to exhibit substantially lower turnout in national elections. This of course, does not entail that the delivery of national benefits exerts a non-consequential or negative effect — indeed, the level of participation may be higher in the presence of benefits than the (unobserved) counterfactual. Rather, the results indicate that the delivery of national benefits is not sufficient to generate high levels of turnout within poor municipalities.

**Figure 4: Turnout in French Elections, by Social Spending**



<sup>164</sup>Legislative turnout measured for the first round only. The results are robust to the inclusion of other cash benefits; I use data from a single universal program to maximize the plausibility of the comparison across municipalities that may differ in their share of other beneficiaries



A markedly different pattern is visible in the right-hand panel, which plots electoral turnout in the 2014 elections using the same set of municipalities.<sup>165</sup> The results suggest that the delivery of local benefits — in the form of the percentage of the local budget spent on in-kind social services — is positively and significantly associated with higher turnout in local elections. Municipalities in the 80th percentile have roughly 5% higher turnout rates than municipalities that spend a lower proportion of their budget on in-kind social services.

Although these descriptive patterns strongly suggest that local social expenditure is more effective at mobilizing poor voters, several competing explanations exist. For instance, municipalities with higher levels of political engagement (and correspondingly high participation rates) may be precisely those who allocate more expenditure to social goods. In other words, the high level of expenditure may be a consequence and not a contributor to the level of electoral participation. Alternately, if expenditure on social goods is more likely within wealthy municipalities, the relative comparison between local and national turnout may be confounded by variation in underlying levels of poverty.

To determine whether the pattern is robust to these alternate explanations, we can incorporate time into the analysis and examine how levels of participation change in response to changes in local spending. Accordingly Figure 5 (next page), displays the change in turnout as a function of the change in % RSA recipients, and the change in local social spending, respectively.<sup>166</sup> The results suggest that shifts in the share of RSA recipients had negligible effects on aggregate turnout. In contrast, changes in local social expenditure (top right panel) are strongly and positively related to increased participation in municipal elections: municipalities that substantially increased such expenditures between 2008 and 2014 experienced outsized gains in turnout.

If these increases in electoral participation are driven primarily by the mobilization

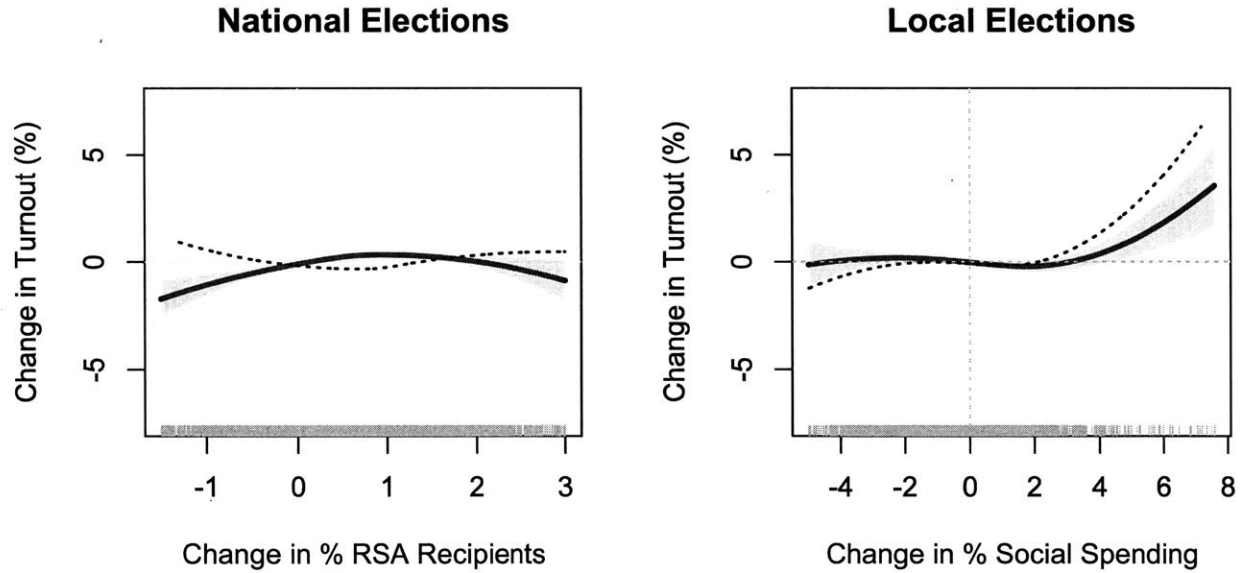
---

<sup>165</sup>Turnout measured for the first round of elections only.

<sup>166</sup>National elections in 2007 and 2012; local elections in 2008 and 2014.

of poor voters, we should expect the effects to be strongest in relatively poor municipalities with a higher share of such voters. Accordingly, the dotted line in Figure 5 plots relationships for only those municipalities with a median income below the national average. Although the mobilization potential of the national RSA program remains unchanged, the observed effects for local social spending are considerably strengthened.<sup>167</sup>

Figure 5: Panel Data on French Turnout



In Table 3, I rule out further confounders by fitting the following model on low-income municipalities, across three local elections between 2002 and 2014:

$$Turnout_{it} = \alpha_i + \delta_t + \theta(S_{i,t-1}) + \beta X_{it} + \epsilon_{it} \quad (3)$$

where  $S$  is the variable of interest and measures local social spending as a % of the budget in the year prior to the election,  $\delta_t$  is a yearly dummy,  $\alpha_i$  is a fixed effect, and  $X$  is a vector of covariates that includes the size of the municipality, the degree of unemployment, the age profile of the population, income dynamics, and the percentage of individuals receiving the

<sup>167</sup>For visual clarity, confidence intervals not shown. However, the estimated effect of increased social spending is statistically significant at the 95% level for this subset.

RSA.

**Table 3: Effect of Social Spending on  $\Delta$  Turnout, 2014 Local Elections**

Below Median Income	1	2	3
$\Delta$ % Social Spending	0.17 (2.39)	0.17 (2.37)	0.17 (2.36)
Log Population	Y	Y	Y
Unemployment		Y	Y
% Pop 15-65		Y	Y
1st Decile Income		Y	
% RSA Recipients			Y

t-statistics in parentheses, clustered by municipality.

The fully saturated model (column 3) suggests that local governments that increased social spending by 10% (deflated) could expect to gain a turnout increase of 1.7%, plus or minus 1.4%, in the subsequent election. This represents a substantial payoff, especially when considering that the effect may be compounded across several elections.

### *United Kingdom*

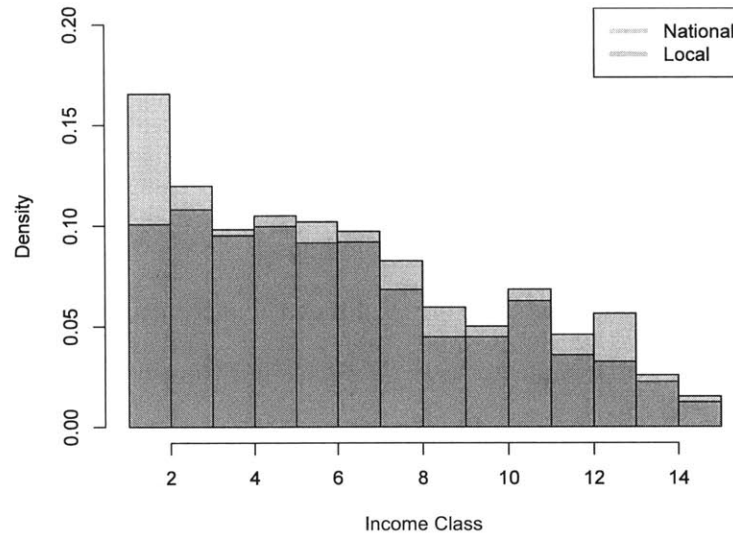
The evidence from France suggests that local social expenditures — while minute in comparison to national allocations — play a powerful role in shaping electoral participation within poor municipalities.

In this section, I focus more closely on the mobilizing effect of local service delivery by drawing on individual-level data from the British Electoral Study (BES). In contrast to other European surveys that measure electoral behavior, the BES pairs a large sample size with detailed questions that measure individual financial characteristics. As a result, it provides a unique tool to measure the direct relationship between benefit reciprocity and electoral behavior.

What do these data tell us about comparative participation in local/national elections

in the UK? As a descriptive measure, Figure 6 breaks down the composition of abstaining voters according to election type (the most recent local election and national election) and reported income class (reported in 14 categories, with 1 indicating the lowest income and 14 the highest).<sup>168</sup> Each distribution is presented on the same graph, by comparing the relative percentages of abstaining voters within each group, it is possible to observe comparative levels of electoral participation across election types.<sup>169</sup> Consistent with expectations, poor citizens were most likely to abstain from national elections, with 17% of all non-voters belonging to the lowest income category. However, for local elections, we observe a different pattern. Although the poor are still less likely to vote in local elections (consistent with Figure 1), the relative abstention rate is substantially lower, with the poorest income groups abstaining at similar rates to middle class voters.<sup>170</sup>

**Figure 6: Reported % Abstention in English Elections, by Income Class**



<sup>168</sup>2014 BES, Wave 1. Questions concerning local elections were only asked of English respondents; Welsh, Scottish, and Northern Irish citizens were dropped. Many respondents chose not to disclose their income. After attrition, the final sample size was 8023. Note that elections in England are rolling for many local authorities; as a result, reported voting behavior requires different levels of recall across districts.

<sup>169</sup>Each histogram uses the retroactive reported voting behavior among the same group of voters.

<sup>170</sup>The mean income class for non-voters was 6.24 for national elections, and 6.90 for local elections; the sample mean is 7.15

Why do the poor participate at elevated rates in local elections? Conventional wisdom holds that local elections in the UK are of limited valence, plagued by low participation rates and largely subordinate to national politics. Within this low salience environment, it is unclear why individuals with lower levels of education, political engagement, and knowledge would turn out at comparatively higher rates. Moreover, as in France, the delivery of benefits in the United Kingdom is primarily undertaken by the national government. Indeed after years of centralization under Conservative (to reduce costs) and Labour governments (to improve standards), local councils now exercise policymaking authority over only two direct benefits: public housing and discretionary reductions in local tax rates.<sup>171</sup>

In the remainder of the analysis, I examine the mobilization effect of one of these benefits: local council housing. Although the allocation of rent-controlled housing represents a minor benefit, especially when contrasted to the value of benefits received from the national government, the results suggest that the local context of benefit reciprocity is sufficient to substantially alter patterns of turnout and political behavior.

#### *Local Authority Housing and Electoral Behavior*

Historically, the provision of rent-controlled public housing in the United Kingdom served as a significant pillar of the post-war welfare state. Since the advent of Conservative legislation in the early 1980s, the proportion of individuals benefiting from council housing has significantly declined in favor of home ownership and private renting. However, the proportion of individuals benefiting from public housing remains relatively large, with 17% of all residents living in council properties as of 2010.

Public housing remains one of the few welfare benefits controlled directly by local authorities. Localities can influence the aggregate size of the housing sector by constructing

---

<sup>171</sup>Local authorities also administer local social services such as care for the elderly and disabled. However, these services are strictly regulated.

new properties or selling existing council properties to private developers. Perhaps more importantly, local councils exercise full authority over the housing allocation process.<sup>172</sup>

Since the total stock of housing is physically constrained, demand and eligibility for council housing typically exceeds local supply. This has resulted in lengthy wait-lists across England; in 2014, for instance, there were over 1.37 million households on the list.<sup>173</sup> As a result, the general population contains a sizeable number of ostensibly eligible individuals who are not in receipt of benefits. This degree of overlap implies that it is possible to plausibly identify the effect of receiving council benefits on local political behavior.<sup>174</sup>

To assess this question, I fit a logistic regression model on survey data from the 2010 and 2014 BES waves:<sup>175</sup>

$$Vote_i = \theta HomeOwner_i + \beta PublicHousing_i + \alpha_i + \gamma X_i \quad (4)$$

where the dependent variable is reported voting behavior in the most recent election,  $\alpha$  is a dummy variable indicating the survey wave, and  $X$  is a vector of individual covariates. In this specification, the omitted category consists of individuals who rent from the private market, and thus the coefficient of interest  $\beta$ , measures the voting behavior of benefit recipients relative to this comparable group.

The results, visible in Table 4, suggest that individuals with council housing are, on average, 6% more likely to vote in local elections, after controlling for a variety of individual-

---

<sup>172</sup>Councils use different background-blind allocation measures across the UK; the two most common allocate priority on the basis of a waiting list (+ local residency), and according to the degree of need.

<sup>173</sup>Local authority housing statistics, March 2014. Department for Communities and Local government.

<sup>174</sup>The ideal design would trace benefit reciprocity across a panel. However, recent survey waves have not been sufficiently large to conduct a study; this should be possible beginning with the expanded sample launched by the British Electoral Study beginning in 2014.

<sup>175</sup>2014: Wave 1. I combine the two waves to maximize the number of benefit recipients within the sample. The results that follow hold separately for each wave.

level background characteristics. When examining the subset of particularly disadvantaged voters (those in income category 1 or 2), the probability rises to approximately 7.5%; suggesting that local benefit delivery is particularly effective at mobilizing poor voters.<sup>176</sup>

**Table 4: Effect of Receiving Council Housing on Electoral Behavior**

	Full Sample			Low Income
<b>Local Electoral Participation</b>	3.41 (2.48)	5.69 (3.93)	6.16 (4.23)	7.53 (3.00)
n	11479	11462	11462	4478
<b>Vote for Local Incumbent</b>	3.37 (3.13)	3.57 (4.04)	3.52 (3.97)	4.45 (4.51)
n	26292	19391	19391	8535
Gender		Y	Y	Y
Income Class		Y	Y	Y
Education		Y	Y	Y
Ethnicity			Y	Y
Region			Y	Y

Logistic regression, t statistics in parentheses. Coefficients represent marginal probabilities. First row: 2010 and 2014 W1, British Election Study. Results are consistent within each wave (not shown). Second row: W2, 2014 British Election Study.

If individuals who receive housing support from local governments are more likely to vote, who do they vote for? To assess this question, I draw from a large BES survey (Wave #2) conducted immediately after the 2014 local elections. Matching respondent's geographic identifiers to the party in control of the local council prior to 2014, I assess the degree to which

<sup>176</sup>To place these figures in context, achieving a post-secondary education raises the likelihood of voting by approximately 6%.

respondents who received social housing voted for their local incumbent.<sup>177</sup> The results, visible in the second row of Table 4, above, suggest that local benefit delivery is associated with clear electoral returns. Citizens who received such benefits not only participated in higher numbers, but were more likely to vote for the incumbent administration.<sup>178</sup>

## **Mobilization through Social Spending: A Viable Strategy?**

In France and the United Kingdom, benefits provided by local governments remain small in scale. Nevertheless, the data suggests that even in these ‘least likely cases’, local benefit delivery plays an important role in mobilizing voters within poor districts.

Although proximity implies that benefit delivery is effective, it remains unclear whether exchanging social benefits for votes is a dominant electoral strategy over the long run. In contexts where these expenditures are funded via own taxation, for instance, increases in the level of provision may be accompanied by tax increases that effectively counter-mobilize wealthy voters. Nor is it immediately clear that higher turnout will provide a decisive advantage for local governments. Given that the delivery of benefits is non-contingent, there is no explicit guarantee that mobilized individuals will cast their votes for the incumbent. And depending on the dynamics of political support within a municipality, the additional votes mobilized by social spending may not be sufficient to sway electoral outcomes.

To shed light on this question, I turn to Italy, a rapidly decentralizing context char-

---

<sup>177</sup>Only councils controlled by the Conservatives, Labour, and Liberal Democrats were included in the sample. Hung councils were included in the sample if there was a clear minority government. Given that the question asked individuals to indicate their vote choice in the most recent local election, local elections dating back to 2011 were included in the sample.

<sup>178</sup>These results hold when controlling for the identify of the party dominating the local council, as well as when controlling for congruence between national and local party incumbency (not shown).



acterized by significant temporal and cross-sectional variation in municipal spending.<sup>179</sup> Examining how incumbents chose to respond to an influx of revenues resulting from the fiscal decentralization process, I demonstrate that governments which channeled these funds to redistributive expenditure dramatically increased their chances at securing re-election. The magnitude of the estimates suggests that local social expenditures not only leads to marginal improvements in participation rates and voting probabilities, but can consequential change local electoral outcomes.

### *Background and Research Design*

Unlike municipalities in France and the United Kingdom, Italian municipalities exercise authority over a wide range of social policies, ranging from in-kind services to direct cash payments to the local poor. Thus, while national legislation loosely protects citizens against discrimination on the basis of race, disability, or background, in practice municipalities have wide leeway (and experience little oversight) when determining the level of local social provision.

However, despite the high degree of policymaking authority, Italian municipalities have historically been revenue-starved. Prior to the mid 1990s, localities had no authority to levy taxes; as a result, municipalities relied on a mix of fee revenue and minimal transfers from higher levels of government. This situation changed in 1996, when the national government devolved tax authority to the regions and municipalities.<sup>180</sup> For the first time, municipalities received an independent source of revenue in the form of local property taxation. Moreover, a system of inter-municipal equalization and formalized grants dramatically increased the

---

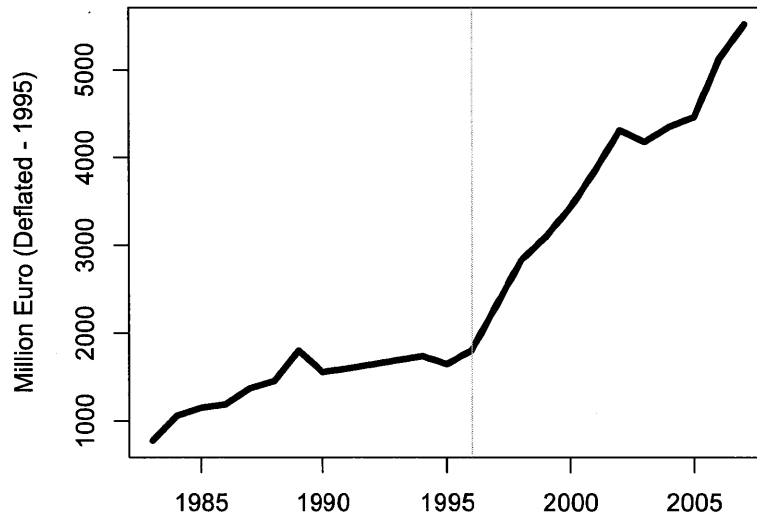
<sup>179</sup> Although these patterns should be visible in other cases in which municipalities exert discretion over social policy, I focus on a decentralizing context because a) mobilization potentials may remain untapped, and b) the dominant strategy may not yet be clear for local governments. In conjunction, this introduces significant variation in local spending priorities that can be used to tease out relationships between social spending and electoral outcomes.

<sup>180</sup> 1996 represents the first significant reform; a second was implemented in 2001

level of resources available to poor municipalities.

Local governments responded to this revenue infusion by substantially increasing the level of social spending, especially for programs targeted at the very poor. As seen in Figure 7 (next page) in the 10 year period between 1996 and 2006, total discretionary spending on social assistance (cash payments to the poor) nearly tripled — rising by 184% after correcting for inflation.

**Figure 7: Municipal Social Spending - Italy**  
Public assistance; Source: Istat Regional Database.



Despite the overall trend towards generous social provision, municipal responses to the revenue influx varied widely. Rather than raising social expenditures, some municipalities chose to maintain low tax rates or channel funds to other discretionary areas. In 2008 for instance, 26% of Italian municipalities were spending the same or a smaller portion of their budget on social protection as they had in 1998. In the following section, I evaluate the degree to which these varying responses to increased local revenues shaped patterns of political contestation.

## *Results*

How did re-election rates vary according to whether local governments chose to invest additional revenues in redistributive policy? To assess this question, I draw on a unique dataset of Italian local budgetary data and elections between 1998 and 2010 (n=7893 units, 21576 elections). Using a fixed effects logit model, I fit the following:

$$Reelection_{it} = \theta(\%BudgetSocial_{i,t}) + \beta X_{it} + P_{it} + t(P_{it}) + \delta_t + \alpha_i + \epsilon_{it} \quad (5)$$

where *Reelection* is a binary outcome which receives a positive value if the incumbent mayor or political party remains unchanged across an election <sup>181</sup>, *%BudgetSocial* represents the share of the local budget spent on social policy, *X* is a vector of covariates, and *P* is a dummy variable which represents the incumbent mayor's party.

Given that budgetary and electoral outcomes are multifaceted, this specification is not immune to omitted variable bias. However, two factors should increase confidence in the subsequent findings. First, the extended time span entails that the majority of municipalities appear in the sample across three different elections, permitting the inclusion of a fixed effect which controls for time-invariant factors that may influence re-election probabilities in particular municipalities. Second, given that local elections in Italy are conducted on a rolling basis, each of the 14 years within the dataset contains hundreds of election observations. <sup>182</sup> This rolling sample implies that the specification can plausibly separate the effect of the key independent variable (the % of the budget spent on social policy over the course of a term) from temporal trends that may dominate election outcomes or municipal budget trends in any given year.

---

<sup>181</sup>This coding is robust to mayors of minor parties switching affiliations or the natural retirement of local administrators.

<sup>182</sup>Italian municipal governments are elected for five-year terms. Although elections were originally held on the same date across the country, election dates have increasingly diverged. This stems from the ability of local executives to dissolve the municipal council and call a snap election. When this occurs, a new election is held the same year, effectively shifting the 'electoral cohort' of an individual municipality.

The results are visible in the top row of Table 6 (next page). Coefficients represent the estimated effect of increasing the budget allocated to local social spending by 1% on the marginal probability of re-election. Estimates from the full specification appear in column 4, while columns 1-3 relax the specification by excluding interaction effects or covariates. Across all models, there is a strong and significant effect of increases in local social spending on re-election outcomes. For instance, the results indicate that an incumbent who raised the social budget by 10% would be 2.8% more likely to be re-elected. In the context of competitive elections, these effects are substantively large, and suggest that in Italy, a strategy of targeting additional revenues towards the poor is associated with outsized electoral returns.

183

**Table 6: Effect of 1% Increase in Social Budget on Re-election and Turnout**

	1	2	3	4	5
<b>Marginal Probability of Re-Election</b>	0.30 (0.11)	0.29 (0.11)	0.29 (0.12)	0.28 (0.13)	0.41 (0.20)
Low Income Subset					Y
Unemployment		Y	Y	Y	Y
Population		Y	Y	Y	Y
Average Income		Y	Y	Y	Y
% Below Poverty Threshold		Y	Y	Y	Y
% Foreign Residents		Y	Y	Y	Y
Party			Y	Y	Y
Party Time Trend				Y	Y

Standard errors in parentheses, clustered by municipality.

<sup>183</sup>This strategy is primarily a programmatic one, in which incumbents use their authority to raise the level of provision to maximize support among poor voters. Yet some municipalities in Italy continue to stray beyond these boundaries: in 2012 within a suburb of Naples, for instance, the Department of Social Policy was investigated not for distributing food parcels to poor voters before the election (a legal activity), but rather for coupling these packages with a message informing recipients that their electoral behavior would be observed in the forthcoming local election. “Torre Annunziata, pacchi-spesa ai poveri prima del voto: inchiesta della Procura.” Metropolis, 13 June 2012.

## Conclusion

Over the last twenty years, local governments across Europe have been granted an increasing level of policymaking authority over redistributive programs. Yet despite the increase in autonomy, the response has been somewhat uniform. As demonstrated in Chapter 2, local control over social policy is consistently associated with increases in the level and scope of provision, with particularly dramatic increases in the generosity of programs targeted towards the very poor.

The degree of local investment in poverty relief initially presents a puzzle. In an era of declining electoral political participation and mobilization potential, scholars have suggested that parties gain substantial incentives to shift their focus to core voters and constituencies. Among left-wing parties in particular, these pressures have arguably been associated with a reduction in appeals targeted towards poor voters in favor of policy programs oriented towards those with secure economic status (Rueda 2005; Anderson and Beramendi 2012; Lindvall and Rueda 2014). Especially within the context of resource constraints, parties may simply no longer be able to afford directing scarce resources to weakly engaged voters on the political margins.

While ample evidence suggests that this realignment is taking place at the national level, this chapter has demonstrated that local service delivery generates a different electoral calculus. If nationally poor voters are less engaged and marginalized, the politics of proximity imply that poor voters occupy a central role in the local political process. Indeed, drawing from a unique dataset of 25,900 municipalities across Europe, this chapter has shown that the typical relationship between poverty and turnout is inverted in decentralized countries, with poor municipalities characterized by significantly higher participation rates in local electoral contests.

What explains this inversion? I have argued that local governments control a set of services and policies of high relevance to poor voters. Drawing on survey evidence, this

chapter has demonstrated that this congruence raises levels of engagement and political interest among the poor. Coupled with abstention among wealthy voters, the net result is that local electorates in decentralized countries are characterized by increased representation of the poor.

Yet the findings of the chapter also suggest that this ‘turnout inversion’ is not a passive process. Rather, proximity between incumbents and beneficiaries substantially alters the technology of vote mobilization. Although the evidence presented within this chapter and elsewhere suggests that national allocation of benefits is often insufficient to induce individuals to vote (Mettler and Stonecash 2008; Swartz et al 2009; Watson 2014), the delivery of local benefits appears to exert an outsized effect on electoral behavior.<sup>184</sup> From this perspective, the level of investment in local poor relief no longer presents a paradox. Indeed, the fusion of service delivery with electoral authority provides incumbents with the means and motivation to secure electoral status by transforming local beneficiaries into voters.

The next two chapters explore the limits of this strategy, asking to what extent electoral incentives to invest in local redistributive policy are tempered by immigration and local revenue constraints.

---

<sup>184</sup>Receipt of means-tested benefits, in particular is often found to be associated with a *reduced* likelihood of voting in national elections.

## Chapter 6: Immigration and Local Redistribution

In 2009, the town council of Opfikon, Switzerland, debated the “foreigner problem” affecting the municipality. Noting that 64% of local welfare benefits were being distributed to non-Swiss, several right-wing councilors argued that the town should cut transfers and services in order to discourage additional immigration and “reduce the number of foreigners.”<sup>185</sup> Despite disagreement within the council, this sentiment appears to have influenced the budget, with per capita social expenditures declining by 8% over the following two years.

Incendiary rhetoric aside, this mode of politics is not unique. International migration is rapidly transforming cities and urban communities across Western Europe. And unlike similarly diversifying contexts such as the United States, these demographic changes have occurred in a setting in which local governments are important actors in redistributive policy. Following extensive devolution over the last twenty years, local governments in many European states now exercise considerable discretion over a wide range of social benefits and local transfers.

What determines whether these local governments cut redistributive spending in response to immigrant settlement? Conventional wisdom suggests that a negative fiscal response may be inevitable. Building on an established literature within comparative politics, an influential perspective has argued that immigrant-fueled diversity will decrease support for generous redistributive policies by activating in-group bias (Alesina and Glaeser 2004). To date, survey evidence within the European context has largely reinforced these claims. Europeans consistently rank immigrants as the group least deserving of welfare benefits (Van Oorschot 2006). Similarly, cross-national and national studies have established that support for redistribution tends to decline as the pool of beneficiaries becomes increasingly diverse

---

<sup>185</sup>Protokoll des Stadtrates Opfikon: 5 Oct. 2009; 12 Jan. 2010; 17 Nov. 2011; 17 Jun. 2013.

(Semyonov et al 2006; Eger 2010; Dahlberg et al 2012; Burgoon et al 2012).<sup>186</sup>

Although the evidence suggests that many European citizens oppose redistribution to immigrant populations, it is less clear that these sentiments translate directly into reduced levels of provision. Although several studies have documented a downward bias in redistributive expenditure in response to immigration (Böheim and Mayr 2005; Soroka et al 2006; Monseney et al 2011; Speciale 2012), other analyses have found no effect when examining aggregate cross-national data (Banting et al 2006; Senik et al 2009; Brady and Finnigan 2013), or subnational data (Gerdes 2011). The emerging consensus is that while voter sentiment may be strongly affected by immigration, redistributive outcomes remain somewhat insulated; perhaps buffered by high baseline support for social provision (Crepaz 2007, Van Oorschot and Uunk 2007), active left-wing politics (Taylor-Gooby 2005), or legal protection of minority rights (Anderson 2006; Mau and Burkhardt 2009; Gerdes 2011; Banting et al 2012).

This chapter advances an alternative perspective. Focusing on the local setting, where the effect of immigration is most prominent, I shift the theoretical focus from public opinion towards the electoral incentives of incumbents. I argue that the manner in which local governments respond to immigration is conditional on the balance of social and political rights granted to foreign residents by higher level governments. Where immigrants have protected access to social benefits but lack the capacity to vote in local elections, parties across the political spectrum will have incentives to cut redistributive spending in response to immigrant settlement. However, where foreign residents have the ability to vote in local elections, I argue that incumbents gain strong incentives to use local cash transfers as a means to recruit immigrant votes. This tendency offsets downward pressure on social spending, inducing sustained gains in redistributive effort within settings otherwise hostile to immigration.

---

<sup>186</sup>Although note that the effect varies by demographic groups, and may be conditioned by characteristics of the immigrant population. See Hainmueller and Hiscox, 2007; Burgoon 2014.



I evaluate this argument in two stages. First, I assess the relationship between immigration and redistributive spending across nine countries characterized by local discretion over social provision. Drawing on original panel data from 22,185 municipalities, I establish a robust correlation between institutional variation in foreign voting rights and fiscal responses to immigrant settlement. Second, I examine two high-immigration countries that recently extended voting rights to foreign residents: Belgium and Switzerland. Exploiting a natural experiment related to variation in immigrant settlement at the time of the legal shift, I estimate the precise effect of extending foreign voting rights on subsequent levels of redistributive spending.<sup>187</sup> The results suggest that, on average, municipalities in Switzerland increased per capita social expenditures by 9% in the year immediately following the extension of foreign voting rights. A similar effect is visible in Belgium, where municipalities with large numbers of foreign residents increased expenditures by 12.5% after a national decision extended local voting rights to immigrant populations. Exploring these sizeable effects, I demonstrate that increased expenditures were driven by pre-election attempts to promote immigrant turnout via targeted increases in local transfers.

Viewed in tandem, these findings contribute to our understanding of the relationship between redistribution and immigration in Europe. Contra prevailing accounts, the results suggest that rising levels of immigrant settlement will not necessarily trigger a collapse in levels of provision. However, the findings also indicate that European polities are not wholly immune to negative fiscal responses. Rather, as this chapter will demonstrate, the relationship between immigration and local redistributive spending is strongly conditional on whether governments have incentives to view the foreign resident population as a political resource. Given that foreign political rights continue to vary widely across European states, this finding has important policy implications.

---

<sup>187</sup>See Vernby (2013) for a similar design focused on historic immigrant franchise in Sweden.

## Theoretical Approach

In many European countries, local governments exercise considerable discretion over welfare benefits and social services. However, localities have limited authority to legislate access to social programs. Accordingly, these services can be characterized as non-excludable goods, available in principle to all residents domiciled within a municipality.<sup>188</sup>

As a result, immigration is often accompanied by clear fiscal impacts at the local level. Although exceptions exist, immigrant populations in Europe tend to be drawn from low socio-economic backgrounds, and enroll in local welfare programs at a higher rate than natives. For instance, in Belgium, 40.4% of local cash transfers in 2012 were directed towards non-citizens, despite the fact that this group comprised only 9.7% of the population.<sup>189</sup>

From the perspective of politicians in diversifying municipalities, the relative cost of immigrant enrollment in social programs will vary according to the character of migrant political rights. Where foreign residents have full access to social benefits but lack the ability to vote in local elections, expenditure on programs dominated by immigrants will be costly in electoral terms. By channeling funds towards such programs, parties effectively distribute resources towards segments of the population that, by definition, cannot 'return the favor' in the form of votes. Accordingly, as the share of immigrant participation in such programs rises, the marginal electoral benefit of discretionary spending should decline. In these contexts, local incumbents interested in securing their re-election obtain powerful incentives to redirect discretionary funds elsewhere, particularly towards excludable goods or public goods characterized by a comparatively large share of voting beneficiaries.

These incentives differ markedly when foreign residents are granted the right to vote in local elections. In these contexts, social expenditure no longer offers a declining electoral

---

<sup>188</sup> National and international courts have actively protected immigrant access to social programs. As of 2014, immigrants have restricted access to local benefits in only three countries: Austria, Denmark, and the United Kingdom.

<sup>189</sup> Rates refer to pooled beneficiaries of the Revenue D'Integration and L'Aide Financiere.

return. *Ceteris paribus*, the inclusion of comparatively poor voters within the electorate will shift policies to the left as parties adjust to the preferences of the new median voter (Meltzer-Richards 1981; Lott and Kenny 1999; Vernby 2013). But although this passive process can be expected to promote local investment in social policy, characteristics of the local setting that imply that responses will be proactive and outsized. Specifically, in the context of low-salience elections with reduced turnout, the dominant electoral strategy consists of mobilizing votes at the margins rather than catering to core voters whose electoral participation remains uncertain (Nichter 2008).

From the perspective of local administrations, the immigrant population may thus be viewed as a crucial 'swing vote' available for capture. Given immigrants' outsized enrollment in social programs and their close interaction with local governments (via welfare offices), these populations can be easily targeted and may be particularly responsive to increases in discretionary transfers. Moreover, from the perspective of immigrants, the personalized nature of benefit delivery may enforce the perception that provision is partially contingent. Finally, local oversight over voter registration implies that incumbents possess an indirect means to monitor whether these increased expenditures effectively stimulate immigrant turnout in local elections.<sup>190</sup>

In sum, the ability to manipulate social transfers and services provides incumbents with a powerful means to shape immigrant turnout in local elections. These incentives should promote a substantial shift in local spending priorities, even in contexts where citizens are otherwise opposed to immigrant settlement. Given that targeted social expenditures tend to be private goods that are not easily visible to the wider public, local governments that target expenditures to migrants may reasonably expect that this strategy will produce electoral rewards that will outweigh potential backlash from core voters. Nevertheless, the availability

---

<sup>190</sup>While this may resemble clientelistic strategies observed in local elections in the developing world, it is important to note the extension of benefits is non-contingent, and thus not strictly clientelistic.

of the strategy will be constrained by local partisanship. In municipalities where incumbents are drawn from parties with little chance of benefiting from immigrant votes – a category which includes parties opposed to high levels of municipal expenditure, or more directly, anti-immigration parties – the extension of voting rights to foreigners should engender little immediate change in behavior. In these contexts, the effect of immigrant enfranchisement may be felt only over the long run as immigrants secure meaningful political representation – a prospect highly dependent on the density of immigrant populations and the level of their political participation.

## **Immigration, Voting Rights, and Local Redistributive Spending**

Before establishing the causal impact of foreign voting rights on responses to immigration, I first examine long-term relationships between immigrant settlement and redistributive spending across Europe. To do so, I select a subset of countries characterized by local discretion over social policy, as defined by the European Union’s Committee of Regions,<sup>191</sup> excluding any countries with low immigrant populations (predominantly in Eastern Europe).

The resulting sample includes 22,185 municipalities and spans five countries with foreign voting rights at the local level (Belgium, Denmark, Netherlands, Norway, and Sweden), and four countries without such rights (France, Italy, Spain, and Switzerland (German-speaking regions)).<sup>192</sup> For each municipality within the sample, I supplement data on foreign residency with yearly data on social expenditures. This measure is internally consistent within each case, as well as broadly comparable across countries. The variable excludes ed-

---

<sup>191</sup>The Committee publishes a formal overview of local political competencies in member states. See: <http://extranet.cor.europa.eu/divisionpowers/>. All of the countries have policy discretion over local social services and must fund a sizeable portion of such benefits with local taxation.

<sup>192</sup>Spain allows residents of non-EU Nordic states to vote in local elections. However, population levels are insignificant. In Switzerland, voting rights vary at the canton (state) level. The sample includes 4 cantons that do not allow foreign residents to vote in local elections: Basel-Landschaft, Bern, Luzern, and Zurich. I subsequently analyze patterns in cantons that do allow voting rights.

ucation and health-care costs, but encompass most aspects of local redistributive spending, including cash transfers to the poor and local social services (such as public housing, food programs, employment assistance, and rehabilitation programs).

Figure 1 plots the bivariate correlation between net social expenditure (re-scaled as a percentage of total net expenditure) and the share of foreign residents for each country,<sup>193</sup> with 2007 as the reference year to avoid bias stemming from the financial crisis.<sup>194</sup> The first row displays correlations for the five countries that permit foreign residents to vote in local elections. The observed relationship is strongly positive: as the level of immigrant settlement rises, municipalities spend a greater percentage of their budget on local cash transfers and social services. In contrast, in the four countries without foreign voting rights at the local level (bottom row), the relationship is predominantly negative, with diverse municipalities spending a smaller share of their budget on non-excludable social goods than their less diverse counterparts. Although care should be taken not to read too much into these bivariate relationships, at minimum the results suggest that the reaction to immigrant settlement has not been uniform.

Investigating these relationships further, I implement a panel design to obtain more reliable inferences concerning the effect of immigration on local social expenditure. For each country, I examine whether immigration induces a *change* in the level of social expenditure within particular municipalities over time. To do so, I fit the following:

$$\ln(Y_{it}) = \beta_0 \ln(Y_{it-1}) + \beta_1 F_{it} + \beta_2 X_{it} + \gamma_i + \tau_t + \epsilon_{it} \quad (6)$$

where  $Y$  measures net social expenditure per head, and  $F$  measures the local share of foreign

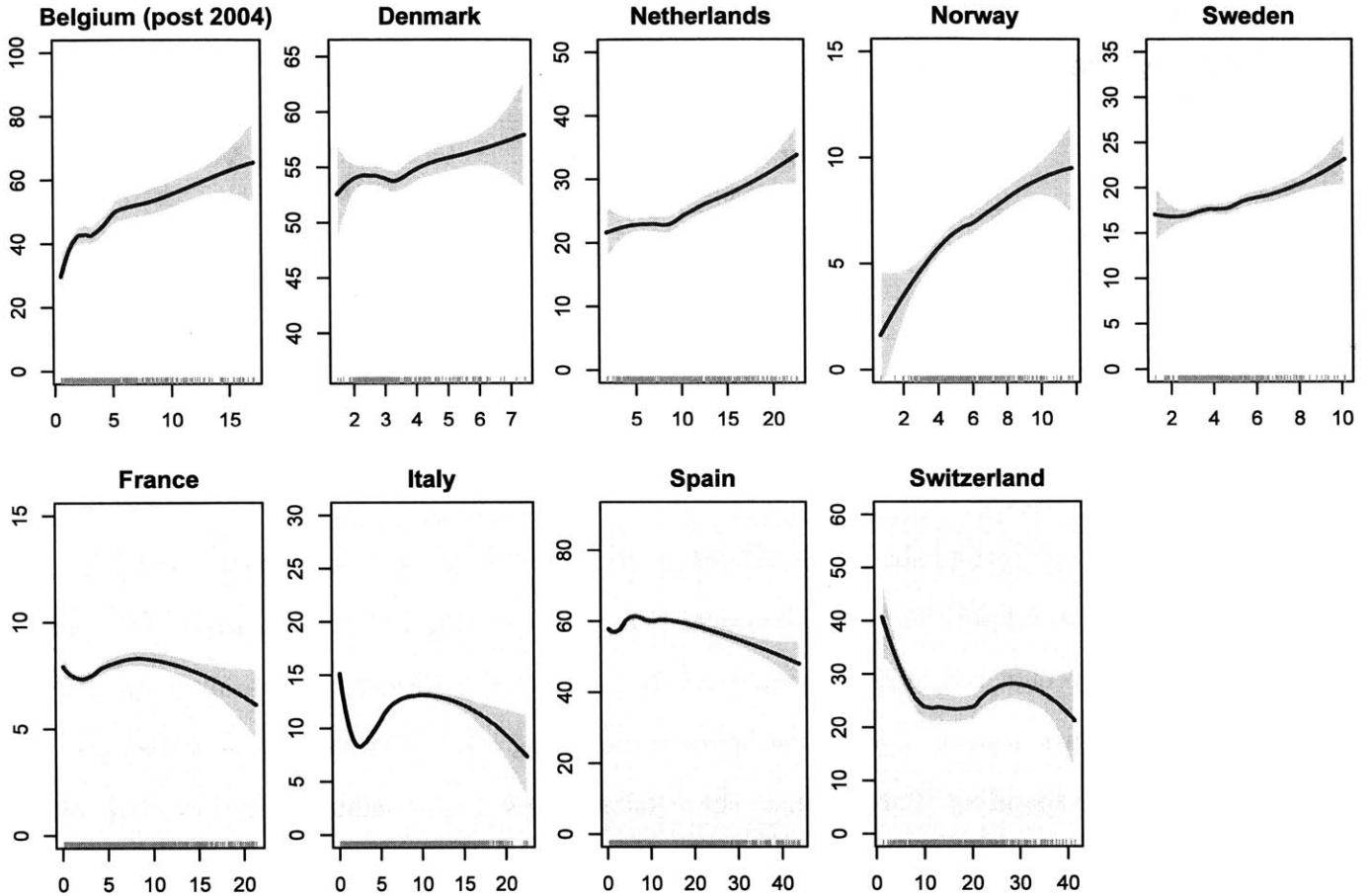
---

<sup>193</sup>Figures include EU residents to maximize comparability across EU and non-EU states. The relationships are unchanged when examining non-EU residents only. Results are similar when using expenditure per capita.

<sup>194</sup>The exception is Denmark, which restricted immigrant access to local welfare programs in 2002. As a result, I display correlations in 2001.

**Figure 1: Social Expenditure (% of Local Budget) vs % Foreign Residents, 2007**

Lines indicate a local polynomial fit, with 95% confidence intervals.



residents at the start of the calendar year. The specification also includes yearly dummies to adjust for period effects, as well as several controls that may plausibly influence local levels of spending, including the municipal population, local unemployment rate, the percentage of residents in the lowest tax bracket, and the local vote share for social democratic parties. The lagged term allows for expenditure levels to gradually adjust over time, but it may introduce Nickell bias in the presence of a fixed effect. Accordingly, I estimate this second

model using the Arellano-Bond GMM approach.<sup>195</sup> Results are visible in Table 2 (next page); each coefficient indicates the expected percentage point change in social expenditure following a 1% increase in foreign resident population within a municipality.<sup>196</sup>

**Table 2: Effect of a 1% Increase in Foreign Population on Social Expenditure**

	Local Voting Rights					No Local Voting Rights			
	BE	DK	NLD	NOR	SWE	FRA	ITA	ESP	SUI
Arellano-Bond	0.90 (0.39)	1.84 (0.47)	0.98 (0.73)	1.04 (0.49)	0.91 (0.36)	-0.83 (0.47)	-0.33 (0.13)	-0.59 (0.10)	-0.76 (0.33)
n	589	276	303	329	290	2912	8016	8110	1360
Years	05-11	95-02	05-11	05-11	00-11	06-12	03-11	02-09	00-11

Percentage point change. Standard errors in parentheses, clustered by municipality.

While the results should be viewed as correlational rather than causal, the findings provide strong support for the theoretical perspective outlined in this chapter. In countries where foreign residents are excluded from the local political process, municipalities display a robust negative correlation between increasing levels of immigrant settlement and redistributive spending. For instance, the results suggest that a municipality in Spain that experienced a 1% increase in foreign population share would be expected to lower its per capita social expenditure by approximately 0.6%, plus or minus 0.2%. In contrast, countries where immigrants are incorporated into the local political process are characterized by an altogether different relationship between immigration and local social spending. In these contexts, the result of additional immigration ranges from the insignificant (Netherlands) to strongly positive (as in Sweden, Belgium and Norway). The consistent signs across all

<sup>195</sup> I use the single-step system GMM estimator, with robust standard errors. See Arellano and Bond (1991). In the specification, I treat all variables apart from the year dummy as potentially endogenous and instrument each variable with multiple lags. Similar point estimates are obtained using the Anderson-Hsiao (1981) first differencing approach, albeit with larger standard errors.

<sup>196</sup> Results are robust to excluding covariates, including municipality-specific time trends, and excluding small municipalities from each country sample (not shown).

models strongly suggest that outcomes in Europe cluster around two loose equilibria, with institutional variation in foreign voting rights playing a key role in mediating local fiscal reactions to immigrant settlement.

## Identifying the Effect of Voting Rights Extension

Although the previous analysis suggests that foreign voting rights condition the relationship between immigration and local redistributive spending, it remains unclear whether this relationship is causal. For instance, if countries that are more likely to react favorably to immigrant settlement are more likely to extend voting rights to foreign residents, immigrant voting rights may simply accompany rather than generate the positive fiscal relationships observed in the previous section.

In order to rule out this possibility, I exploit temporal and subnational variation across two countries: Switzerland and Belgium. By examining how municipalities with different levels of immigrant settlement altered redistributive spending in response to plausibly exogenous shifts in voting laws, it is possible to identify the degree to which political rights mediate local fiscal responses to immigrant settlement.

I evaluate the effect of foreign voting rights extension in two countries rather than one as a deliberate measure to increase the external validity of the findings. Although both Switzerland and Belgium can be characterized as high-immigration countries, they differ in several important respects. Partly due to its outsized role within the European Union, Belgium possesses one of the most open immigration regimes in the developed world, and has championed international legislation protecting minority rights (Howard 2009; Goodman 2010; Koopmans 2010). In contrast, despite high levels of refugee settlement, Switzerland is generally viewed as hostile to immigration and has recently passed several punitive anti-immigration measures (Kriesi et al. 2005; Riaño and Wastl-Walter 2006; Green et al 2010). By analyzing the effect of foreign voting rights extension across two countries widely



perceived to be located at opposite poles of the immigration policy domain, I reduce the possibility that the results are confined to a particular socio-cultural or institutional context.

### *Cases and Empirical Strategy*

In contrast to the majority of Western European states that have extended voting rights, Belgium and Switzerland are characterized by fairly recent franchise extensions. In Belgium, local voting rights were extended to non-EU resident foreigners in 2004. In Switzerland, where voting rights vary at the state level, the cantons of Vaud, Fribourg, and Geneva implemented foreign voting rights in 2003, 2004, and 2005, respectively.

From the perspective of municipalities, the introduction of these voting laws can be described as plausibly exogenous. In Belgium, the mandate was imposed on municipalities by the national parliament, in the face of significant public outcry (70% of voters were opposed).<sup>197</sup> In the three Swiss cantons, foreign voting rights were implemented as part of process of constitutional reform that took place across all French-speaking regions in the early 2000s. Although previous attempts to introduce voting rights via referenda had failed, left-wing deputies in each canton were able to buck popular opinion and secure foreign voting rights via “logrolling” in constitutional conventions (Mellone 2010; Sina 2013).<sup>198</sup>

In order to determine the fiscal impact of extending foreign political rights, I focus on two sources of variation. First, I examine changes over time, measuring how municipalities modified social expenditures in response to the shift in voting laws.<sup>199</sup> Second, I exploit

---

<sup>197</sup> “Desunion sur le vote Immigre.” *Le Soir*. 27 October 2003. Flemish parties in particular were widely opposed the measure due to perceived electoral consequences in the Brussels region. In the subsequent analysis, I show that the results hold when restricted to Flemish municipalities.

<sup>198</sup> In Geneva, cantonal law permits constitutional changes to be voted on separately. This resulted in another failed referenda in 2001, which subsequently removed the foreign voting rights provision from the revised constitution. In 2005, the vote was repeated and passed with a narrow 52.29% margin amidst low turnout. Subsequent results are robust to the exclusion of Geneva from the sample (see Appendix Table A3).

<sup>199</sup> This approach provides more leverage in the Swiss case, where the introduction of voting rights were rolling, than in the Belgian case, where all municipalities switched in the same year.

the fact that levels of immigrant settlement differed widely at the time of the legal change.

<sup>200</sup> For instance, in 2004 the percentage of foreign residents varied from 0% to 21% across Belgian municipalities; in Switzerland variation was even higher, ranging from 1% to 50%. If the theoretical perspective outlined in this chapter holds – namely, that foreign voting rights condition the relationship between redistribution and immigration – we should expect the extension of voting rights to induce consequential shifts in social spending in municipalities with large foreign resident populations. In contrast, little to no deviation from expected year-over-year trends should be visible in municipalities lacking substantial foreign populations at the time of voting rights extension. <sup>201</sup>

### *Data*

For each case, I gathered yearly data on local redistributive expenditure. In Belgium, these figures were provided by Belfius Bank, and refer to municipal allocations to the local Public Center for Social Welfare (CPAS), which provides social services to the local population. Although rates for the basic poverty relief program – the RMI – are set by the national government, CPAS units have full discretion over additional cash transfers to the local poor, as well as services such as local public housing, medical assistance, and local employment programs (Carpentier 2009). Municipalities fund these discretionary activities and services, with all expenditures subject to oversight by the political council.

In Switzerland, these data are drawn from cantonal government sources and refer to municipal net expenditure on social services and poverty relief programs.<sup>202</sup> Municipalities independently set the budget for these items and finance a large portion via own revenues. Although all municipalities are statutorily required to provide social assistance (cash transfers)

---

<sup>200</sup>See Card (1992), and Vernby (2013) for a similar research design using two time periods.

<sup>201</sup>In other words, units differ in their exposure to the treatment as a function of foreign settlement. A similar design has been used by Card (1992), Vernby (2013), and Falch et al (2014).

<sup>202</sup>All figures are comparable across cantons, due to common accounting standards (GEFIS).

to poor residents, subject to a binding minimum standard, local administrations nevertheless retain considerable control over the final level of distributed cash benefits, leading to wide subnational variation in expenditures per beneficiary (Fluder and Stremlow 1999; Minas and Øverbye 2010).<sup>203</sup>

For each country, I also include several variables measuring economic factors that may plausibly influence levels of social expenditure, independent of any changes to voting laws. To measure the presence of local employment shocks, I include the municipal-level unemployment rate. I also control for increases in local poverty by measuring the percentage of residents in the lowest income tax bracket in a given year. Finally, I include a variable measuring local government debt – which may constrain financial autonomy – as well as social democratic vote share in the most recent local election.<sup>204</sup> The final dataset covers 458 Swiss and 588 Belgian municipalities between 1999 and 2010.

## *Results*

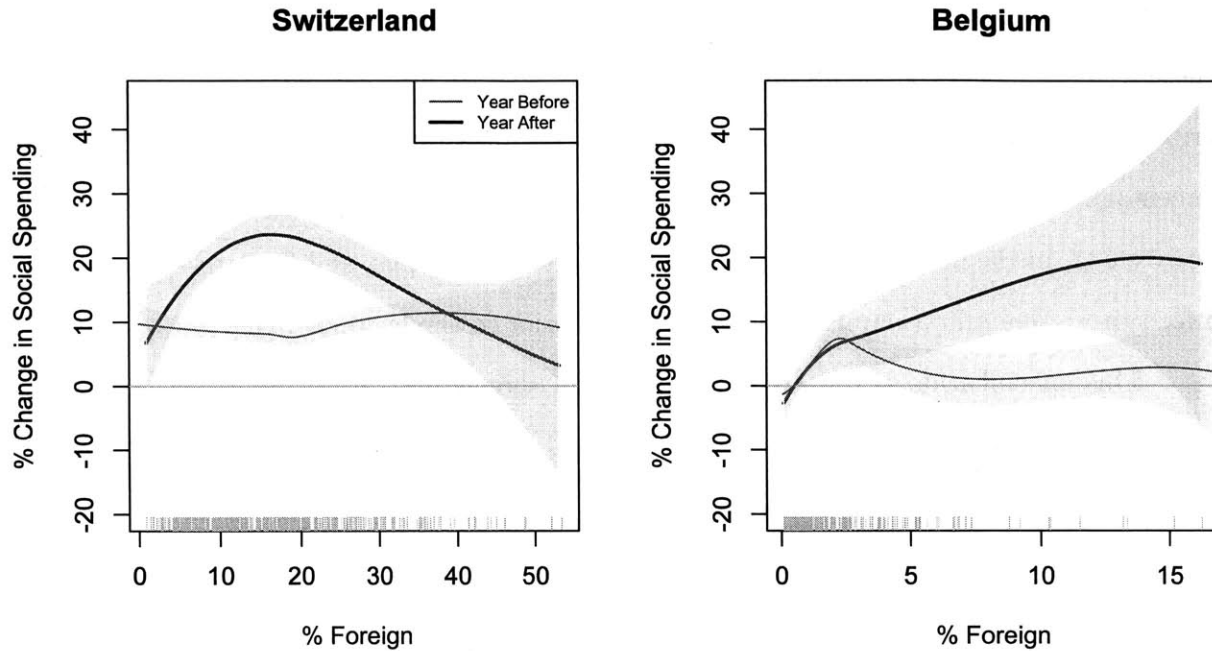
If the extension of voting rights influenced local fiscal responses to immigration, we should observe a significant deviation from historic expenditure trends in municipalities with high proportions of foreign residents. Figure 2, below, investigates this hypothesis by plotting year-over-year changes in (deflated) per head social expenditure as a function of local immigrant settlement, using a local polynomial smoother. The black line plots this relationship in the first full year after franchise extension, while the thin blue line measures the same relationship in the year preceding the legal change.

---

<sup>203</sup>The exact level of discretion over social assistance varies by canton. Compared to the other municipalities in the sample, municipalities in Geneva possess more limited discretion over expenditure levels. However, note that the inclusion of these municipalities in the analysis should bias the result downward.

<sup>204</sup>In Belgium this data corresponds to vote shares for local councils. In Switzerland I use vote shares in national elections to prevent attrition. See Hainmueller and Hangartner (2013) for a similar approach.

Figure 2: % Change in Social Spending after Voting Rights Extension



These descriptive results strongly suggest that the introduction of foreign voting rights induced substantial and immediate increases in social expenditure in both Swiss and Belgian municipalities. Although no significant difference in year-over-year expenditures can be observed for municipalities with comparatively low levels of immigrant settlement, municipalities with large numbers of foreign residents sharply increased redistributive expenditures in the year immediately following the legal change – a pattern not visible in prior years (blue line). The scale of the observed effect increases with the size of the foreign population, with the effect only subsiding in municipalities with extremely high levels of immigrant settlement.<sup>205</sup>

In order to rule out the possibility that these patterns are driven by unobserved het-

<sup>205</sup>Speculatively, we may observe reduced effects at higher levels because a) these contexts may be characterized by reduced financial flexibility, and b) the high volume of immigrants and the need to maintain local public order may have induced fiscal concessions in these locations.

erogeneity, I fit the following model using panel data:

$$\ln(Y_{it}) = \alpha_i + \delta_t + (\alpha_i * t) + \theta(V_{it} * F_{i,t-1}) + \beta X_{it} + \epsilon_{it} \quad (7)$$

where  $Y$  measures social spending per head,  $X$  is a vector that includes the covariates described in the previous section, as well as variables measuring logged population and the percentage share of foreign residents,  $V$  is a binary indicator for foreign voting rights and receives a ‘1’ in the first full calendar year such rights were active, and  $F$  represents the share of foreign residents in a municipality in the year prior to the legal change.

This specification is quite conservative and should provide an unbiased estimate of the effect of voting rights extension on local fiscal outcomes. The fixed effects and yearly dummies ( $\alpha_i$  and  $\delta_t$ ) account for any unobserved factors that differ across municipalities and time periods. Similarly, the unit-level time trend, ( $\alpha_i * t$ ), controls for unobserved variation in expenditure growth rates across municipalities. Finally, explicitly interacting the treatment ( $V$ ) with the mediating variable ( $F$ ) ensures that no significant effect will be detected if shifts in spending are not related to the level of local immigrant settlement.<sup>206</sup>

Before presenting the results, I fit an additional model in order to gain insight into how the response varies across municipalities. To do so, I adopt a semi-parametric approach. I first divide municipalities into five evenly spaced bins according to the level of immigrant settlement, and then measure how the effect varies across each quantile:

$$\ln(Y_{it}) = \alpha_i + \delta_t + (\alpha_i * t) + \theta_{1:5}(V_{it} * F_{1:5,i}) + \beta X_{it} + \epsilon_{it} \quad (8)$$

Table 3 (next page) displays point estimates for both specifications. The results con-

---

<sup>206</sup>The interacted specification provides more conservative estimates than a standard fixed effects model, which does not account for treatment heterogeneity across units. Note that the Belgian model is not biased by the exclusion of ‘V’ due to the presence of yearly dummies. The Swiss model includes an independent term for ‘V’ in addition to the interacted term, this coefficient is insignificant across all specifications and is not reported. See the Appendix for alternative specifications.

firm the previous analyses, and suggest that the extension of foreign voting rights induced a sharp increase in local redistributive expenditure. For instance, the coefficients from the first specification suggest that a Swiss municipality with 13% foreign residents (the mean) responded to the change in voting laws by increasing social expenditure by 5.9%, plus or minus 2.3%. In Belgium, where immigrant settlement was markedly less dense, municipalities at the mean nevertheless increased their redistributive expenditure by 2.1%, plus or minus 1.8%, above and beyond expected yearly trends. In each case, these figures imply a substantively significant increase in redistributive effort.

**Table 3: Effect of Voting Rights Extension on Social Spending**

	Effect at Mean	By Quantile of % Foreign				
		1	2	3	4	5
Switzerland % $\Delta$ <i>n=458</i>	5.88 (1.14)	1.16 (2.42)	1.29 (3.15)	<b>9.21</b> (2.83)	14.04 (2.89)	7.16 (2.71)
Belgium % $\Delta$ <i>n=588</i>	2.06 (0.91)		-6.69 (-9.29)	4.51 (4.70)	6.88 (5.46)	<b>12.50</b> (4.88)

Standard errors in parentheses, clustered by municipality. Bolded estimates refer to the quantile that includes the mean level of foreign settlement. The first quantile for Belgium is omitted to prevent collinearity with the yearly dummy. Similar results are obtained when excluding the dummy and including a cubic time trend. Omitting the lowest quintile for Switzerland does not affect the results.

The results from the binned analysis (presented in right-hand side of Table 3) provide further support for this relationship. The extension of voting rights had no discernible effect in municipalities with low foreign resident populations. In contrast, large deviations from expenditure trends can be observed in municipalities with high immigrant settlement. In Switzerland, the largest increases in expenditure occur in municipalities within the 4th quantile, which corresponds to municipalities with a proportion of foreign residents ranging between 14% and 21%. In Belgium, significant results are confined to the top quantile, which includes all municipalities with more than 2% foreign residents. The fact that significant

effects are only detected for municipalities where immigrants form a viable voting bloc is consistent with the theoretical perspective.

#### *Robustness Checks*

These results are robust to a variety of alternative specifications. As shown in Appendix Table A1, point estimates for both models remain consistent when covariates or unit-level time trends are omitted. The results also survive when including quadratic time trends, or when excluding low population municipalities (which may be characterized by skewed per capita expenditures). Finally, in Appendix Table A2 and Figure A1, I show that similar results are obtained when varying the number of bins or when using a Generalized Additive Model (GAM).

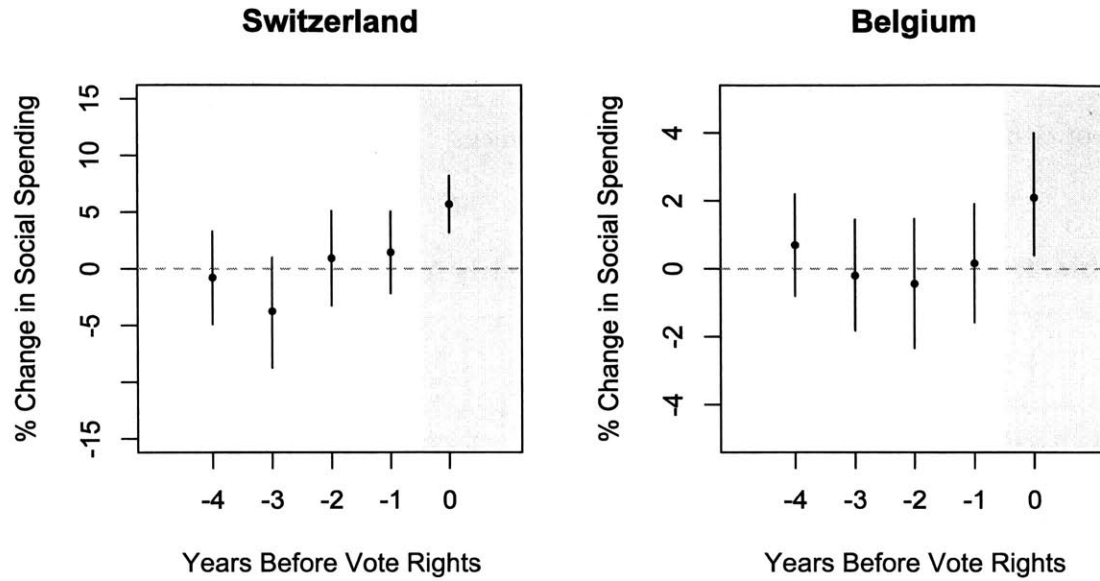
A more pressing concern relates to the sensitivity of the test. If municipalities with high numbers of foreign residents are more likely to deviate from historic spending trends on a year-to-year basis, the specification could conceivably detect a statistically significant effect where none exists. To evaluate this possibility, I include a placebo test that evaluates whether an effect can be detected in the years preceding the actual change to voting laws. Figure 3 (next page) displays the estimated change in social spending (using the non-binned specification), in the first full calendar year following the change to voting laws, as well as in four preceding years (-4 to -1). No significant effects are detected for prior years and the point estimates remain small, suggesting that the model is not overly susceptible to a false positive.

#### *A Consequential Shift?*

In Belgium and Switzerland, the extension of political rights to foreign residents induced sizeable increases in social spending. However, is not clear whether these immediate increases are sufficient to eliminate downward pressure on spending resulting from immigration. This question is especially relevant for municipalities where a sizeable portion of voters are opposed to immigrant settlement. In these contexts, we might expect that the effect of voting rights

**Figure 3: Placebo Test**

Point estimates and 95% CIs, evaluated using the model in the first column in Table 3.



extension will be muted as parties seek to cater to their existing base.

To assess the degree to which public opinion constrains local fiscal responses, I focus on a subset of municipalities characterized by a high degree of anti-immigrant sentiment. Since existing survey data does not permit a direct measure of local sentiment, I rely on two strong proxies. For Switzerland, I restrict the sample to municipalities where a majority of citizens voted against extending foreign voting rights in (failed) referendums. For Belgium, the sample includes municipalities with above mean vote share for single-issue anti-immigrant parties in the 2003 federal elections (Front National and Vlaams Blok).<sup>207</sup>

Table 4 displays point estimates for this subset of municipalities with anti-immigrant sentiment. When compared to the estimates obtained for the full sample (Table 3), the results suggest that, if anything, local governments in these contexts were *more* likely to increase the level of social spending in response to immigrant enfranchisement. Although

---

<sup>207</sup> Electoral districts in local and national elections do not fully coincide; I measure vote share at the canton level. The result also holds when subsetting the sample to include municipalities in Flanders only.



the magnitude of this effect may be partly driven by a downward bias in expenditure in the pre-reform period, the results nevertheless imply that the extension of voting rights is sufficient to induce large increases in redistributive effort within settings where a significant portion of citizens are opposed to immigrant settlement.

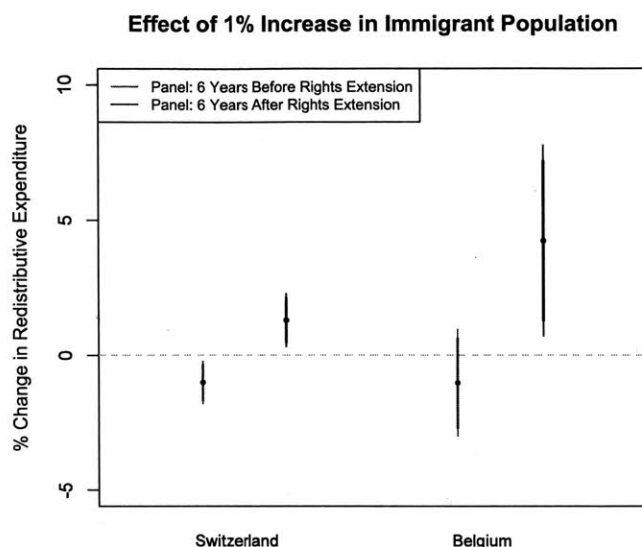
**Table 4: Effect of Extension, Localities with Anti-Immigrant Sentiment**

	Average	By Quintile				
		1	2	3	4	5
Switzerland % $\Delta$ <i>n=239</i>	7.11 (1.08)	4.85 (2.95)	1.73 (3.50)	8.92 (3.87)	16.39 (4.54)	7.45 (5.76)
Belgium % $\Delta$ <i>n=322</i>	3.04 (0.76)		4.34 (9.54)	14.51 (9.91)	16.18 (8.42)	20.76 (8.31)

Standard errors in parentheses, clustered by municipality.

To what extent does this changed response to immigration persist over time? Examining the same subset of municipalities, Figure 5 displays estimates from a fixed effects model which measures the effect of an increase in foreign resident population on downstream spending (similar to Table 2), for the pre-reform and post-reform period. In the years prior to the change in voting laws, the effect of immigration was negative, with additional immigration associated with decreased redistributive expenditure. However, after the introduction of voting rights, the effect of additional immigration in both countries is positive, with increased levels of foreign settlement associated with increased redistributive effort. This reversal suggests that the introduction of voting rights led not only to an immediate increase in local redistributive expenditure, but rather shifted the relationship between immigration and redistributive spending over the long run.

**Figure 5: Estimated Effect of a 1% Increase in Immigrant Population**



## Evaluating the Mechanism

Consistent with the cross-national evidence, a shift in voting laws significantly altered the manner in which local governments in Belgium and Switzerland responded to immigrant sentiment. However, the political process driving increases in local social expenditures remains opaque. Drawing on detailed electoral and administrative data, this section demonstrates that this process is most consistent with a mechanism in which incumbents proactively direct benefits to immigrants in order to capture their votes.

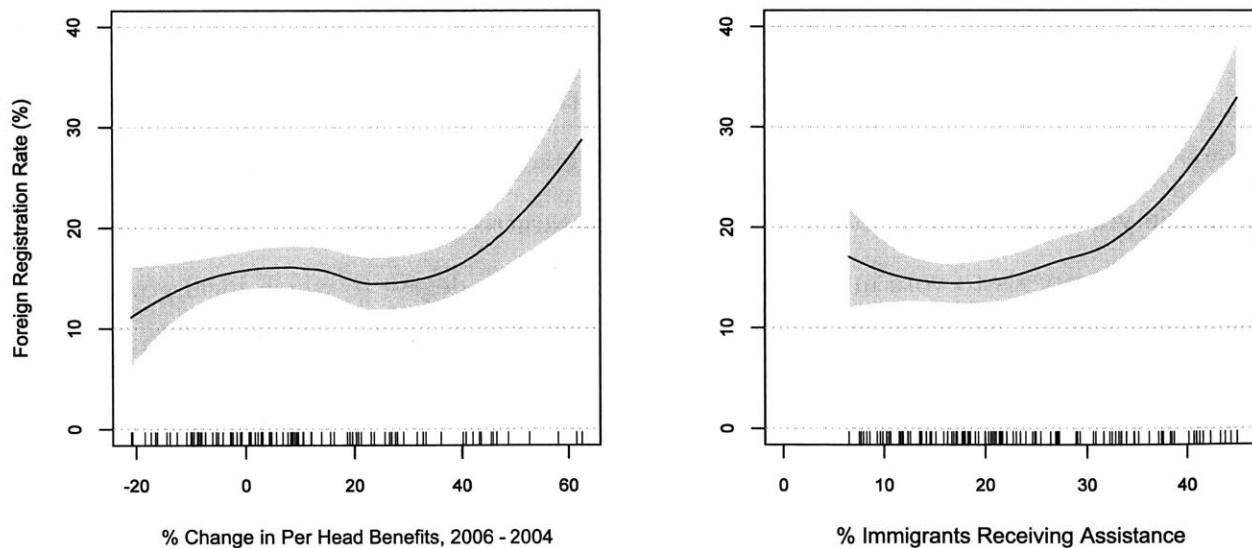
This process has three observable implications. First, we should expect spending increases to precede elections and be narrowly targeted to programs dominated by immigrants in the years preceding elections. Second, these targeted increases should be accompanied by direct appeals to vote in local elections. Finally, the degree to which local governments engage in this strategy should vary depending on whether incumbent parties stand to benefit from increased levels of immigrant participation.

To evaluate the first implication, I draw on benefit rate data. In Belgium, I focus on the yearly per beneficiary expenditure on *L'Aide Financiere*, a discretionary cash benefit

distributed by municipalities. In contrast to the main poverty relief program, the RMI, *Aide Financiere* is dominated by immigrants, who accounted for 97% of all beneficiaries in 2003.

If benefits were extended as part of a deliberate strategy of voter recruitment, we should expect to observe a strong correlation between benefit generosity and immigrant turnout in local elections. Accordingly, the left-hand panel of Figure 6, plots the observed registration rate of newly enfranchised voters against the percentage change in benefit rates, for all municipalities in the top quantile of immigrant settlement. The positive correlation suggests municipalities that cut benefit rates observed lower than average voter registration in the 2006 election. In contrast, immigrants registered at higher than average rates (and were subsequently subject to compulsory voting) in municipalities that substantially increased cash transfer rates. Further evidence for the mechanism is visible in the right-hand panel of Figure 6, which plots the foreign registration rate against the percentage of immigrants previously receiving social assistance within a given municipality. Consistent with a strategy of targeted recruitment, the greater the degree of interaction between the foreign resident population and local government (in the form of interaction with local welfare office), the higher the registration rate for local elections.

**Figure 6: Benefits and Vote Registration in Belgium**



The strategy of exchanging targeted benefits for votes is directly visible in the political actions of local governments during this period. For instance, in Brussels, the municipal government increased the budget for social assistance by 17% in the year immediately following franchise extension. In conjunction, the government also implemented a policy in which information on voter registration would be delivered in tandem with welfare benefit packages.<sup>208</sup> Across Belgium as a whole, efforts to link benefit distribution to vote mobilization fueled accusations of clientelism, culminating in the resignation of the President of the Wallonian Parliament, whose office had unintentionally leaked a memo indicating the intention to use public funds to recruit immigrant votes for socialist parties.<sup>209</sup>

Despite data limitations, similar patterns are visible in Switzerland. Although no cantons provide detailed municipal data on immigrant benefit rates, the canton of Fribourg publishes aggregate data on cash transfers that can be used to gauge relative generosity. The left-hand panel in Figure 7, plots the ratio of cash transfers provided to Swiss natives versus immigrants in Fribourg. Although in practice Swiss law prohibits discrimination on the basis of citizenship, the level of actual benefits distributed to foreigners in the pre-reform period is significantly less than the amounts distributed to natives. Notably, however, the introduction of voting rights (gray lines) between 2004 and 2005 is associated with a substantial increase in relative benefit levels, with the effect persisting across subsequent years.

This pattern is consistent with the rhetoric of the period. After the reform in Vaud, the Socialist party in Renens released a memo recognizing the “need to encourage electoral participation” for the “nearly 5,000 new foreign voters”, in part by increasing expenditure on “subsidies” and “public housing.”<sup>210</sup> Similarly, parties in Geneva favored “targeted

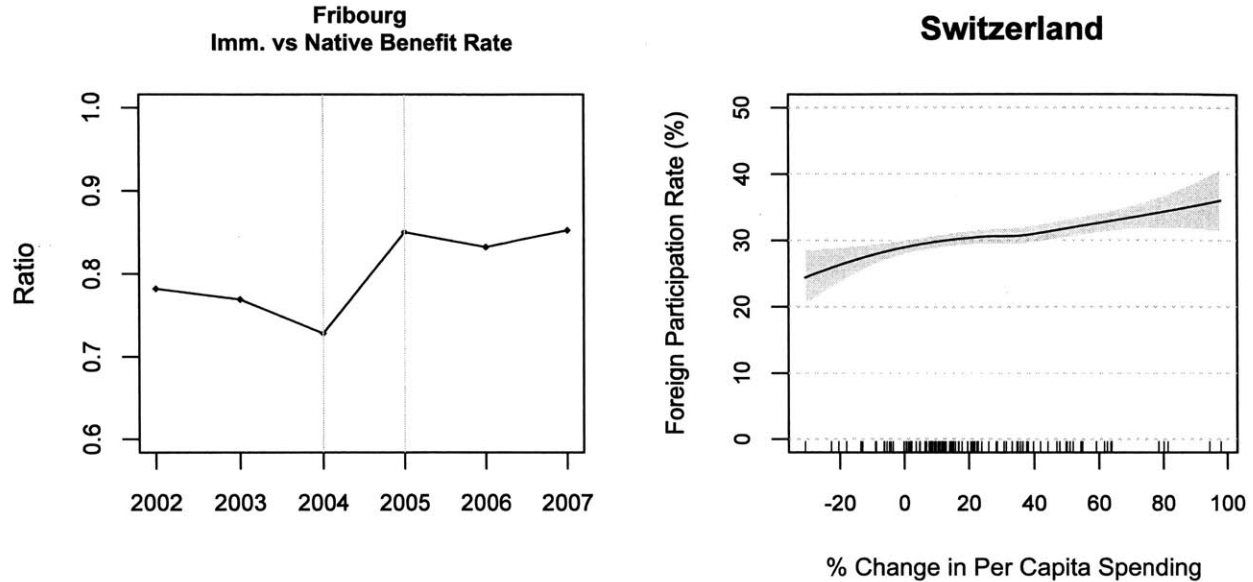
---

<sup>208</sup> “Faciliter l’accès au vote pour les étrangers.” *Le Soir*. 7 February 2006.

<sup>209</sup> “Une décision logique qui calme le soupçon.” *Le Soir*. 25 October 2004. “Un courrier pour inciter les étrangers à voter.” *Le Soir*. 19 May 2006

<sup>210</sup> Manifesto, 2004. [http://www.ps-renens.ch/?page\\_id=727](http://www.ps-renens.ch/?page_id=727)

Figure 7: Targeting and Turnout in Switzerland



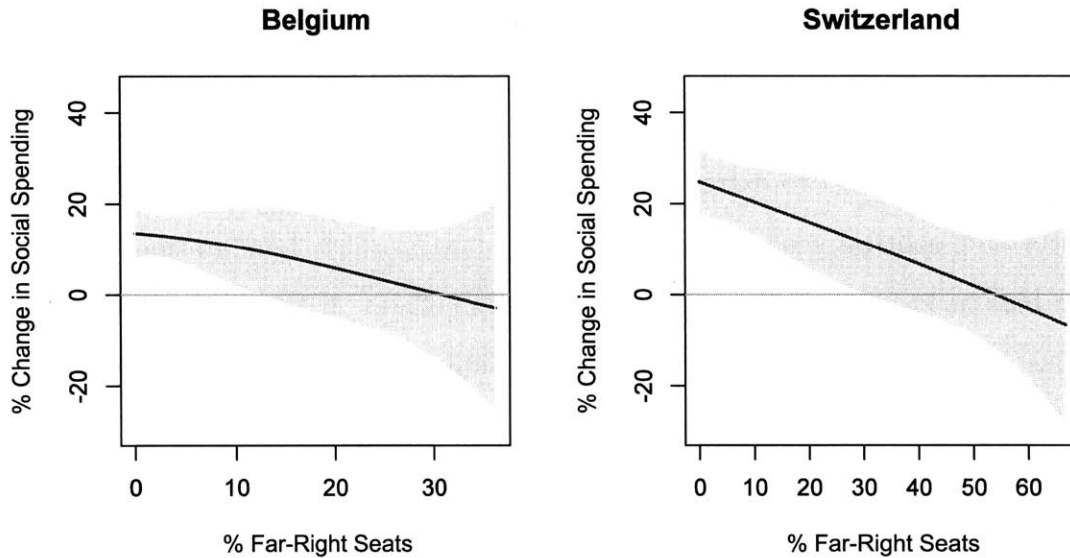
measures” to encourage immigrant electoral participation.<sup>211</sup> As in Belgium, these efforts appear to have been successful at driving immigrants to the polls. As seen in the right-hand panel of Figure 7, which draws on data from all three cantons, an increase in spending in the pre-election period is strongly associated with higher turnout in local elections.

Although the adoption of this strategy in Belgium and Switzerland was widespread, it was not universal. Reflecting the deliberate nature of the response, local governments refrained from targeting expenditure increases to foreign residents when they could not expect to credibly benefit from immigrant votes. To demonstrate this, Figure 8 plots the observed effect of enfranchisement as a function of local partisanship. The horizontal axis plots the seat-share of far-right parties (Belgium: VB, FN, DN, VUID; Switzerland: SVP, Lega, FPS) on local political councils, while the vertical axis displays the change in social

<sup>211</sup>December 2006. <http://www.verts-ge.ch/nos-idees/communiqués-de-presse/item/2-droit-de-vote-des-étrangers-attentes-des-verts-genevois.html>

spending triggered by the introduction of foreign voting rights. The results suggest that local councils with a plurality of far-right councilors were unlikely to modify their behavior in response to the extension of foreign voting rights.<sup>212</sup>

**Figure 8: Effect of Vote Right Extension, by Partisanship of the Local Council**



When viewed together, these results provide strong support for the claim that increased levels of redistributive expenditure are driven, at least in the short term, by particularistic attempts to use cash transfers to proactively stimulate immigrant turnout. While subtle, the distinction between this mechanism and a more general enfranchisement effect, in which spending levels gradually adjust to a corresponding shift in the preferences of the median voter, is theoretically important. Although both processes will be active over the long run, the redistributive response in the latter case is strongly dependent on whether the newly enfranchised group actually participates in local elections and the manner in which

<sup>212</sup> Cumulatively, the findings suggest that while diffuse anti-immigrant sentiment is insufficient to blunt reform, mobilized anti-immigrant sentiment (in the form of local party representation) is.

they express their preferences.<sup>213</sup> In contrast, the particularistic mechanism provides strong incentives for local administrations to raise levels of spending even in the absence of high political participation. Given extant pressures in European society to limit social expenditures towards immigrants, the counteracting effect of these political incentives may play an important role in securing equality in redistributive outcomes.

## Discussion

Existing accounts that assess the impact of immigration on redistributive spending in Europe tend to oscillate between two extremes. Building on an established literature in comparative politics and political economy, many accounts suggest that immigration will activate an ethnic bias in local expenditures, precipitating a collapse in levels of provision. Other studies have disputed these claims and instead argue for a form of European exceptionalism, noting that strong institutions and active left-wing politics may effectively insulate European contexts from negative fiscal responses to immigrant settlement.

This chapter has demonstrated that neither characterization is entirely accurate. Drawing on panel data from 22,000 European municipalities, I have demonstrated that the response to immigration in Europe is not uniform, but rather bimodal. Although increased immigration is associated with declining redistributive expenditure in many European countries, in other contexts the association is strongly positive.

Focusing on the set of incentives facing local policymakers, this chapter has argued that these two modes of politics are driven by variation in the social and political rights granted to foreign resident populations across European states. In contexts where foreign residents have full access to social benefits but lack the capacity to vote, allocating scarce resources to redistributive programs often implies negative electoral returns. In contrast,

---

<sup>213</sup>See for instance, the initial muted effects for female enfranchisement in the United States; larger shifts in expenditure occurred as female voters were gradually mobilized.

where foreign residents are activated as a potential electoral resource, incumbents gain substantial incentives to use local cash transfers to mobilize immigrant votes. As demonstrated by the Belgian and Swiss cases, this instrumental response offsets downward pressure on redistributive expenditure.

This finding that the mere extension – and not necessarily the exercise – of foreign political rights plays a key role in mediating responses to immigration settlement has important implications for the growing body of work focused on integration, public goods, and ethnic diversity within Europe. The findings also resonate with an emerging literature in comparative politics that focuses on how decentralized systems of redistribution provide tools for local politicians to engage in clientelistic behavior. While it would be inaccurate to characterize the distribution of cash transfers to immigrants as fully clientelistic given their non-contingent nature, the results of this analysis suggest that variation in redistributive expenditures is far more instrumental than typically acknowledged within the European context, with levels of redistribution depending more on local electoral calculations than on programmatic party platforms.

Before concluding, one important caveat is in order. While the findings indicate that the extension of voting rights induce a consequential shift in local fiscal responses in the short-term, the data does not support concrete predictions on whether these equilibria will be sustainable over the long run. Although the evidence from the Netherlands and the Nordic countries suggests that positive relationships may be maintained even 20 years after franchise extension, it remains possible that the longevity of this effect is conditional on other factors. In particular, the positive influence of extending local voting rights may eventually be outweighed by mobilized anti-immigrant settlement.<sup>214</sup> For instance, the finding that

---

<sup>214</sup> See Harmon (2012), who uses an IV estimator on Danish municipalities to demonstrate that immigration directly increases support for anti-immigrant parties among natives. Depending on their size, these effects may limit the effects of immigrant enfranchisement in contexts in which local anti-immigrant parties are sufficiently mobilized.



far-right parties in Belgian and Swiss local councils effectively suppress increases in social provision raises the question of whether social services spending can be maintained as far-right vote share increases. Similarly, the empirical results do not answer the question of what happens if enfranchised immigrants choose not to exercise political voice. In contexts where immigrant populations are unresponsive to local cash transfers and refrain from participating in local elections, incentives to engage in targeted voter recruitment may subside over the long run.

Despite this note of caution, these findings have important policy implications. Contemporary modes of integration and immigration policy in Europe predominantly focus on securing migrant's social and economic integration, with political rights often extended as a capstone or reward for successful accommodation with society. The results of this chapter suggest that if governments seek to ensure equality in local outcomes and avoid a 'race to the bottom' in benefit levels, this approach may be somewhat misguided. Rather than legislating and enforcing equality, it may be more effective to activate migrant populations as a political resource and provide local politicians with concrete incentives to distribute scarce benefits to immigrant populations.

## Chapter 7: Local Tax Structure and Redistribution

The politics of proximity provide clear incentives for local governments to invest in redistributive policy. Yet the level and pace of investment varies across national contexts: while local government expenditure within the majority of EEA countries has increased dramatically over the past twenty years, the observed rate of growth in other contexts is more moderate.

This chapter explores the degree to which these patterns are shaped by the structure of local tax revenues. While local governments can expect investment in social policy to yield clear electoral returns (Chapters 5 and 6), the financial consequences of prioritizing a mobilization strategy vary across different modes of taxation. Specifically, this chapter argues that in systems dominated by property taxation, policymakers face countervailing incentives to maximize local property values by favoring investment in broad public goods, rather than expenditure on targeted goods such as social policy. In contrast, where local revenues are primarily derived from income taxation, policymakers may direct expenditures towards local redistributive policy without fearing a corresponding loss in downstream revenue.

I test this argument in two stages. First, to establish external validity, I draw on panel data from across the OECD, and demonstrate that increases in the revenue share of property taxation are associated with stasis or short-term declines in the level of local social spending. Second, to investigate the internal validity of these relationships, I examine the redistributive output of local governments in Italy, where municipalities exercise considerable discretion over cash transfers to the local poor. More importantly, Italian localities have experienced exogenous variation in the structure of municipal revenues, permitting credible causal estimates. Examining panel data from 8,100 Italian municipalities and exploiting an instrument related to historic property values, I identify the causal effect of tax structure on local redistributive spending. The results across both analyses confirm the hypothesis, and suggest that a reliance on property taxation moderates incentives to invest in local

redistributive policy.

By leveraging a nested research design and demonstrating that the relationship between decentralization and redistributive spending is conditional on the structure of local revenues, this chapter sheds light on an important scope condition that nuances our understanding of local redistributive politics. In the tug of war between electoral benefits and fiscal constraints, the balance appears to be more delicate in settings where local government revenue is tightly linked to property values.

## Incentives and Revenues

The argument that the structure of tax revenues influences local government behavior builds on several related literatures within political economy. At the national level, scholars have argued that the progressivity or regressivity of the tax system has important consequences for redistributive policy. For instance, Wilensky (2002) and Kato (2003) have argued that historic regressivity spurred increased investment in universal transfers within Nordic states. In contrast, systems initially financed by progressive tax schemes were unable to generate the additional political capital to implement post-tax redistributive spending.<sup>215</sup> At the subnational level, research has suggested that fiscal discipline tends to vary as a function of revenue sources. Specifically, when local governments receive revenues in the form of grants from higher-level governments, they gain substantial incentives to overfish the common pool. Absent perceived costs to local taxpayers, local governments that depend on transfer revenue rather than ‘own revenues’ tend to spend with impunity. This pattern — known as the ‘flypaper effect’ — has been consistently supported within subnational and cross-national data (Hines and Thaler 1995; Rodden 2003; Fiva 2006; Prohl and Schneider 2009; Cassette and Paty 2010).

---

<sup>215</sup>For a contrasting account, see Ganghof 2006.

Although the literature suggests that revenue structure should influence the behavior of local governments, surprisingly little attention has been paid to variation in the local tax mix: that is, the portion of ‘own revenues’ derived from different forms of taxation.<sup>216</sup> However, as this account will argue, there are strong reasons to suspect that the tax mix will moderate local propensities to invest in redistributive policy.

Consider a case in which local government revenue is derived primarily from property taxation.<sup>217</sup> Within this system, local revenues will directly vary as a function of the value of local real estate. If we assume that governments are concerned with ensuring a stable revenue stream, it is clear that they will gain incentives to select policies that will capitalize into higher property values (Glaeser 1996).

The tendency for incumbents to act as an explicit or implicit investor in local real estate suggests corresponding spending preferences. Expenditure on broad public services such as infrastructure, education, and policing can be expected to boost local property values, implying positive fiscal returns. In contrast, redistributive expenditures may be associated with a net loss in long-term revenue. First, as highlighted by the extant literature, incumbents may believe – correctly or not – that generous redistributive transfers may incentivize the poor to settle within a locality, placing strain on local budgets and potentially damaging property values. Second, governments must fund such expenditures by either raising taxes or reallocating expenditures from other services; each action can be expected to impose a negative cost on real estate, and in turn, on downstream tax revenues. Finally, given that (means tested) local redistributive spending is often channeled to populations without substantial property investments, these targeted expenditures are unlikely to capitalize into higher property values. In conjunction, these factors suggest that in national contexts

---

<sup>216</sup>For an exception, see Sacchi et al, who assess different fiscal effects of own pool vs shared pool taxes. In the latter case, they argue that voters are less likely to perceive the costs of taxation, implying less fiscal discipline.

<sup>217</sup> Most formal treatments, based on the American model, either assume this explicitly or tacitly.

dominated by property taxation, incumbents must weigh the electoral gains of redistributive spending against the possibility of diminishing long-term revenue streams, moderating tendencies to invest in social policy.

These countervailing incentives are markedly less pronounced in systems dominated by local income taxation. Most importantly, a reliance on income taxation severs the direct link between local revenue and real estate. Although property owners may continue to prefer policies that maintain or promote local real estate values, local governments can no longer expect to receive any direct financial utility by selecting policies that maximize property values. Moreover, a shift from property towards income taxation implies a corresponding loss of control over local revenue sources. Although local spending choices have been shown to strongly influence property values (Reback 2005; Dehring et al 2008; Hilber and Meyer 2009), local governments have limited control over the macroeconomic environment that drives yearly variation in employment and income. Indeed, when contrasted to relatively stable property tax revenues, income tax revenues are often prone to booms and busts (Norregaard 2013). This unpredictability entails short time-horizons and provides local governments with substantial incentives to shift their focus from investment-based policies that maximize long-term revenue towards cyclical policies that maximize electoral gains.

Within this environment, targeted redistributive expenditures no longer offer a declining fiscal return. Although migration within a system of property taxation imposes a direct cost on a fixed tax base (property), local governments that receive revenue from income taxation can expect that migration — if it occurs — will expand the tax base by increasing the number of taxable heads. And while the short-term costs of providing for beneficiaries are likely to outweigh their immediate financial contributions, local governments that generate revenue via income taxation may reasonably expect that net beneficiaries will transition

into net contributors as economic conditions improve.<sup>218</sup> When coupled with the fact that the poor are likely to be electorally responsive to targeted expenditures (Chapter 5), local governments can be expected to balance the potential for electoral gains versus short-term costs to local budgets, stimulating investment in local redistributive policies.<sup>219</sup>

In sum, there are substantial reasons to suspect that the structure of revenue will influence the spending priorities of self-interested local governments. And although a shift in ideal types between pure property taxation and pure income taxation is empirically rare, moderate movements should nevertheless reveal changes in the expected direction.<sup>220</sup> In the following sections, I test these hypotheses using cross-national and subnational data.

## Crossnational Relationships: Tax Structure and Social Spending

As demonstrated by Table 1 (next page), the structure of local revenues varies widely across developed economies.<sup>221</sup> Although income taxation is predominant in a plurality of countries (average share of tax mix: 66%), a significant number of contexts rely on property taxation (37%), as well as VAT taxes on goods and services (19%) to fund local governments.<sup>222</sup>

---

<sup>218</sup>Moreover, unlike in property tax systems, local governments can expect to recoup a portion of paid benefits in the form of income taxation on beneficiaries.

<sup>219</sup>These expenditures are not hypothesized to increase without bound; rather, the shift to income taxation permits local governments to assign a higher priority to acquiring the votes of the poor, given that the perceived cost of such actions are substantially reduced.

<sup>220</sup>Glaeser (1996) argues that in a mixed setting, the presence of property taxation creates incentives to lower other tax rates in order to maximize property values. However, it should be noted that local governments only rarely have the option of selecting the precise mode of taxation, and when they are able to do so, typically are only able to decide the tax rate within narrow bands. As a result, their choice set is significantly constrained.

<sup>221</sup>All EEA and OECD members were included except for Chile, Cyprus, Japan, Korea, Malta, and Mexico. The sample reflects data availability for subsequent indicators.

<sup>222</sup>In the account that follows, I focus predominantly on income and property taxation. Note however, that the incentive effects of sales taxes should be similar to those observed for income taxation: within these systems, there is no direct loss of revenue associated with provision to the poor.

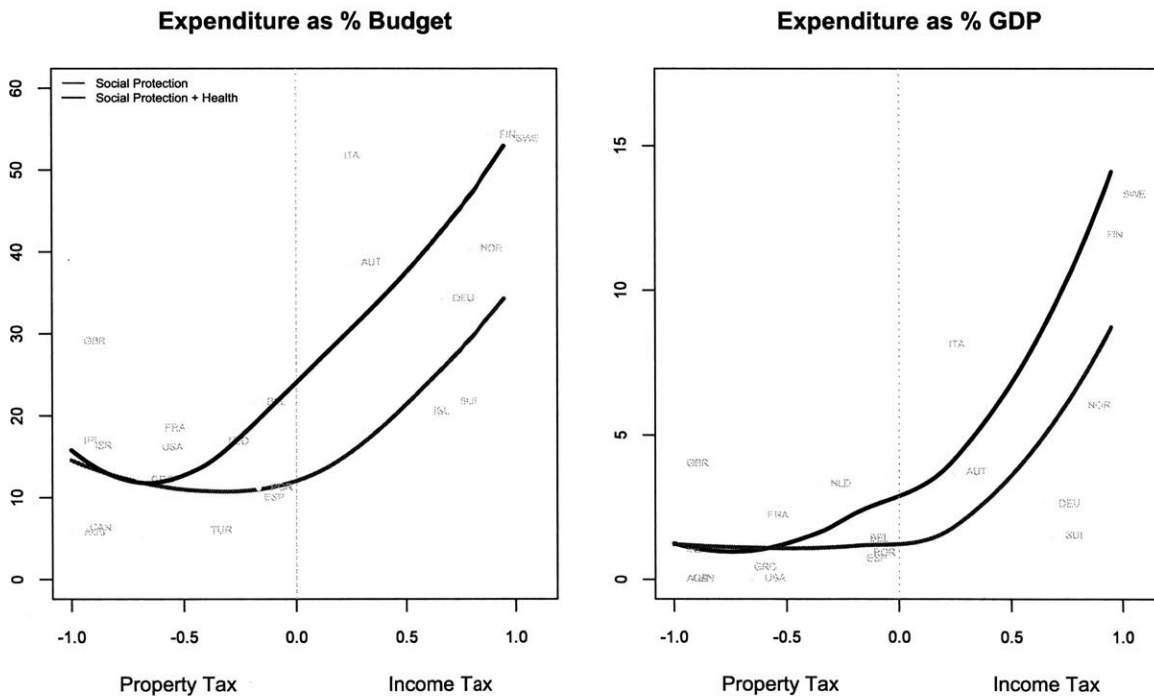
Table 1: Tax Structure, 2010 (IMF GFS 2001)

	Income	Property	Goods/Services	Misc
Sweden	97 %	3 %	-	-
Finland	94 %	6 %	-	-
Luxembourg	92 %	6 %	2 %	-
Croatia	90 %	5 %	5 %	-
Estonia	90 %	8 %	3 %	-
Denmark	89 %	11 %	-	-
Norway	89 %	10 %	1 %	-
Latvia	87 %	12 %	1 %	-
Lithuania	84 %	12 %	4 %	-
Switzerland	83 %	15 %	2 %	-
Slovenia	80 %	15 %	4 %	-
Germany*	79 %	14 %	7%	-
Iceland	77 %	21 %	2%	-
Slovak Republic	71 %	14%	15 %	-
Poland	59 %	29 %	6 %	7 %
Czech Republic	48 %	5%	47 %	-
Belgium	36 %	55 %	9 %	-
Austria	34 %	10 %	56 %	-
Portugal	30 %	47 %	22 %	1 %
Italy	27 %	10 %	62 %	2 %
Spain	19 %	39 %	43 %	-
Romania	3 %	72 %	22 %	3 %
Hungary	-	20 %	80 %	-
Cyprus	-	17 %	83 %	-
Netherlands	-	36 %	64 %	-
Turkey	-	44 %	34%	22 %
France	-	64 %	36 %	-
Greece	-	70 %	30 %	-
New Zealand	-	92 %	8 %	-
Israel	-	95%	5%	-
Canada	-	98 %	2 %	-
United Kingdom	-	100 %	-	-
United States	-	100 %	-	-
Australia	-	100 %	-	-
Ireland	-	100 %	-	-
<b>Average</b>	<b>63 %</b>	<b>37 %</b>	<b>19 %</b>	<b>1 %</b>

\*The IMF dataseries for Germany includes Gewerbesteuer within income tax. Subsequent results are robust to reclassification.

If the hypotheses advanced in this chapter hold, we should expect to observe a clear relationship between taxation and local redistributive effort. Accordingly, Figure 3 assesses the correlation between the structure of local taxation ('own revenues') and two measures of local social spending across the cross-national sample. In each panel, the horizontal axis displays the degree to which municipalities rely on property taxation or income taxation, operationalized as a single variable ranging from -1 (full reliance on property taxation) to 1 (full reliance on income taxation).<sup>223</sup> The vertical axis within each plot indicates the local spending effort, while the plotted lines indicate a local linear fit for social protection (blue line) or social protection and health (black line).

**Figure 3: OECD/EEA, 2010**



Loess fits. Source: IMF GFS, Eurostat; Author's calculations. -1 indicates that all tax revenues are derived from property taxation, 1 indicates that all revenues derive from income taxation. Other forms of local tax are included in this measure; results are similar when restricting to property or income taxation only (see Appendix Figure A1).

<sup>223</sup>This derived variable represents  $(\text{Income Tax Receipts} - \text{Property Tax Receipts}) / \text{Total Tax Receipts}$ . Non-tax subnational revenue, including transfers and fees, are omitted.



Across each measure, there is a strong relationship between the structure of tax revenues and local redistributive effort. In countries where subnational governments derive a higher share of their own revenues from income taxation, local governments are likely to allocate a greater share of their budgets to social programs. As seen in the right-hand plot, these local social expenditures are non-trivial and account for a significant portion of national GDP. Moreover, this relationship appears to be largely monotonic: subnational contexts dominated by property taxation have the lowest predicted levels of expenditure effort in terms of GDP.

While these bivariate relationships suggest that the generosity of social provision is tightly linked with local tax structure, there are several potential confounders. First, a direct comparison of income and property taxation omits measurement of non-tax local revenue. If reliance on local income taxation was tightly correlated with the propensity to receive intergovernmental grants, for instance, any observed relationship may be driven by these transfers rather than by the structure of own revenues. Second, and more crucially, the link between tax structure and spending remains unclear. Given that tax structure is often intimately linked to specific national histories (ie, the relative prevalence of property taxation in British colonies), any observed relationships between tax structure and spending may in fact be coincidental.

To determine whether the correlation between tax structure and spending is robust to these alternate explanations, I implement a panel design and measure changes in the relative balance of income and property taxation within particular countries over time. Drawing on data from IMF's Government Finance Statistics (GFS 2001), I construct a panel measuring local expenditure and taxation across 34 countries from 1995-2012.<sup>224</sup> The resulting sample spans the European Economic Area (EEA) as well as the majority of non-European OECD countries, subject to data availability (see Appendix Table 1).

---

<sup>224</sup>1995 was selected as the starting date to maximize the number of countries with full time series.

To estimate the downstream effect of the tax mix on local spending, I fit two fixed effect models:

$$\ln(Y_{it}) = \beta_1 \%IncomeTax_{i,t-1} + \beta_2 \ln(Revenue)_{i,t} + \theta X_{i,t} + \delta_t + \alpha_i + \epsilon_{it} \quad (9)$$

$$\ln(Y_{it}) = \beta_1 \%PropertyTax_{i,t-1} + \beta_2 \ln(Revenue)_{i,t} + \theta X_{i,t} + \delta_t + \alpha_i + \epsilon_{it} \quad (10)$$

Where Y indicates aggregate municipal social spending (in constant Euros),  $\beta_1$  is the coefficient of interest, and X represents a vector of covariates. The percentage of taxes derived from each revenue source is lagged on the assumption that governments update their spending priorities in a delayed fashion; similar findings are obtained when measuring all variables in the same year. Given that large yearly shifts in tax structure typically result from national legislation, the % Tax variable in this specification may be viewed as partially exogenous to social spending.<sup>225</sup>

The results are visible in Table 1 (next page). The first column indicates the simple effect of tax structure on social protection without adjusting for potential confounders. Model 2 includes a range of covariates that may plausibly influence levels of social spending, including demographics (local population, the age structure of the population), economic conditions (unemployment rate, active labor force rate, GDP per capita, inflation), and national government partisanship. Finally, Model 3 adds a unit-specific time trend to control for secular differences in social spending growth between countries, as well as a measure of fiscal decentralization to account for shocks to intergovernmental structure.<sup>226</sup>

The results are consistent across all specifications, and suggest that property taxation dampens short-term local social spending while income tax promotes redistributive effort.

---

<sup>225</sup> I estimate the coefficients for property and income taxation separately because they are mutually dependent.

<sup>226</sup> Fiscal decentralization measures total tax revenues at the local level divided by total tax revenues accrued by the central government. Expenditure decentralization could also proxy for decentralization events; however, this is partially a function of local social spending.

**Table 1: Effect of 1% Increase in Tax Share on Social Spending**

	Property Tax			Income Tax		
	1	2	3	1	2	3
Estimates (%)	-0.580 (0.277)	-0.613 (0.309)	-0.865 (0.293)	0.771 (0.203)	0.885 (0.257)	0.523 (0.137)
Fixed Effects	✓	✓	✓	✓	✓	✓
Year Dummies	✓	✓	✓	✓	✓	✓
Covariates		✓	✓		✓	✓
Unit-Specific Time Trends			✓			✓

Standard errors in parentheses, clustered by country. 1995-2012, 34 cases, n=544.

After accounting for time trends and country-specific factors, for instance, a 10 percentage point increase in the share of property taxation can be expected to decrease local redistributive spending in the next year by 8.7%, plus or minus 5.7%. Conversely, a corresponding shift towards income taxation can be expected to be correlated with an increase in local social spending of 5.2%, plus or minus 2.7%. As seen in Appendix Table A3, these results hold across various subsets of countries, suggesting the presence of a general trend.

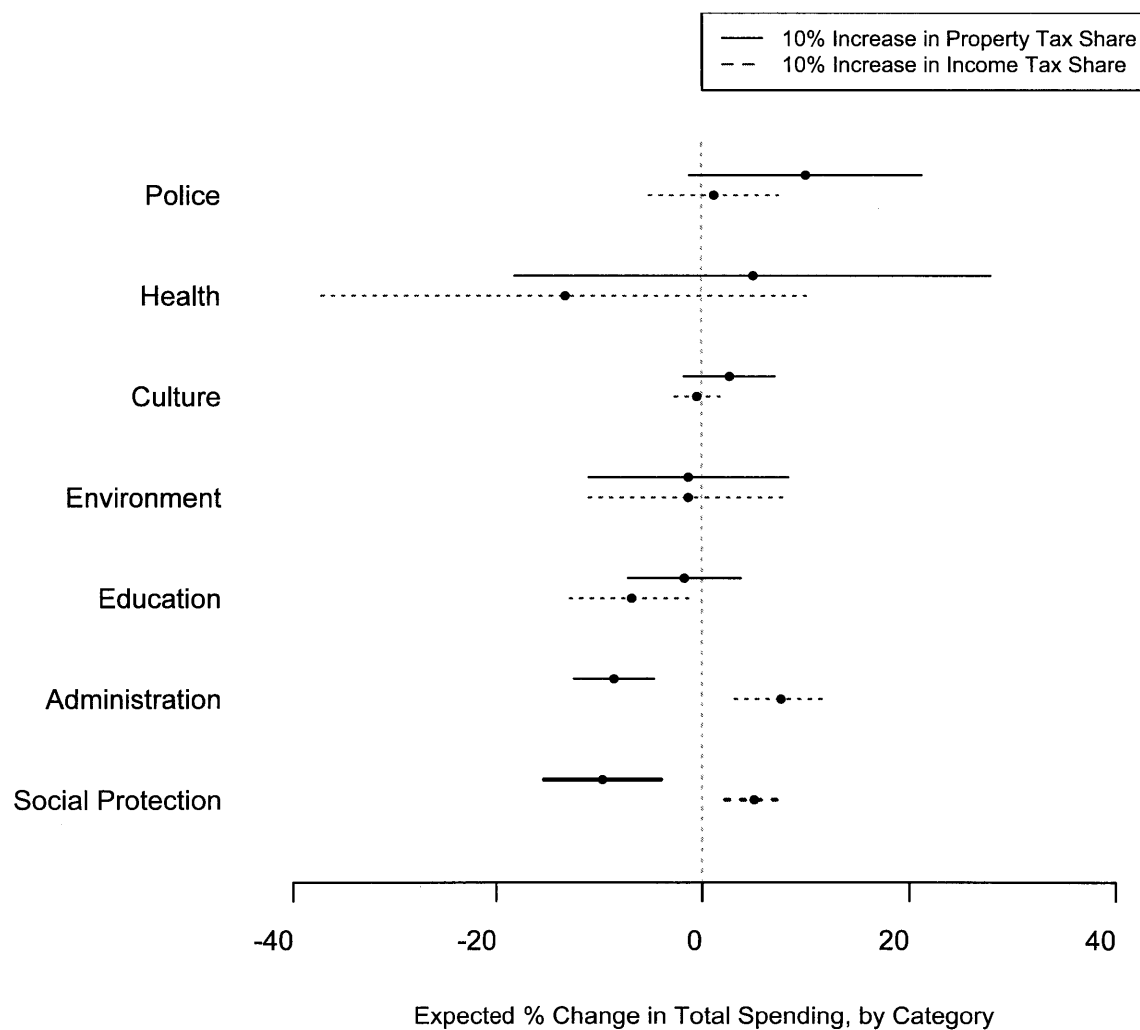
#### *Fiscal Indiscipline or Modified Priorities?*

Although, the panel analysis strongly suggests that the structure of taxation exerts a consequential effect on local spending, the mechanism remains unclear. For instance, it is possible that income taxation simply reduces fiscal discipline. In this case, we would expect to observe broad increases in total expenditure across spending categories (Liberati and Sacchi 2012). In contrast, if the tax structure primarily acts by influencing local spending *priorities*, as hypothesized by this chapter, we should expect the effects to be isolated to particular types

of expenditure.

To clarify the mechanism, I return to the panel model. Using Model 3 as a baseline specification, I assess the effect of tax structure on seven GFS spending categories. The results are visible in Figure 4, which plots the expended percentage point change in total spending for each category when raising the relative proportion of property tax (black lines) or income tax (blue lines).

**Figure 4: Estimated Effect of Changing Tax Structure**



The results suggest that within developed countries, increases in property taxation are associated with downstream cuts to social protection.<sup>227</sup> In turn, in countries that increase the share of property taxation, local governments are likely to reallocate expenditures to public safety and health, although these effects are not significant at conventional levels. These spending shifts are consistent with the theoretical perspective advanced in this chapter, which predicts that local governments that derive a high share of their revenue from property taxation will gain incentives to focus their spending on goods that promote local property values, while being more reticent to invest in services targeted towards the poor.

In contrast, a shift towards income taxation is accompanied by gains in social spending and administration, but little observed effect for other spending categories. The fact that observed increases in expenditure are isolated rather than broad suggests that this pattern does not result from a fundamental change in fiscal discipline, but rather is consistent with a process in which the structure of local tax revenues influences local spending priorities.

## Exploiting Exogenous Variation in Taxation: The Italian Case

Having established a robust correlation between tax structure and local redistributive spending across developed economies, this section turns to a specific national context to evaluate the internal validity of the argument. I focus on municipal spending within Italy, a rapidly decentralizing country with substantial variation in local tax structure. Drawing on subnational data from 8,100 Italian municipalities, I exploit exogenous variation induced by two significant property tax reforms to establish a causal relationship between tax structure and

---

<sup>227</sup> This latter finding differs from classic models of housing price capitalization, which argue that governments with property taxation and an inelastic housing market gain incentives to raise local amenities. However, note that the definition of 'amenities' in the American case is quite broad and typically refers to local services such as public safety, education, and infrastructure. Within the GFS context, these categories are available separately; general public services, in contrast, include services that may target the local poor.

local spending priorities.

### *Local Social Spending and Taxation in Italy*

Within the comparative literature, the Italian welfare state has been described as 'residual' or 'familial'. When contrasted to other developed states within Europe, levels of social spending are relatively moderate as a share of GDP, with the lion's share of expenditures driven by contributory-based pension programs. In contrast, measures targeted towards the socially excluded and poor have remained comparatively underdeveloped.

Partly as a result, poverty relief has remained a highly decentralized affair. Municipalities retain discretion over social services and redistributive cash transfers, exercising substantial authority over payment rates and local eligibility for such programs. As a result, the level of social assistance varies widely across the 8,100 Italian municipalities; in 2012 for instance, spending ranged from 0% to 71% of local budgets (mean 7.3%). <sup>228</sup>

Although local governments have considerable ability to shape local social expenditures, their autonomy has historically been limited by a lack of revenue. Following initial decentralizing reforms in the late 1970s and early 1980s, local governments remained entirely dependent on transfers from the central government. This situation has gradually changed in response to several waves of fiscal decentralization. In 1993, transfers were decreased and a property tax, known as the ICI, was introduced, with the intention that it would form the main basis of municipal revenues. <sup>229</sup> Municipalities have the ability to modify the local tax rate on various forms of property, subject to minimum and maximum rates set by the central government. However, they lack the ability to directly manipulate the tax base, given that property valuations and reassessments are conducted by central government authorities

---

<sup>228</sup>Figures derived from municipal-level financial accounts gathered from the Interior Ministry.

<sup>229</sup>Legislative decree of 30 December 1992 (n. 504).

(the Agenzia del Territorio) and published in a nationwide cadastral database (the Land Registry).<sup>230</sup>

In 1998, transfers were decreased again in exchange for a voluntary municipal surcharge on the national income tax rate (Addizionale comunale all'IRPEF, hereafter AC-IRPEF). By fiscal year 2007, 70.5% of municipalities had adopted this income tax. Similar to property taxation, the maximum rate of the surcharge was strictly capped (initially at 0.5%). Moreover, relative income tax revenues declined across the period due to a national tax freeze imposed on the AC-IRPEF between 2004 and 2006. As a result of these constraints, municipal revenues remained closely tied to property tax receipts.

In 2008, however, the structure of local revenues changed considerably. Following parliamentary elections, the Berlusconi government fulfilled an election promise, and abolished property taxation on primary residences.<sup>231</sup> This decision sharply cut local property taxes, and in turn generated large increases in the proportion of revenues derived from income taxation. This latter effect was further strengthened by the fact that many municipalities increased their income tax rates in an effort to offset lost revenue (the tax freeze on the AC-IRPEF had been lifted for the previous year ).<sup>232</sup>

Figure 5, below, displays the shift in local tax structure induced by this reform. Among municipalities with multiple revenue streams (ie, excluding those that chose not to implement the AC-IRPEF), median reliance on property taxation fell by 6% in 2008; a decline

---

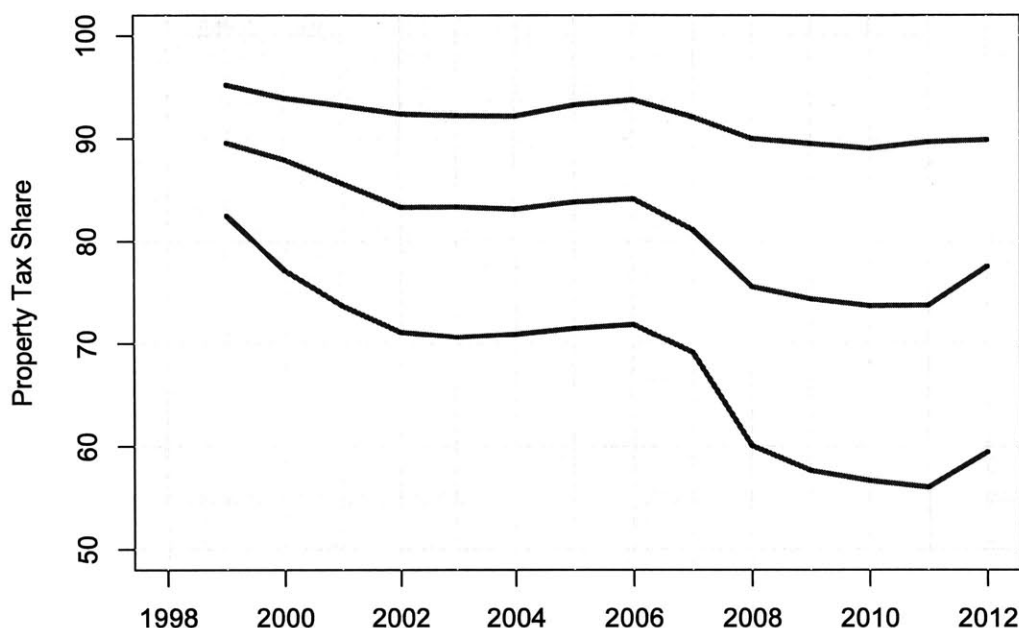
<sup>230</sup>The property tax is calculated as:  $[(\text{Cadastral Value} * \text{Multiplier}) * \text{Local Tax Rate}]$ . National authorities are responsible for determining the cadastral value (which is set for each property deed) and the multiplier (which varies by property type); the tax rate is determined at the discretion of municipalities.

<sup>231</sup>Law of 29 May 2008 no. 126. The outgoing Prodi government had previously passed a bill in late 2007 (27 December) that provided a maximum deduction of 200 Euros per primary residence; this deduction took effect for early 2008, but was superseded in June.

<sup>232</sup>Beginning in 2007, the freeze was abolished and municipalities were allowed to set surcharges of up to 0.8% on national income taxes (Article 1, P. 142 of the Law of 27 December 2006, No. 296). Note that the financial shock of the 2008 property tax reform was buffered by increased transfers from the central government in fiscal year 2008.

which accelerated until the tax on primary residences was reimposed by the Monti government, with an additional multiplier, in 2012.<sup>233</sup>

**Figure 5: Local Property Tax Share, 1998-2012**



Blue shaded regions represent years in which property tax could be collected on residential properties. The property tax share is operationalized as  $(\text{Property Tax Revenues}) / (\text{Property Tax Revenues} + \text{Income Tax Revenues})$ . From top to bottom, lines represent 90th, 50th, and 10th percentiles, respectively.

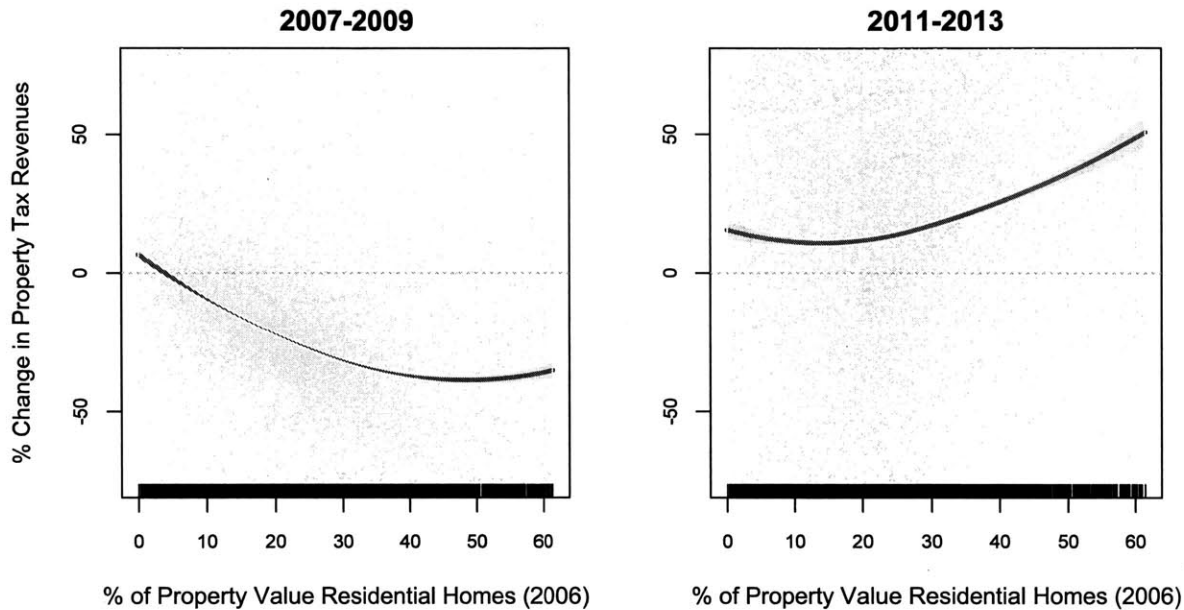
Although the decision to repeal the tax on primary residences was uniformly imposed, the reform implied heterogeneous consequences for Italian municipalities. While some local governments were dependent on revenue from residential homes and were thus highly exposed to the reform, others derived a larger share of revenue from commercial establishments. Figure 6 plots the relative dependence on residential property tax in 2007, versus the observed change in property tax revenues associated with the 2008 (repeal) and 2012 (reestablishment) reforms for each Italian municipality. The data suggest that exposure

<sup>233</sup>The revised property tax is known as the IMU (Imposta Municipale Unica), and was established by decree on 6 December 2011 (n. 201).



varied widely: while some municipalities were relatively insulated from tax shocks, other municipalities experienced dramatic changes in the share of property tax revenue.

**Figure 6: Effect of Property Tax Reforms**



### *Research Design*

The variation in exposure to the 2008 and 2012 reforms provides the opportunity to assess the underlying relationship between tax structure and local redistributive effort. There are clear reasons to believe that this analysis will provide credible causal estimates. First, the decision to abolish property taxation on primary residences was enacted at the national level without consulting local governments. As a result, municipalities did not simultaneously select their spending and taxation levels, reducing endogeneity concerns. Second, local governments had limited control over their relative exposure to the property tax reforms. Although local governments possessed the ability to modify their income and property tax rates (within limits), they lacked control over property assessment, which was conducted by central authorities. While tax re-evaluations were routinely promised by the central govern-

ment (ensuring that local administrations retained an interest in preserving property values), as of the 2008 reforms no such re-evaluation had taken place. Instead, cadastral values for existing properties were subject to a 5% multiplier on 1990 assessed values, with all changes to the local tax base limited to major renovations or new construction.<sup>234</sup>

As a result, the degree to which municipalities were affected by the 2008 and 2012 reforms was largely driven by property assessments conducted by the central government nearly 18 years prior. This temporal gap suggests that the relative shock to property taxation experienced by each municipality can be viewed as plausibly exogenous after controlling for municipality-specific trends. This provides the opportunity to identify a precise causal relationship between changes in the tax mix and downstream spending priorities.

The relationship of interest is:

$$\Delta \ln(CashTransfers_i) = \Delta \%PropertyTax_i + \Delta \ln(Revenue_i) \quad (11)$$

By controlling for total local revenues, this setup isolates the effect of the tax mix from changes in overall revenue which may accompany changes in tax structure.<sup>235</sup> To exploit the exogenous component of the relationship, it is possible to instrument the tax mix with

---

<sup>234</sup>The 5% multiplier was established in Article 3, P48 of the Law of 23 December 1996, n. 662. The lack of cadastral re-evaluation can be traced to contingency rather than deliberate action. The Presidential Decree of 22 December 1986 mandated that property reevaluations take place at least every 10 years. In 1996, 1998, and 1999, the Parliament issued decrees mandating that the process be completed by 1 January 2000. However, these re-evaluations never took place, largely due to political wrangling on the level of municipal involvement. See Guerrieri (2014) for a description of these repeated attempts to reform the cadastral evaluation process.

<sup>235</sup>Although the central government temporarily increased the rate of transfers to compensate for the sudden loss of revenue, total municipal revenues tended to decline. Left uncontrolled, this decline in revenue can be expected to drive cuts in social expenditure – a factor cited by several municipalities in their 2009 budgets. For instance, the town council of Corleone, Sicily, blamed the “impressive declines” in tax revenue when cutting expenditures, noting that this trend “will have repercussions on social spending and its distribution”) (Bilancio, Citta’ Di Corleone, December 31, 2008). Note however, that this tendency biases *against* the finding that the cut to local revenues increased local effort on redistributive expenditures, and estimated effects remain similar when removing the control for changes to local revenues.

historic cadastral values as follows:

$$\begin{aligned}\Delta \ln(CashTransfers_i) &= \Delta \%PropertyTax_i + \Delta \ln(Revenue_i) + \Delta X_i \\ \Delta \%PropertyTax_i &= \Delta \%Z_i + \Delta \ln(Revenue_i) + \Delta X_i\end{aligned}\tag{12}$$

where  $X$  indicates a vector of covariates, and  $Z$  serves as an instrument measuring the percentage of property tax revenue derived from residential homes prior to the reform.

Historic cadastral values fulfill the necessary conditions for a valid instrument. As is readily apparent in Figure 6, there is a strong first-stage relationship between cadastral values and changes to the tax mix in 2008 and 2012 ( $\text{Cor}(Z|Y) > 0$ ). A more pressing concern is the exclusion restriction, which would be violated if the share of property tax revenue tied to residential homes (the instrument) was correlated with an unobserved mechanism that separately influenced social spending.

Two factors diminish this possibility. First, the relationship of interest is specified in terms of first differences, which effectively controls for time-invariant factors that differ between municipalities. Within this context, inferences will be correct as long as the historic cadastral value does not influence *changes* in social spending between two periods. Second, and more importantly, several factors suggest that instrument is no longer tightly linked to contemporary economic and social outcomes, reducing the possibility of a backdoor relationships between the instrument and social spending.

The arbitrary nature of the assignment mechanism is evident when examining relative municipal exposure to the 2008 reform. Figure 7 (following page), provides a visual depiction by plotting the % of property tax revenue derived from primary residences ( $Z$ ) versus several municipal characteristics. Although municipalities with higher populations (panels 1 and 2) and a higher share of commuting residents (panel 4) were more likely to be dependent

on revenue from primary residences, these relationships are quite weak.<sup>236</sup> Indeed, the results suggest that the reform subjected otherwise similar municipalities to varying fiscal shocks. And while the lack of a clear pattern can be primarily attributed to increasing discrepancies between local contexts and frozen property values, it may be amplified by the inefficient method the Agenzia del Territorio uses to assign cadastral values to newly constructed buildings. As of 2012 for instance, the Agenzia del Territorio was not gathering new construction data from local authorities, but rather relying on aerial photography to identify new properties, with a backlog of 2.2 million buildings.<sup>237</sup>

The degree to which municipalities were arbitrarily affected by the reforms can be illustrated by the case of two cities in the province of Taranto: Crispiano (population 13,444) and Laterza (population 15,081). Located just 40km apart, these municipalities were, statistically speaking, mirror images of each other in 2007. The mayors from each city were members of the same party, expenditures per capita and poverty levels were similar, and unemployment rates were identical (10.1%). Yet while Laterza lost 10% of its property tax revenues following the 2008 reform, Crispiano experienced a markedly deeper cut – 42%. This variation in exposure to the reform was driven not by the relative prevalence of farmland (3% of land area in each case) or local industry, but rather by an idiosyncratic factor: residences in Laterza had a higher proportion of detached garages, which unlike homes, continued to be taxed after the 2008 tax reform.<sup>238</sup> Similar variation across Italy strongly suggests that the instrument can plausibly be viewed as quasi-random after controlling for municipal background characteristics.

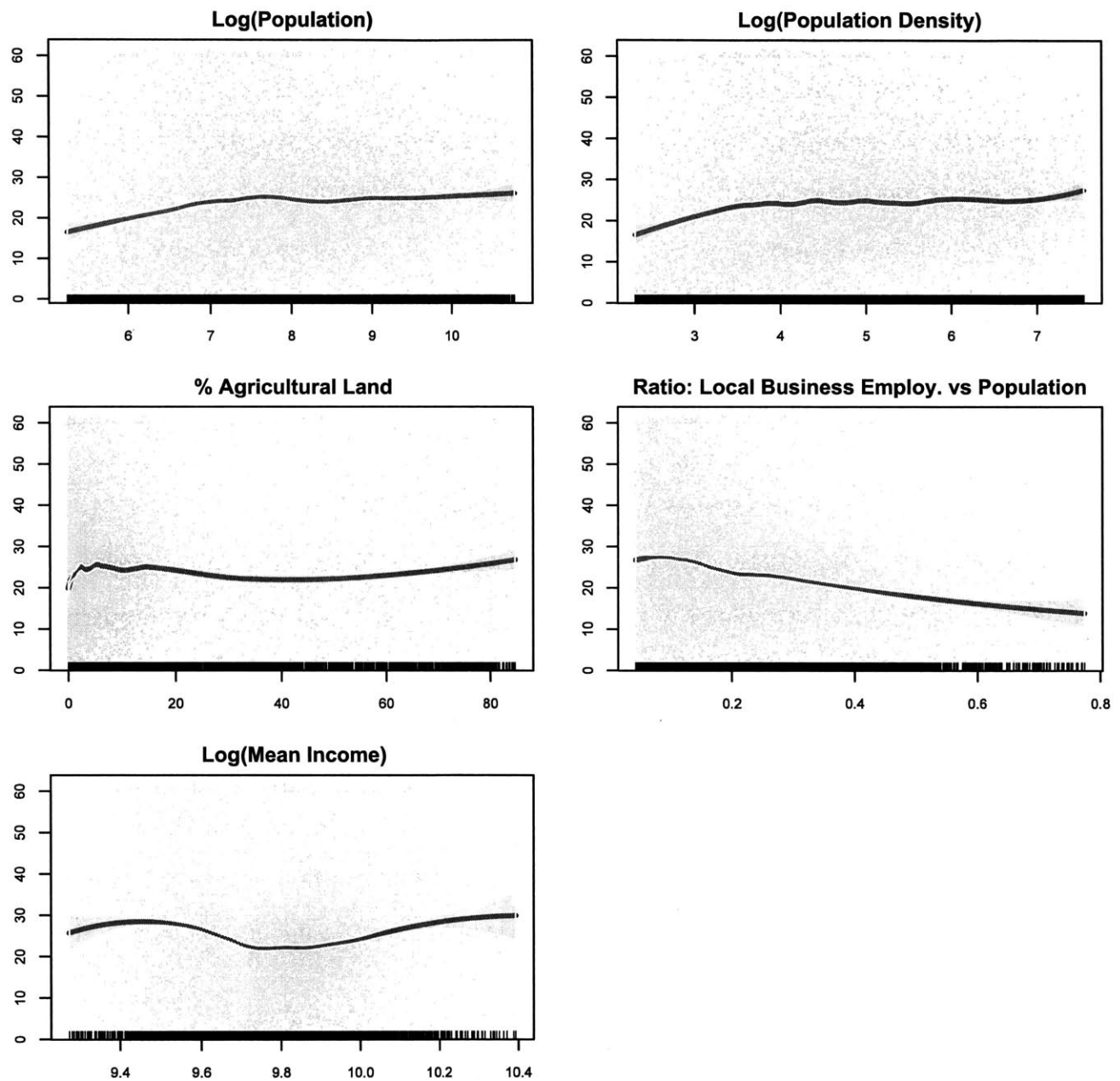
---

<sup>236</sup>Note that the weak relationship for rural communes reflects the fact that agricultural properties are exempt from taxation across the majority of Italian communes. As a result, the primary factor that predicts exposure is the relative share of commercial property tax revenue (Panel 4).

<sup>237</sup>Agenzia del Territorio. The Italian Cadastre and the Real Estate Taxation. Presentation, Rome Italy, May 7 2012.

<sup>238</sup>Detailed cadastral data derived from Fondazione AMCI. Following the reform, Crispiano's municipal council cut social expenditure by 6%, while Laterza raised expenditures by 3%.

Figure 7: Examining the Assignment Mechanism



The ratio of local business employment to population measures the number of employees that work *within* a municipality, divided by the municipality's total population. Municipalities with low values are primarily residential areas with a high proportion of commuters, while those with higher values represent municipalities with a greater density of commercial or industrial establishments.

## Results

Table 2 (next page) displays the results of the specification for the 2008 and 2012 reforms. For each period, the baseline model indicates a strong effect of the tax structure on local spending on social assistance (columns 1 and 3). For instance, the results suggest that in 2008, an exogenous decline of 1% in property tax share was associated with an increase in social assistance spending of 0.66%.<sup>239</sup>

Results for 2012 are highly similar, indicating an effect size of 0.74%. The fact that similar results are obtained for each reform (involving the repeal and imposition of the tax, respectively) should raise confidence that the estimates identify a strong relationship and are not driven by economic conditions associated with a particular year.

**Table 2: Effect of 1% Decrease in Property Tax Share on Social Assistance**

	2008 Reform		2012 Reform	
	Unadjusted	Covariates	Unadjusted	Covariates
IV - 2SLS	0.71 (0.32)	0.66 (0.33)	0.78 (0.39)	0.74 (0.39)
First Stage	0.09 (0.007)	0.09 (0.008)	-0.08 (0.017)	-0.09 (0.018)
F-Test	132.49	147.24	22.93	27.19

Standard errors in parentheses. Signs inverted across reforms for consistency. Identical results obtained with LIML or GMM (not shown).

These estimates hold across several robustness checks. Examining the first-stage regressions and F tests for the excluded instrument, the results suggest that the percentage of property value tied to residential homes functions as a strong instrument within each reform

<sup>239</sup>For context, the decline across Italy ranged from 3.3% (20th percentile) to 7.8% (80th percentile)

period. As expected by this strong first-stage relationship, substantive results are similar across 2SLS, GMM, and LIML approaches.<sup>240</sup> Moreover, the results remain consistent when adding a range of covariates that could plausibly influence changes in social spending. Columns 2 and 4 add covariates measuring changes in the local unemployment rate, population (total and % foreign), poverty level (% above the income tax threshold), and local tax rates. When accounting for these factors, estimates remain similar, suggesting that the results are not driven by differing temporal trends across municipalities.

We can probe the sensitivity of the estimates by performing a placebo test and instrumenting the change in property tax for years in which the reform did not actually take place. Accordingly, Table 3 (next page) displays estimates obtained for each of the four years prior to the actual reform.<sup>241</sup> The first-stage regressions indicate that historic cadastral values serve as a poor instrument for these non-reform years; and indeed, estimates are unstable and not statistically significant at conventional levels. The fact that no effect can be detected in years prior to the actual reform should increase confidence in the estimates.

<b>Table 3: Placebo Tests</b>				
	2007	2006	2005	2004
IV -2SLS	0.49 (1.98)	0.73 (3.21)	-0.02 (0.15)	0.16 (0.45)
F-Test	0.09	0.06	0.14	0.13

Instrumental variables estimation. Standard errors in parentheses

Finally, we can evaluate the plausibility of the instrument using panel data. Accordingly, Figure 8, displays the non-parametric relationship between the instrument and social

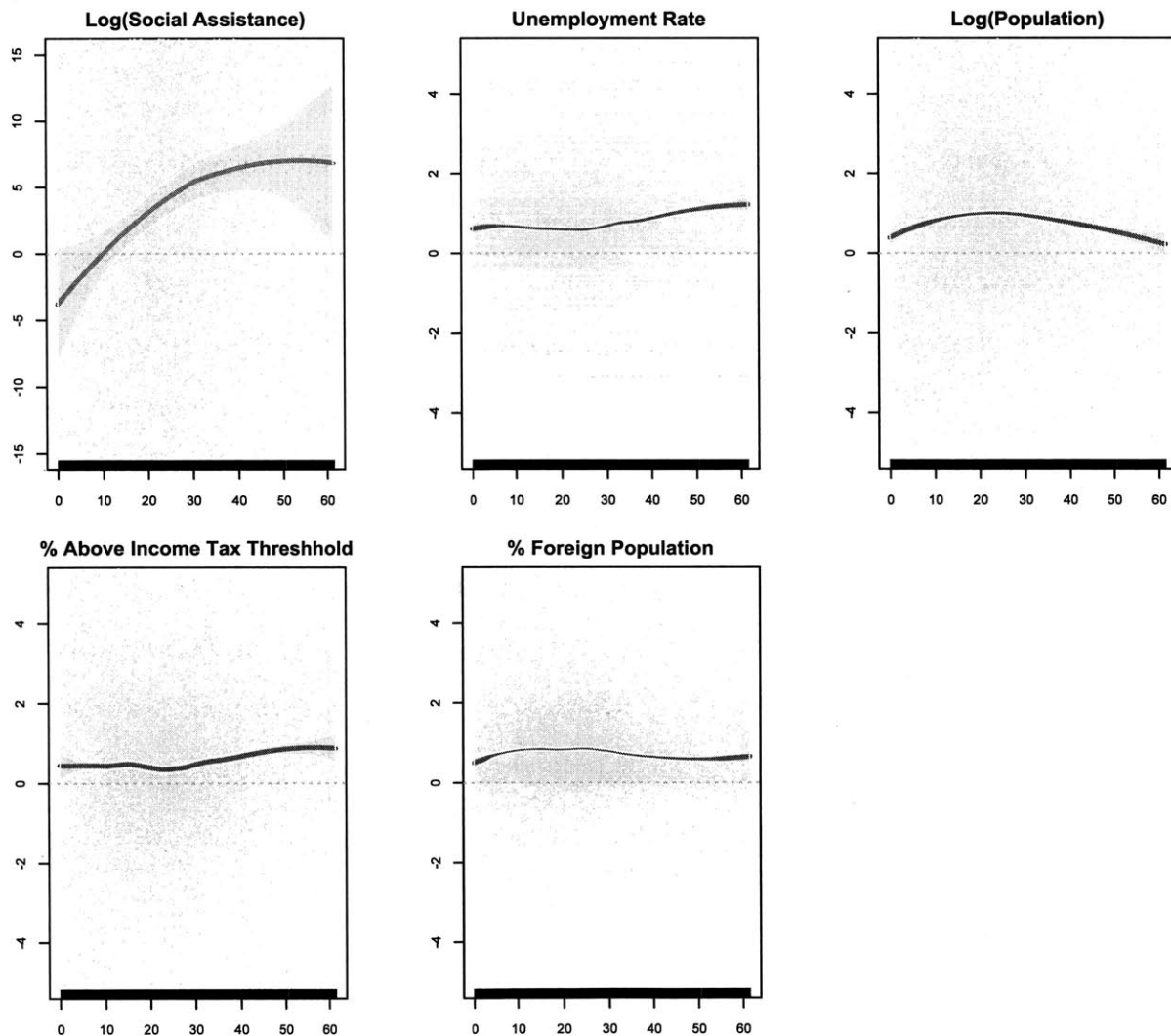
---

<sup>240</sup>Not shown.

<sup>241</sup>This placebo test can only be conducted with respect to the first reform, since we might expect slow municipal adjustments to the 2008 reform to contaminate placebo estimates in the 2009-2011 period.

spending (ie, the reduced form relationship), as well as the relationship between the instrument and several measured covariates. Although a strong relationship is visible between the instrument and the social spending, no clear relationship is present for other covariates, suggesting that the instrument was orthogonal to these factors (consistent with the results in Figure 7). Given that all conceivable backchannels that influence social spending relate to local economic conditions, the fact that no clear relationship is observed for factors such as unemployment and poverty should increase confidence that the effect of the repeal is operating primarily through changes in the tax mix.

**Figure 8: Testing for Back Channels**





In sum, the results strongly suggest that changes in the share of property taxation influenced local spending priorities. Municipalities that experienced exogenous declines in the share of property tax revenue increased their spending on social assistance, relative to municipalities that did not experience large shocks. The consistent estimates across specifications suggest that the relationship is not only correlational, but causal: property taxation moderates the tendency to direct expenditures towards local redistributive policy.

## Conclusion

What factors determine the level of investment in local social programs? This chapter has highlighted an important scope condition, arguing that the politics of proximity are mediated by the structure of local tax revenues. Where revenues are dominated by property taxation, local governments obtain incentives to direct discretionary spending away from the targeted policies, such as social assistance, and towards public goods that maximize property values. In contrast, in instances where local governments derive revenues from income taxation, incumbents lack a direct fiscal interest in maximizing the value of local real estate, and may invest in redistributive policies without risking a corresponding loss in downstream revenue.

As demonstrated by the nested research design, this relationship has broad internal and external validity. Drawing on a panel data from EEA countries and detailed evidence from Italy, the analysis has shown that as the share of property taxation increases, local governments tend to reallocate expenditure from redistribution in favor of services such as policing, education, and infrastructure. It is important to note that this shift in priorities does not represent a ‘race to the bottom’ – indeed, in Italy local social expenditures increased year-over-year even in the era dominated by property taxation. Yet the results nevertheless suggest a clear tendency towards moderation, in which incentives to invest in social policy are placed in balance with perceived fiscal costs.

This conditional relationship highlights the role that institutional variation can play

in shaping local redistributive activity. Due to the centrality of the American case, the majority of theoretical models implicitly or explicitly assume a system of property taxation. Yet revenue structures vary widely across the developed world, and in many contexts, these fiscal constraints are minimal or even absent (see Table 1). Within these settings, the evidence suggests that the politics of proximity assume a dominant role in shaping local government behavior.

## Concluding Remarks

Over the last thirty years, European governments have launched a series of decentralizing reforms, deeply impacting the structure of the welfare state. As the smoke clears, local governments have emerged as key actors in redistributive policy, accounting for an increasing share of social expenditure across the European Economic Area. Yet these structural changes are not limited to the accounting ledger. Rather, they reflect an underlying shift in the locus of governance, in which localities not only deliver benefits, but exercise considerable discretion over the scope and scale of welfare programs.

Policymakers and scholars alike have tended to categorize this trend as yet another facet of the politics of retrenchment. Indeed, the literature provides us with an unambiguous theoretical prediction: the devolution of redistributive policy to local governments should motivate significant contraction in benefit levels, launching a ‘race to the bottom’ in social spending. Yet as demonstrated by Chapter 2, these clear predictions do not hold. Across Europe, devolution has in fact spurred the opposite behavior. Rather than cutting benefits, local governments with discretion over redistributive policy have repeatedly and voluntarily increased levels of provision. Assessing this puzzle, this dissertation has argued that while decentralization imposes constraints on redistributive output, the politics of proximity imply that these constraints are frequently outweighed by the heightened electoral rewards associated with local social spending.

Drawing on a unique dataset spanning 18 countries and over 28,000 European localities, I trace the manner in which the politics of proximity shapes redistributive activity across five thematic chapters. Chapters 3 and 4 demonstrate that proximity leads voters and local governments to favor investment in redistributive policy as a form of insurance against the negative externalities of unaddressed local poverty. While these factors generate strong incentives for local governments to maintain a minimum level of provision, proximity also entails that incumbents that choose to invest in redistributive policy can expect to reap

outsized electoral returns. As argued in Chapter 5, the local setting provides incumbents with a set of embedded advantages which substantially reduce the cost of mobilizing poor voters. Thus, by choosing to invest in social policy, local governments are in effect tilling fertile soil: encountering increased support for locally-directed social policy among core voters, and heightened electoral returns at the margins.

These findings suggest several policy implications. First, and most directly, they challenge the political rhetoric surrounding the relationship between policy devolution and the welfare state. Extrapolating from formal models rooted in the American context, policymakers on both sides of the Atlantic have leveraged decentralizing reforms as an explicit means to reign in central government expenditures and redistributive programs. Yet the empirical record suggests that these efforts may be destined to fail. When granted sufficient discretion over revenues and expenditures, local governments tend not to shackle Leviathan, but rather emulate it by trading social spending for electoral gain. In other words, by devolving policy authority, cost-conscious welfare reformers may have in fact created the preconditions for future expansion.

Second, the results temper grim predictions concerning the future of the European welfare state. In recent years, observers have highlighted a political realignment in Europe, in which left-wing parties have traded former constituencies among the working class and poor in favor of appeals directed towards middle and upper-class professionals (Rueda 2005; Anderson and Beramendi 2012; Lindvall and Rueda 2014). In tandem, fiscal constraints and altered perceptions of deservingness have precipitated a shift in the logic of welfare provision — from passive income support towards ‘active’ policies focused on labor market activation (Cox 1998; Thelen 2014). And while these trends suggest that the poorest segments of society may be left increasingly exposed to the vagaries of the market, the dynamics of decentralized provision offer some hope. To the extent that decentralization covaries with realignment, we can expect that the politics of proximity may stimulate provision towards precisely those groups who are most vulnerable to welfare state retrenchment, such as the

working poor (Chapter 5) or immigrant populations (Chapter 6).

Finally, this study contributes to our understanding of the politics of local provision within developed economies. Although extant theories provide clear predictions regarding the tendency of central governments to invest in redistributive policy, local provision has remained an empirical black box. Indeed, the majority of scholarship focused on the developed world continues to problematize redistribution as the near-exclusive domain of the central state. But although these depictions accurately characterize the immediate post-war era, extant trends suggest that a restrictive focus on national-level provision will provide an increasingly poor fit with empirical reality. By highlighting this emerging form of politics, this study sheds light on an increasingly important policy domain.

## Appendices

## Appendix: Chapter 3

### Swiss Household Panel

p11p63 : Please indicate whether the government should spend more, less, or the same amount of money: social assistance.

p11p13: Do you support a reduction or an increase of social expenditures at the federal level?

### NLD Survey: Alternate Dependent Variables

#### *Government Trust*

Variables: w2sce11b, w1sce11b

Please indicate how much confidence you have in each of the following: the government.

#### *Concern for Living Conditions*

Variables: w2sce3d, w1sce3d

Do you agree or disagree with the following: ordinary people are increasingly worse off.

#### *Income Inequality*

Variables: w2sce2b, w1sce2b

Please give your opinion on the following statements: the government should minimize income differences in the Netherlands.

### DK Survey: Alternate Dependent Variables

#### *Government Trust*

Variables: v959, v645

Please look at this card and tell me how much confidence you have for each of these institutions: the government.

#### *Concern for Living Conditions*

Variables: v1034, v719

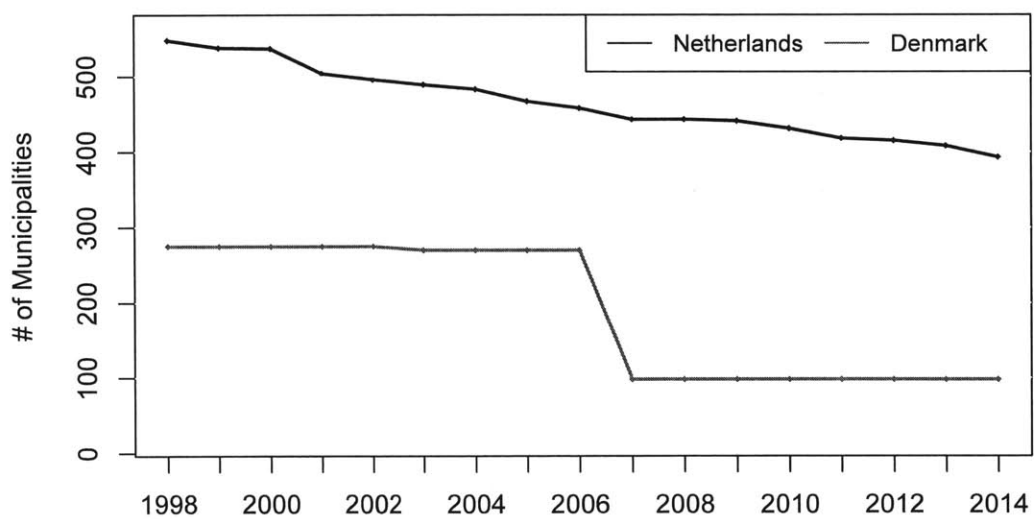
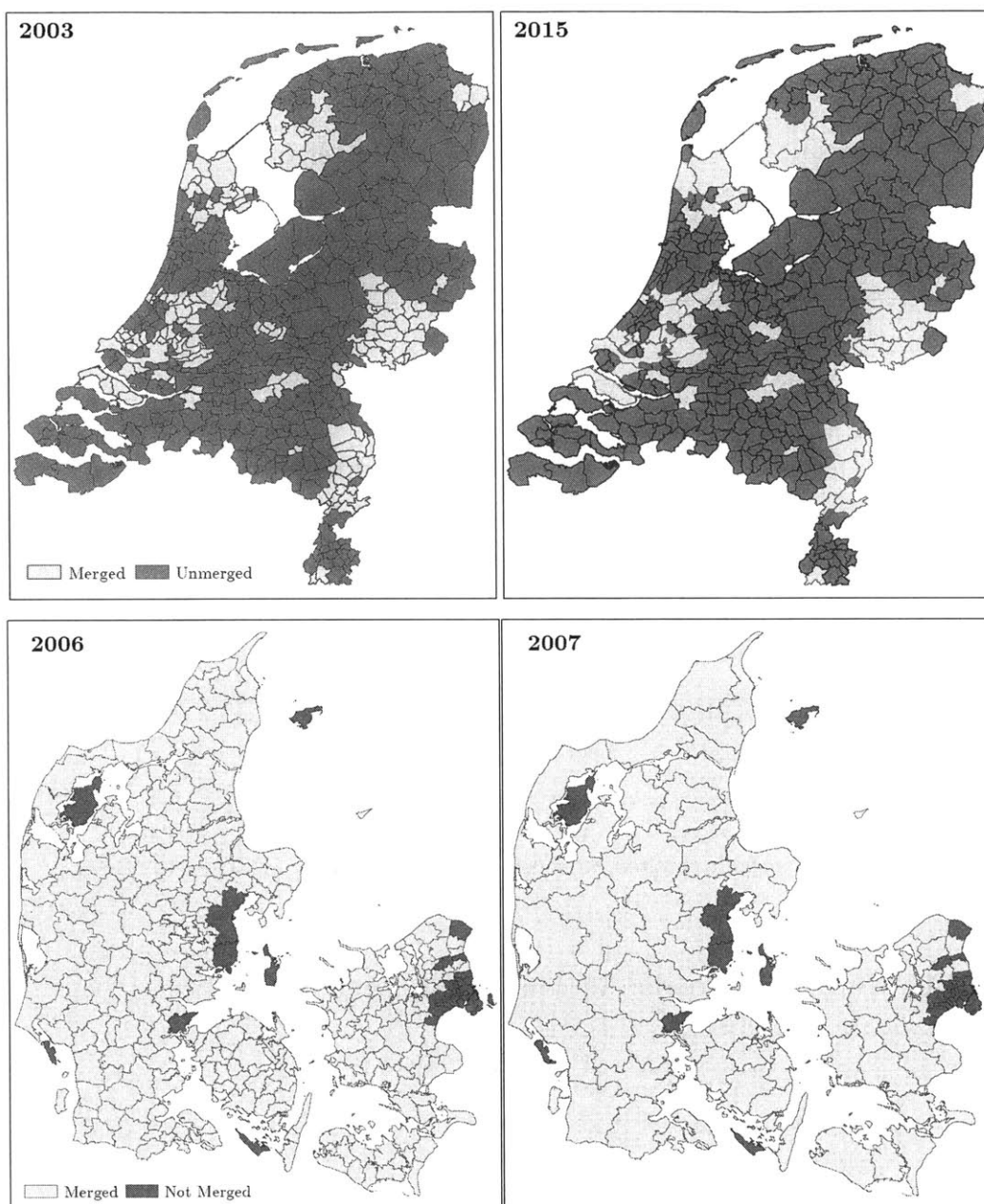
To what extent are you worried about the standard of living in terms of: people in your area.

#### *Income Inequality*

Variables: v945, v711

Labeled scale: Incomes should be made more equal (1) to hard work should be profitable (10).

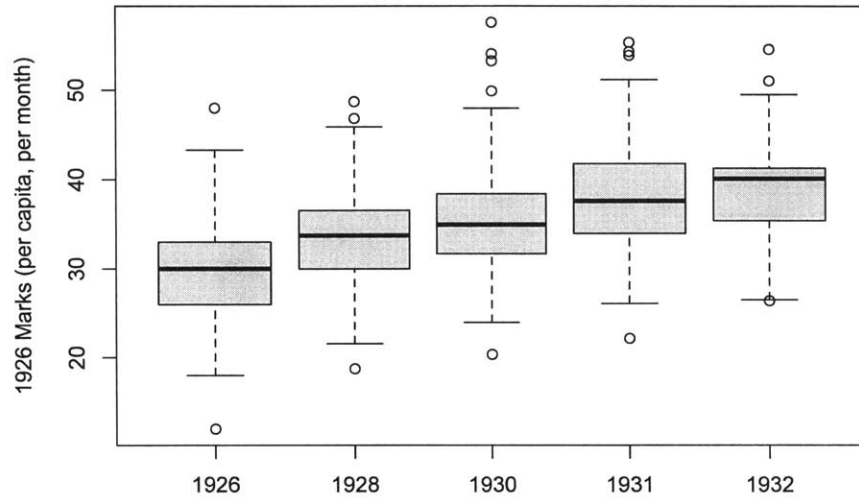
## Mergers





## Appendix: Chapter 4

Figure A1: Social Assistance Rates in Weimar Germany



Rates for a single adult without children, in constant 1926 marks per month. n=198 cities.

Table A1: Municipal Trends: Violent and Property Crime

	p50	p75	p90	p95
Estonia	-0.06	0.19	0.44	0.64
Finland	0.05	0.21	0.41	0.57
Norway	-0.03	0.06	0.15	0.21
Sweden	-0.02	0.08	0.18	0.25
Switzerland	0.02	0.12	0.21	0.26

Quantiles of the year-over-year change in crime at the municipal level:  
 $\ln(\text{crime}_t) - \ln(\text{crime rate}_{t-1})$

## Appendix: Chapter 5

### Details on the Crossnational Sample

Election years were selected so that national and local elections coincide in the same year. Where this is not possible, an election year during the 2000-2010 period was selected with a maximum gap of 2 years between election types (subject to data availability).

NA = Non-aligned districts between local and national elections

Country	National	Local	Municipalities	n	Attrition	Notes
Czech Republic	2010	2010	74	73	1%	Districts
Denmark	NA	2001	270	270	0%	
Finland	2007	2008	320	291	9%	
France	2007	2008	36572	4733	87%	Municipalities > 3500 pop
Germany	2010	2010	396	393	1%	North-Rhine Westphalia
Ireland	NA	2010	27	27	0%	City and County Councils
Italy	2006	2004-07	8100	6814	16%	Rolling Elections
Netherlands	2006	2006	458	319	30%	
Norway	2009	2007	428	420	2%	
Poland	2006	2006	2459	2363	4%	
Portugal	2009	2009	308	305	1%	
Slovenia	NA	2010	212	205	3%	
Spain	2004	2004	8118	7836	3%	
Switzerland	2003	2005	2596	1832	29%	
United Kingdom	2010	2010-11	159	150	6%	Upper-tier; Rolling Elections

Municipal election results for Switzerland were provided by Ladner (2005), all other data was gathered individually from national governments and statistical agencies. France has less attrition if the median income rather than the first decile is used; substantive results are similar. Denmark was measured in 2001 due to extensive municipal mergers in the middle half of the decade.

### Excluded Countries:

All countries that joined the EU after 2007 are excluded (due to a difference in economic development). Countries with less than 1 million inhabitants are also omitted from the sample. The remaining countries were omitted for the reasons discussed below:

Austria	Local poverty data unavailable
Belgium	Practices compulsory voting in local and national elections
Estonia	Local electoral data unavailable
Greece	Local poverty data unavailable
Hungary	National election data unavailable at the municipal level
Latvia	Local poverty data unavailable
Lithuania	Local poverty data unavailable
Slovakia	Election data unavailable
Sweden	National and local elections held simultaneously.

## Appendix: Chapter 6

Table A1: Robustness Checks for Table 3

	Switzerland				Belgium			
	A	B	C	D	A	B	C	D
Non-Binned	5.59 (0.81)	5.21 (0.81)	5.25 (0.60)	5.08 (0.73)	2.65 (0.97)	2.20 (0.80)	2.76 (0.92)	1.88 (0.89)
	<i>Bin 3</i>				<i>Bin 5</i>			
Binned Model	8.40 (2.24)	9.48 (2.63)	7.92 (3.19)	9.00 (2.31)	11.62 (2.76)	11.15 (3.25)	11.32 (5.05)	10.09 (4.75)
Covariates	-	Y	Y	Y	-	Y	Y	Y
Linear Trends	Y	-	Y	Y	Y	-	Y	Y
Quad. Trends	-	-	Y	-	-	-	Y	-
Low Pop Excluded	-	-	-	Y	-	-	-	Y

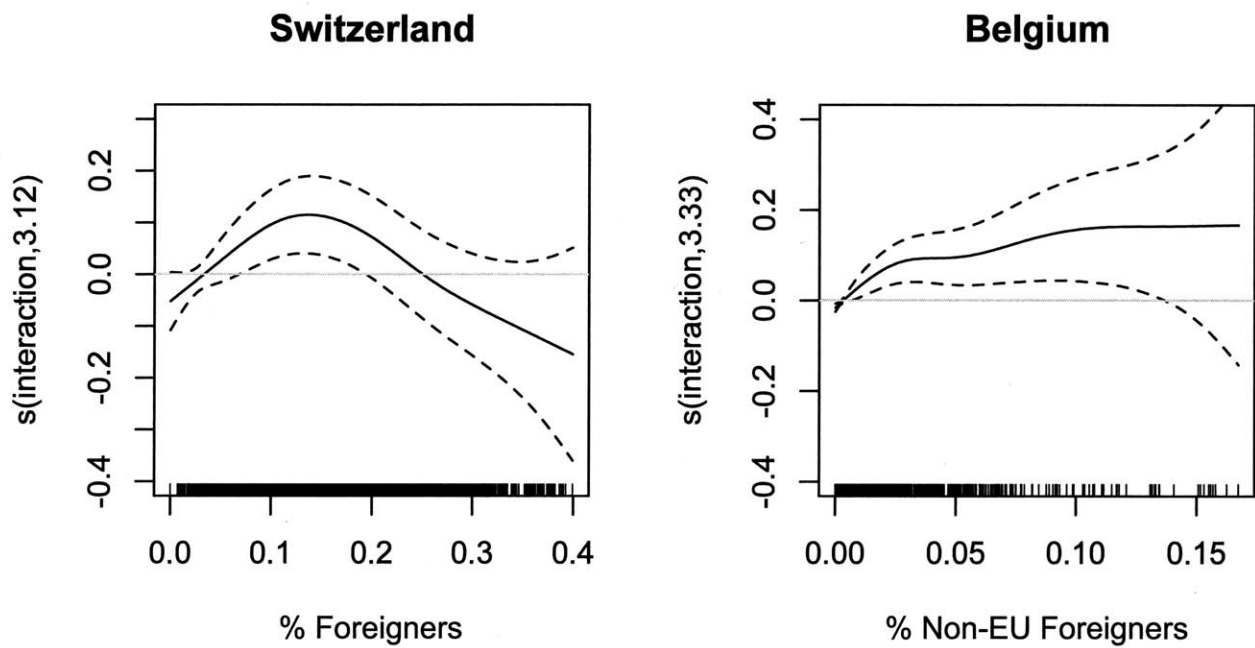
Standard errors in parentheses, clustered by municipality.

Table A2: Robustness Check for Table 3 - 7 bins

	Bin						
	1	2	3	4	5	6	7
Switzerland % $\Delta$	1.48 (2.931)	2.78 (3.63)	0.88 (3.05)	<b>10.47</b> (3.38)	10.10 (3.43)	19.32 (3.39)	1.81 (2.81)
Belgium % $\Delta$		-10.00 (11.06)	3.60 (6.02)	9.16 (5.86)	10.99 (6.19)	<b>11.01</b> (5.90)	13.82 (5.62)

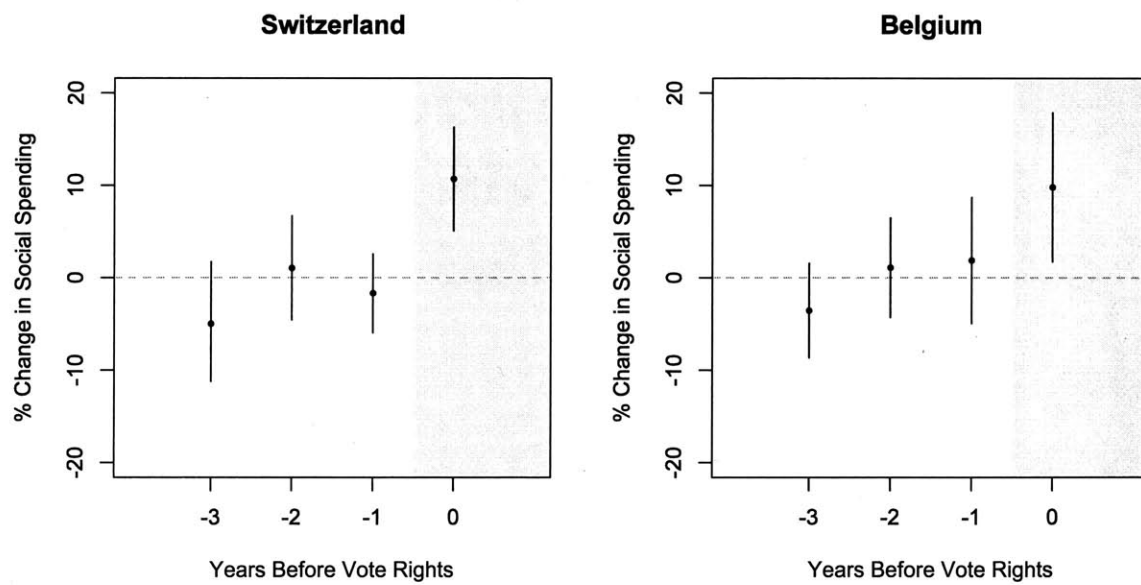
Standard errors in parentheses, clustered by municipality. Identical to right hand side Table 3, except divided into 7 equally spaced bins.

Figure A1: Generalized Additive Model (GAM)



Non-linear effect of voting rights extension, as a function of local immigrant settlement. Model is identical to equation 2 in text, except that the interaction is modeled as a smooth function.

Figure A2: Placebo Test for Binned Model



Using Bins 3 and 5, respectively.

**Table A3: Local Voting Rights For Foreign Residents, by Year**

---

Belgium	2004	Ireland	1977	Slovakia	2002
Denmark	1981	Lithuania	2002	Slovenia	2002
Estonia	1996	Netherlands	1985	Sweden	1975
Finland	1991	Norway	1983	Switzerland	(A)
Iceland	2002	Portugal	(B)	United Kingdom	(B)

---

\* All EU states allow EU residents to vote in local elections

(A) – Subnational variation in local voting rights.

(B) – Certain nationalities only. UK: Commonwealth. Portugal: most South American states.

## Appendix: Chapter 7

**Table A1: Data (34 countries)**

Australia	1995-2012	Latvia	1995-2012
Austria	1995-2012	Lithuania	1995-2012
Belgium	1995-2012	Luxembourg	1995(8)-2012
Bulgaria	1995-2012	Netherlands	1995-2012
Canada	1995-2007	New Zealand	2003-2007
Croatia	1995-2012	Norway	1995-2012
Czech Republic	1995-2012	Poland	1995-2012
Denmark	1995-2012	Portugal	1995-2012
Estonia	1995-2012	Romania	1995-2012(5/9/10)
Finland	1995-2012	Slovakia	1996-2012
France	1995-2012	Slovenia	1995-2012
Germany	1995-2012	Spain	1995-2012
Greece	1995-2012	Sweden	1995-2012
Hungary	1995-2012	Switzerland	1995-2011
Iceland	1995-2012	Turkey	2008-2012
Ireland	1995-2012	United Kingdom	1995-2012
Italy	1995-2012	United States	1995-2000

Parentheses indicate missing years.

**Table A2: Data Sources**

Local Spending	IMF, GFS 2001
Local Revenue	IMF, GFS 2001
GDP Per Capita	World Bank
Unemployment Rate	IMF
Log Population	World Bank
% Pop Over 65	World Bank
Government Partisanship	DPI: Database of Political Institutions
Inflation	World Bank
Fiscal Decentralization	Derived; IMF, GFS 2001

**Table A3: Effect of 1% Increase in Tax Share on Social Spending**

	Property Tax			Income Tax		
	1	2	3	1	2	3
Estimates (%)	-1.84 (0.843)	-1.78 (0.833)	-0.523 (0.289)	1.35 (0.918)	1.34 (0.947)	0.468 (0.156)
<i>Subsets</i>						
OECD	✓			✓		
Western Europe		✓			✓	
Eastern Europe			✓			✓

Standard errors in parentheses, clustered by country.

**Table A4: Effect of 1% Increase in Property Tax Revenue on Social Assistance**

	2008 Reform		2012 Reform		Panel: 98-13	
	Unadj.	Covars	Unadj.	Covars	Unadj.	Covars
IV - 2SLS	-0.27 (0.11)	-0.20 (0.11)	-0.10 (0.06)	-0.12 (0.60)	-0.12 (0.04)	-0.16 (0.05)
First Stage	-0.28 (0.017)	-0.28 (0.017)	0.59 (0.032)	0.53 (0.032)	0.48 (0.011)	0.46 (0.011)
F-Test	271.87	262.89	350.47	267.46	1771.15	1710.12

Standard errors in parentheses.

## References



## References

- Ahmad, Junaid, Stephen Commins, Shantayanan Devarajan, Deon Filmer, Jeffrey Hammer, Lant Pritchett, Ritva Reinikka, Shekhar Shah, Agnès Soucat. 2003. *World Development Report 2004: Making Services Work for Poor People*. Washington, DC : World Bank Group.
- , Shantayanan Devarajan, Stuti Khemani, and Shekhar Shah. 2005. “Decentralization and Service Delivery.” Policy Research Working Paper 3603. Washington, DC: World Bank.
- Alber, Jens, and Ulrich Kohler. 2008. ”The Inequality of Electoral Participation in Europe and America and the Politically Integrative Functions of the Welfare State.” Discussion Paper. Research Unit: Inequality and Social Integration SP I 2008-202. Social Science Research Center Berlin (WZB).
- Albritton, Robert B. 1979. “Social Amelioration Through Mass Insurgency? A Reexamination of the Piven and Cloward Thesis.” *American Political Science Review* 73(4): 1003–11.
- Alesina, Alberto, Reza Baqir, and William Easterly. 1997. “Public Goods and Ethnic Divisions”. Working Paper 6009. Cambridge, MA: National Bureau of Economic Research.
- , and George-Marios Angeletos. 2003. “Fairness and Redistribution: US versus Europe.” Working Paper 9502. Cambridge, MA: National Bureau of Economic Research.
- , and Edward Glaeser. 2004. *Fighting Poverty in the US and Europe: A World of Difference*. Vol. 26. Oxford University Press Oxford.
- , and Eliana La Ferrara. 2005. “Preferences for Redistribution in the Land of Opportunities.” *Journal of Public Economics* 89 (5): 897–931.
- , and Paola Giuliano. 2009. “Preferences for Redistribution.” Working Paper 14825. Cambridge, MA: National Bureau of Economic Research. <http://www.nber.org/papers/w14825>.
- Allard, Scott W., and Sheldon Danziger. 2000. “Welfare Magnets: Myth or Reality?” *Journal of Politics* 62 (2): 350–68.
- Allers, Maarten Adriaan, and J. Bieuwe Geertsema. 2014. “The Effects of Local Government Amalgamation on Public Spending and Service Levels: Evidence from 15 Years of Municipal Boundary Reform.” Research Report 14019-EEF. Groningen: University of Groningen.
- Alonso, Jose M., Judith Clifton, and Daniel Díaz-Fuentes. 2015. “Did New Public Management Matter? An Empirical Analysis of the Outsourcing and Decentralization Effects on Public Sector Size.” *Public Management Review* 17 (5): 643-60.
- Anderson, Christopher J., and Pablo Beramendi. 2012. “Left Parties, Poor Voters, and Electoral Participation in Advanced Industrial Societies.” *Comparative Political Studies* 45(6): 714–46.

- Andreotti, Alberta, Enzo Mingione, and Emanuele Polizzi. 2012. "Local Welfare Systems: A Challenge for Social Cohesion." *Urban Studies* 49 (9): 1925-40.
- Anjum Altaf, William Dillinger, Simon Evenett, Marianne Fay, Vernon Henderson, Charles Kenny, Weiping Wu, Shahid Yusuf. 1999. *World Development Report 1999/2000: Entering the 21st Century*. Washington, DC : World Bank Group.
- Ansolabehere, Stephen, Marc Meredith, and Erik Snowberg. 2014. "Macro-Economic Voting: Local Information and Micro-Perceptions of the Macro-Economy." *Economics & Politics* 26 (3): 380-410.
- Anttonen, Annelie. 1990. "The Feminization of the Scandinavian Welfare State." In *Finnish Debates on Women's Studies: Women's Worlds, Realities and Choices*, edited by Leila Simonen, 197-216. Tampere: University of Tampere.
- Arellano, Manuel, and Stephen Bond. 1991. "Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations." *Review of Economic Studies* 58 (2): 277-97.
- Bahle, Thomas, Vanessa Hubl, and Michaela Pfeifer. 2011. *The Last Safety Net: A Handbook of Minimum Income Protection in Europe*. Bristol, UK: Policy Press.
- Banting, Keith, Richard Johnston, Will Kymlicka, and Stuart Soroka. 2006. "Do Multiculturalism Policies Erode the Welfare State? An Empirical Analysis." In *Multiculturalism and the Welfare State: Recognition and Redistribution in Contemporary Democracies*, edited by Keith Banting and Will Kymlicka, 49-91. Oxford University Press.
- Bardhan, Pranab and Dilip Mookherjee. 2005. "Decentralizing Antipoverty Program Delivery in Developing Countries." *Journal of Public Economics* 89 (4): 675-704.
- Beck, Nathaniel, and Jonathan N Katz. 2011. "Modeling Dynamics in Time-series-cross-section Political Economy Data." *Annual Review of Political Science* 14: 331-52.
- Beramendi, Pablo. 2007. "Inequality and the Territorial Fragmentation of Solidarity." *International Organization* 61 (04): 783-820.
- , 2012. *The Political Geography of Inequality: Regions and Redistribution*. Cambridge University Press.
- Berry, William D., Richard C. Fording, and Russell L. Hanson. 2003. "Reassessing the 'race to the Bottom' in State Welfare Policy." *Journal of Politics* 65 (2): 327-49.
- Besley, Timothy, and Anne Case. 1992. "Incumbent Behavior: Vote Seeking, Tax Setting and Yardstick Competition." National Bureau of Economic Research. <http://www.nber.org/papers/w4041>.
- , and Anne Case. 1995. "Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition." *American Economic Review* 85: 25-44.
- Blöchliger, Hansjörg, and Camila Vammalle. 2012. "Denmark: The Local Government Reform." In *Reforming Fiscal Federalism and Local Government: Beyond the Zero-Sum Game*, OECD Fiscal Federalism Studies, 73-82. Paris: OECD Publishing.

- Böheim, René, and Karin Mayr. 2005. "Immigration and Public Spending". Working Paper, Department of Economics, Johannes Kepler University of Linz.
- Boix, Carles. 1998. *Political Parties, Growth and Equality: Conservative and Social Democratic Economic Strategies in the World Economy*. Cambridge University Press.
- Books, John, and Charles Prysby. 1999. "Contextual Effects on Retrospective Economic Evaluations: The Impact of the State and Local Economy." *Political Behavior* 21: 1–16.
- Boyne, George A, Oliver James, Peter John, and Nicolai Petrovsky. 2009. "Democracy and Government Performance: Holding Incumbents Accountable in English Local Governments." *Journal of Politics* 71 (04): 1273–84.
- Brady, David, and Ryan Finnigan. 2013. "Does Immigration Undermine Public Support for Social Policy?" *American Sociological Review*: 1-26. DOI:10.1177/0003122413513022
- Brennan, Geoffrey, and James M. Buchanan. 1980. *The Power to Tax: Analytic Foundations of a Fiscal Constitution*. Cambridge University Press.
- Brenner, N. 2004. *New State Spaces: Urban Governance and the Rescaling of Statehood*. Oxford: Oxford University Press.
- Brown, Charles C., and Wallace E. Oates. 1987. "Assistance to the Poor in a Federal System." *Journal of Public Economics* 32 (3): 307–30.
- Brueckner, Jan K. 1998. "Testing for Strategic Interaction among Local Governments: The Case of Growth Controls." *Journal of Urban Economics* 44 (3): 438–67.
- . 1999. "Welfare Reform and the Race to the Bottom: Theory and Evidence." *Southern Economic Journal* 66(2): 505–25.
- , and Man-Soo Joo. 1991. "Voting with Capitalization." *Regional Science and Urban Economics* 21 (3): 453–67.
- Burau, Viola, and Teppo Kröger. 2004. "The Local and the National in Community Care: Exploring Policy and Politics in Finland and Britain." *Social Policy and Administration* 38 (7): 793–810.
- Burgoon, Brian, Ferry Koster, and Marcel Van Egmond. 2012. "Support for Redistribution and the Paradox of Immigration." *Journal of European Social Policy* 22 (3): 288–304.
- Bußman-Strelow, Gabriele. 1997. *Kommunale Politik im Sozialstaat: Nürnberger Wohlfahrtspflege in der Weimarer Republik*. Korn and Berg.
- Campbell, Andrea Louise. 2014. *Trapped in America's Safety Net: One Family's Struggle*. University of Chicago Press.
- Cassette, Aurélie, and Sonia Paty. 2010. "Fiscal Decentralization and the Size of Government: A European Country Empirical Analysis." *Public Choice* 143 (1-2): 173–89.
- Cavaillé, Charlotte, and Kris-Stella Trump. 2015. "The Two Facets of Social Policy Preferences." *The Journal of Politics* 77 (1):146–60.

- Conning, Jonathan, and Michael Kevane. 2002. "Community-Based Targeting Mechanisms for Social Safety Nets: A Critical Review." *World Development* 30 (3): 375-94.
- Cai, H. and Daniel Treisman, 2005. "Does competition for capital discipline governments? Decentralization, globalization, and public policy." *American Economic Review* 95 (3): 817-830.
- Card, David. 1992. "Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage". Working Paper 4058. Cambridge, MA: National Bureau of Economic Research.
- Cook, Fay Lomax. 1979. *Who Should Be Helped?: Public Support for Social Services*. Sage Publications.
- Copestake, James. 1992. "The Integrated Rural Development Project." In *Poverty in India: Research and Policy*, edited by Barbara Harris, S. Guhan, and Robert Cassen. Bombay: Oxford University Press.
- Cox, Robert Henry. 1998. "From Safety Net to Trampoline: Labor Market Activation in the Netherlands and Denmark." *Governance* 11 (4): 397-414.
- Cronin, James E., George W. Ross, and James Shoch. 2011. *What's Left of the Left: Democrats and Social Democrats in Challenging Times*. Durham, NC: Duke University Press.
- Crouch, Colin, Klau Eder and Damian Tambini, eds. 2001. *Citizenship, Markets and the State*. Oxford: Oxford University Press.
- Cutler, Fred. 2007. "Context and Attitude Formation: Social Interaction, Default Information, or Local Interests?" *Political Geography* 26:575-600.
- Dahl, Robert Alan, and Edward R. Tufte. 1973. *Size and Democracy*, vol. 2. Stanford University Press.
- Dahlberg, Matz, Karin Edmark, and Heléne Lundqvist. 2012. "Ethnic Diversity and Preferences for Redistribution." *Journal of Political Economy* 120 (1): 41-76.
- De Boef, Suzanna, and Luke Keele. 2008. "Taking Time Seriously." *American Journal of Political Science* 52 (1): 184-200.
- De Ceuninck, Koenraad, Herwig Reynaert, Kristof Steyvers, and Tony Valcke. 2010. "Municipal Amalgamations in the Low Countries: Same Problems, Different Solutions." *Local Government Studies* 36 (6): 803-22.
- Dehring, Carolyn A., Craig A. Depken, and Michael R. Ward. 2008. "A Direct Test of the Homevoter Hypothesis." *Journal of Urban Economics* 64 (1): 155-70.
- Denters, Bas. 2002. "Size and Political Trust: Evidence from Denmark, the Netherlands, Norway, and the United Kingdom." *Environment and Planning C* 20 (6): 793-812.
- Ebel, Robert D. 2001. "Democracy, Decentralization and Development." Intergovernmental Fiscal Relations and Local Financial Management Program. World Bank Institute.
- Echeverri-Gent, John. 1992. "Public participation and poverty alleviation: the experience of reform communists in India's West Bengal." *World Development* 20 (10): 1401-22.

- Eger, Maureen A. 2009. "Even in Sweden: The Effect of Immigration on Support for Welfare State Spending." *European Sociological Review* 26(2): 203-17.
- Eisele, Klaus. 2003. "Karlsruhe in den Krisenjahren der Weimarer Republik und der Aufstieg der NSDAP 1928 – 1930." PhD Diss, Universität Karlsruhe.
- Enrich, Peter D. 1996. "Saving the States from Themselves: Commerce Clause Constraints on State Tax Incentives for Business." *Harvard Law Review* 110(2): 377-468.
- Esping-Andersen, Gøsta. 1985. *Politics against Markets*. Princeton, NJ: Princeton University Press.
- Falleti, Tulia G. 2005. "A Sequential Theory of Decentralization: Latin American Cases in Comparative Perspective." *American Political Science Review* 99 (3): 327-46.
- Ferlie, Ewan. 1996. *The New Public Management in Action*. Oxford: Oxford University Press.
- Ferrera, Maurizio. 2005. *The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection*. Oxford: Oxford University Press.
- Fischel, William. 2001. *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies*. Harvard University Press, Cambridge.
- Fiva, Jon H. 2006. "New Evidence on the Effect of Fiscal Decentralization on the Size and Composition of Government Spending." *FinanzArchiv: Public Finance Analysis* 62 (2): 250-80.
- Flora, Peter, Jens Alber, and Richard C. Eichenberg. 1983. *State, Economy, and Society in Western Europe 1815-1975: A Data Handbook in Two Volumes*, vol. 1. Chicago: St. James Press.
- , and Arnold Joseph Heidenheimer, eds. 1981. *The Development of Welfare States in Europe and America*. London: Transaction Publishers.
- Fluder, Robert, and Jürgen StremLOW. 1999. *Armut Und Bedürftigkeit: Herausforderungen Für Das Kommunale Sozialwesen*. Bern: P. Haupt.
- Fong, Christina. 2001. "Social Preferences, Self-Interest, and the Demand for Redistribution." *Journal of Public Economics* 82 (2): 225-46.
- Fraanje, M.J., M. Herweijer, R.M. Beerepoot, A.M. van Assenbergh, B.J. Brouwer, and H.J. Heins. 2008. *Herindelingen Gewogen: Een Onderzoek naar de Doelen, Effecten en het Proces van Herindelingen*. Utrecht/Groningen: Rijksuniversiteit Groningen/Berenschot.
- Gallego, Aina. 2007. "Unequal Political Participation in Europe." *International Journal of Sociology* 37(4): 10-25.
- Galster, George C., Jackie M. Cutsinger, and Ron Malega. 2006. "The Social Costs of Concentrated Poverty: Externalities to Neighboring Households and Property Owners and the Dynamics of Decline." Paper prepared for the Revisiting Rental Housing Conference, Harvard University, Cambridge, MA, 14 November.

- Ganghof, Steffen. 2006. "Tax Mixes and the Size of the Welfare State: Causal Mechanisms and Policy Implications." *Journal of European Social Policy* 16 (4): 360–73.
- Gans-Morse, Jordan, Sebastian Mazzuca, and Simeon Nichter. 2014. "Varieties of Clientelism: Machine Politics during Elections." *American Journal of Political Science* 58(2): 415–32.
- Gelbach, Jonah. 2004. "Migration, the Lifecycle and State Benefits: How Low is the Bottom?" *Journal of Political Economy* 112: 1091–1130.
- Gerdes, Christer. 2011. "The Impact of Immigration on the Size of Government: Empirical Evidence from Danish Municipalities." *Scandinavian Journal of Economics* 113 (1): 74–92.
- Geys, Benny. 2006. "Explaining Voter Turnout: A Review of Aggregate-Level Research." *Electoral Studies* 25(4): 637–63.
- Gilens, Martin. 1999. *Why Americans Hate Welfare*. Chicago: University of Chicago Press.
- Glaeser, Edward L. 1996. "The Incentive Effects of Property Taxes on Local Governments." *Public Choice* 89 (1): 93–111.
- Gramlich, Edward M. and Deborah S. Laren. 1984. "Migration and Income Redistribution Responsibilities." *Journal of Human Resources* 19: 489–511.
- Gray, Mark, and Miki Caul. 2000. "Declining Voter Turnout in Advanced Industrial Democracies, 1950 to 1997 the Effects of Declining Group Mobilization." *Comparative Political Studies* 33(9): 1091–1122.
- Green, Eva GT, Nicole Fasel, and Oriane Sarrasin. 2010. "The More the Merrier? The Effects of Type of Cultural Diversity on Exclusionary Immigration Attitudes in Switzerland." *International Journal of Conflict and Violence* 4 (2): 177–90.
- Grossman, Guy, and Janet I. Lewis. 2014. "Administrative Unit Proliferation." *American Political Science Review* 108 (1): 196–217.
- Hacker, Jacob. 2005. "Policy Drift: The Hidden Politics of US Welfare State Retrenchment." In *Beyond Continuity: Institutional Change in Advanced Political Economies*, edited by Wolfgang Streeck and Kathleen Thelen, 40–82. Oxford: Oxford University Press.
- Hainmueller, Jens. 2012. "Entropy Balancing for Causal Effects: A Multivariate Reweighting Method to Produce Balanced Samples in Observational Studies." *Political Analysis* 20: 25–46.
- , and Dominik Hangartner. 2013. "Who Gets a Swiss Passport? A Natural Experiment in Immigrant Discrimination." *American Political Science Review* 107 (1): 159–87.
- , and Michael J Hiscox. 2007. "Educated Preferences: Explaining Attitudes Toward Immigration in Europe." *International Organization* 61 (2): 399–442.
- Hajnal, Zoltan, & Paul G. Lewis. 2003. Municipal Institutions and Voter Turnout in Local Elections. *Urban Affairs Review* 38(5): 645–68.
- , and Jessica Trounstine. 2005. "Where Turnout Matters: The Consequences of Uneven Turnout in City Politics." *Journal of Politics* 67(2): 515–35.

- Hannon, Lance, and James DeFronzo. 1998. "Truly Disadvantaged, Public Assistance, and Crime." *Social Problems* 45(2): 383-92.
- Hansen, Stephen, Thomas R. Palfrey, and Howard Rosenthal. 1987. "The Downsian Model of Electoral Participation: Formal Theory and Empirical Analysis of the Constituency Size Effect." *Public Choice* 52(1): 15-33.
- Hansen, Sune Welling. 2014. "Polity Size and Local Political Trust: A Quasi-Experiment Using Municipal Mergers in Denmark." *Scandinavian Political Studies* 36 (1): 43-66.
- , Kurt Houlberg, and Lene Holm Pedersen. 2014. "Do Municipal Mergers Improve Fiscal Outcomes?" *Scandinavian Political Studies* 37 (2): 196-214.
- Harmon, Nikolaj A. 2012. "Immigration, Ethnic Diversity and Political Outcomes: Evidence from Denmark." Working Papers 1383. Princeton, NJ: Princeton University.
- Hayek, Friedrich A. 1939. "The Economic Conditions of Interstate Federalism." *New Commonwealth Quarterly* 5: 131-49.
- Huber, Evelyne, and John D. Stephens. 2001. *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. University of Chicago Press.
- Hero, Rodney E, and Robert R Preuhs. 2007. "Immigration and the Evolving American Welfare State: Examining Policies in the US States." *American Journal of Political Science* 51 (3): 498-517.
- Hickok, Lorena A. 1983. *One Third of a Nation: Lorena Hickok Reports on the Great Depression*. University of Illinois Press.
- Hicks, Alexander, and Duane H Swank. 1983. "Civil Disorder, Relief Mobilization, and AFDC Caseloads: A Reexamination of the Piven and Cloward Thesis." *American Journal of Political Science* 27(4): 695-716.
- Hilber, Christian AL, and Christopher Mayer. 2009. "Why Do Households without Children Support Local Public Schools? Linking House Price Capitalization to School Spending." *Journal of Urban Economics* 65 (1): 74-90.
- Hines, James R., and Richard H. Thaler. 1995. "Anomalies: The Flypaper Effect." *Journal of Economic Perspectives* 9(4): 217-26.
- Hirschman, Albert. 1970. *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States*. Harvard University Press.
- Hopkins, Daniel J. 2009. "The Diversity Discount: When Increasing Ethnic and Racial Diversity Prevents Tax Increases." *Journal of Politics* 71 (1): 160-177.
- Hsieh, Ching-Chi, and Meredith D Pugh. 1993. "Poverty, Income Inequality, and Violent Crime: a Meta-analysis of Recent Aggregate Data Studies." *Criminal Justice Review* 18 (2): 182-202.
- Huber, Evelyne, and John D. Stephens. 2001. *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. University of Chicago Press.
- Huntington, Samuel P. 1991. *The Third Wave: Democratization in the Late Twentieth Century*. University of Oklahoma Press.

- Husted, Thomas, and Lawrence W. Kenny. 1997. "The Effect of the Expansion of the Voting Franchise on the Size of Government." *Journal of Political Economy* 105 (1): 54-82.
- Johansson Sevä, Ingemar. 2009. "Welfare State Attitudes in Context: Local Contexts and Attitude Formation in Sweden." PhD diss, Department of Sociology, Umeå University.
- Johnson, Ryan S., Shawn Kantor, and Price V. Fishback. 2007. "Striking at the Roots of Crime: The Impact of Social Welfare Spending on Crime during the Great Depression." Working Paper 12825. Cambridge, MA: National Bureau of Economic Research.
- Johnston, Ron, Charles Pattie, Daniel Dorling, Iain MacAllister, Helena Tunstall, and David Rossiter. 2000. "Local Context, Retrospective Economic Evaluations, and Voting: The 1997 General Election in England and Wales." *Political Behavior* 22 (2): 121-43.
- Justino, Patricia. 2006. "The Impact of Collective Action on Economic Development: Empirical Evidence from Kerala, India." *World Development* 34 (7): 1254-70.
- Kasara, Kimuli, and Pavithra Suryanarayan. 2014. "When Do the Rich Vote Less than the Poor and Why? Explaining Turnout Inequality across the World." *American Journal of Political Science* 59(3): 613-27.
- Kato, Junko. 2003. *Regressive Taxation and the Welfare State: Path Dependence and Policy Diffusion*. Cambridge University Press.
- Katz, Michael B. 1989. *The Undeserving Poor*. New York: Pantheon.
- . 1996. *In the Shadow of the Poorhouse: A Social History of Welfare in America*. Basic Books.
- Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca, NY: Cornell University Press.
- Kazepov, Yuri. 2008. "The Subsidiarization of Social Policies: Actors, Processes and Impacts: Some Reflections on the Italian Case from a European Perspective." *European Societies* 10 (2): 247-73.
- . 2010. *Rescaling Social Policies: Towards Multilevel Governance in Europe*. Farnham: Ashgate.
- Keating, Michael. 1998. *The New Regionalism in Western Europe: Territorial Restructuring and Political Change*. Cheltenham, UK: E. Elgar.
- Keefer, Philip and Stuti Khemani. 2005. "Democracy, Public Expenditures, and the Poor: Understanding Political Incentives for Providing Public Services." *World Bank Research Observer* 20 (1): 1-28.
- Kettl, Donald F. 2000. "The Transformation of Governance: Globalization, Devolution, and the Role of Government." *Public Administration Review* 60 (6): 488-97.
- Khemani, Stuti. 2001. "Decentralization and Accountability: Are voters more vigilant in local than in national elections?" Policy Research Working Paper 2557. Washington, DC: World Bank.
- . 2010. "Political Economy of Infrastructure Spending in India." Policy Research Working Paper 5423. Washington, DC: World Bank.



- Koopmans, Ruud. 2010. "Trade-offs Between Equality and Difference: Immigrant Integration, Multiculturalism and the Welfare State in Cross-national Perspective." *Journal of Ethnic and Migration Studies* 36 (1): 1–26.
- Korpi, Walter. 1983. *The Democratic Class Struggle*. London: Routledge & Kegan Paul.
- . 1989. "Power, Politics, and State Autonomy in the Development of Social Citizenship: Social Rights During Sickness in Eighteen OECD Countries since 1930." *American Sociological Review* 54 (3): 309–28.
- Kraaykamp, Gerbert, Marcel van Dam, and Theo Toonen. 2001. "Institutional Change and Political Participation: The Effects of Municipal Amalgamation on Local Electoral Turnout in The Netherlands." *Acta Politica* 36 (4): 402–18.
- Kriesi, Hanspeter. 2005. *Der Aufstieg Der SVP: Acht Kantone Im Vergleich*. Zurich: Verlag Neue Zürcher Zeitung.
- Kristov, Lorenzo, Peter Lindert, and Robert McClelland. 1992. "Pressure Groups and Redistribution." *Journal of Public Economics* 48 (2): 135–63.
- Le Galès, Patrick. 2002. *European Cities: Social Conflicts and Governance*. Oxford University Press.
- Leigh, Andrew. 2005. "Economic Voting and Electoral Behavior: How Do Individual, Local, and National Factors Affect the Partisan Choice?" *Economics & Politics* 17 (2): 265–96.
- Levitt, Steven D. 1997. "Using Electoral Cycles in Police Hiring to Estimate the Effect of Police on Crime." *American Economic Review* 87 (3): 270–90.
- Liberati, Paolo, and Agnese Sacchi. 2013. "Tax Decentralization and Local Government Size." *Public Choice* 157 (1–2): 183–205.
- Lijphart, Arend. 1997. "Unequal Participation: Democracy's Unresolved Dilemma Presidential Address, American Political Science Association, 1996." *American Political Science Review* 91(1): 1–14.
- Lindvall, Johannes, and David Rueda. 2014. "The Insider–Outsider Dilemma." *British Journal of Political Science* 44(2): 460–75.
- Luttmer, Erzo FP. 2001. "Group Loyalty and the Taste for Redistribution." *Journal of Political Economy* 109 (3): 500–528.
- Marshall, Thomas H. 1950. *Citizenship and Social Class*. Cambridge University Press.
- Mau, Steffen, and Christoph Burkhardt. 2009. "Migration and Welfare State Solidarity in Western Europe." *Journal of European Social Policy* 19 (3): 213–229.
- McCarty, N, K. Poole and H. Rosenthal. 2007. *Polarized America: The Dance of Ideology and Unequal Riches*. Cambridge, MA: MIT Press.
- McElvaine, Robert S. 1993. *The Great Depression: America, 1929–1941*. Random House.
- McKinnish, Terra. 2007. "Welfare-Induced Migration at State Borders: New Evidence from Micro-Data." *Journal of Public Economics* 91 (3): 437–50.

- Meltzer, Allan H., and Richard, Scott F. 1978. "Why Government Grows (and Grows) in a Democracy." *Public Interest* 52 (2): 111-18.
- , and Richard, Scott F. 1981. "A Rational Theory of the Size of Government." *Journal of Political Economy* 89 (5): 914-927.
- Merolla, David M., Matthew O. Hunt, and Richard T. Serpe. 2011. "Concentrated Disadvantage and Beliefs about the Causes of Poverty: A Multi-Level Analysis." *Sociological Perspectives* 54 (2): 205-27.
- Mettler, Suzanne, and Jeffrey M. Stonecash. 2008. "Government Program Usage and Political Voice." *Social Science Quarterly* 89(2): 273-93.
- Michelsen, Claus, Peter Boenisch, and Benny Geys. 2014. "(De) Centralization and Voter Turnout: Theory and Evidence from German Municipalities." *Public Choice* 159(3-4): 469-83.
- Minas, Renate, and Einar Øverbye. 2010. "The Territorial Organization of European Social Assistance Schemes." *Rescaling of Social Welfare Policies: A Comparative Study on the Path Towards Multi-level Governance in Europe*, edited by Yuri Kazepov, 203-40. Burlington, VT: Ashgate.
- Monseny, Jordi Jofre, Pilar Sorribas Navarro, and Javier Vázquez Grenno. 2011. "Welfare Spending and Ethnic Heterogeneity: Evidence from a Massive Immigration Wave." *Documents De Treball IEB, Universitat de Barcelona* (34): 1-35.
- Moreno, Luis, and Nicola McEwen. 2005. "Exploring the Territorial Politics of Welfare." In *The Territorial Politics of Welfare*, edited by Nicola McEwen and Luis Moreno, 1-40. Routledge.
- Mouritzen, Poul Erik. 1989. "City Size and Citizens' Satisfaction: Two Competing Theories Revisited." *European Journal of Political Research* 17(6): 661-88.
- Musgrave, Richard M. 1959. *The Theory of Public Finance*. New York: McGraw-Hill.
- Nichter, Simeon. 2008. "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot." *American Political Science Review* 102 (1): 19-31.
- Norregaard, John. 2013. "Taxing Immovable Property Revenue Potential and Implementation Challenges." Working Paper 13-129. Washington, DC: International Monetary Fund.
- Oates, Wallace E. 1969. "The Effects of Property Taxes and Local Public Spending on Property Values: An Empirical Study of Tax Capitalization and the Tiebout Hypothesis." *Journal of Political Economy* 77(6): 957-71.
- . 1972. *Fiscal Federalism*. Jovanovich, NY: Harcourt, Brace.
- . 1977. "An Economist's Perspective on Fiscal Federalism." In *The Political Economy of Fiscal Federalism*, edited by Wallace Oates, 3-20. Lexington, MA: Heath-Lexington.
- Obinger, Herbert, Stephan Leibfried, and Francis G. Castles. 2005. *Federalism and the Welfare State: New World and European Experiences*. Cambridge University Press.

- Osborne, David and Ted Gaebler. 1992. *Reinventing Government: How the Entrepreneurial Spirit is Transforming Government*. Reading, MA: Adison-Wesley.
- Owen, Guillermo, and Bernard Grofman. 1984. "To Vote or Not to Vote: The Paradox on Nonvoting." *Public Choice* 42(3): 311-25.
- Peterson, Paul E., and Mark C. Rom. 1989. "American Federalism, Welfare Policy and Residential Choices." *American Political Science Review* 83 (3): 711-28.
- , and Mark C. Rom. 1990. *Welfare Magnets: A New Case for a National Standard*. Washington, DC: Brookings Institution.
- Pierson, Paul. 1995. "Fragmented Welfare States: Federal Institutions and the Development of Social Policy." *Governance* 8 (4): 449-78.
- Piketty, Thomas. 1995. "Social Mobility and Redistributive Politics." *Quarterly Journal of Economics* 110(3): 551-84.
- Piven, Frances Fox, and Richard Cloward. 1971. *Regulating the Poor: The Functions of Public Welfare*. Random House.
- , and Richard A Cloward. 1979. *Poor People's Movements: Why They Succeed, How They Fail*. Vol. 697. Random House.
- Pollitt, Christopher. 1993. *Managerialism and the Public Services: The Anglo-American Experience*. 2nd ed. Oxford: Blackwell.
- . 2005. "A Central Concept in Contemporary Public Management." In *The Oxford Handbook of Public Management*, edited by Ewan Ferlie, Laurence E. Lynn, and Christopher Pollitt, 371-97. Oxford Handbooks Online.
- Powell, Martin, and George Boyne. 2001. "The Spatial Strategy of Equality and the Spatial Division of Welfare." *Social Policy and Administration* 35 (2): 181-94.
- Prohl, Silika, and Friedrich Schneider. 2009. "Does Decentralization Reduce Government Size? A Quantitative Study of the Decentralization Hypothesis." *Public Finance Review* 37 (6): 639-64.
- Razin, Assaf, Efraim Sadka, and Phillip Swagel. 2002. "Tax Burden and Migration: a Political Economy Theory and Evidence." *Journal of Public Economics* 85 (2): 167-190.
- Reback, Randall. 2005. "House Prices and the Provision of Local Public Services: Capitalization under School Choice Programs." *Journal of Urban Economics* 57 (2): 275-301.
- Reif, Karlheinz, and Hermann Schmitt. 1980. "Nine Second-Order National Elections—a Conceptual Framework for the Analysis of European Election Results." *European Journal of Political Research* 8(1): 3-44.
- Reiter, Gry Inger. 2014. "Det Handler Ikke Om at Spare penge." *Tidsskrift for Medier, Erkendelse Og Formidling* 2 (2).
- Remmer, Karen L. 2010. "Political Scale and Electoral Turnout: Evidence from the Less Industrialized World." *Comparative Political Studies* 43(3): 275-303.

- Riaño, Yvonne, and Doris Wastl-Walter. 2006. "Immigration Policies, State Discourses on Foreigners, and the Politics of Identity in Switzerland." *Environment and Planning A* 38 (9): 1693.
- Rodden, Jonathan. 2003. "Reviving Leviathan: Fiscal Federalism and the Growth of Government." *International Organization* 57 (4): 695–729.
- . 2006. *Hamilton's Paradox: The Promise and Peril of Fiscal Federalism*. Cambridge University Press.
- . 2010. "The Geographic Distribution of Political Preferences." *Annual Review of Political Science* 13: 321–40.
- Rokkan, Stein. 1970. *Citizens, Elections, Parties: Approaches to the Comparative Study of Political Development*. Oslo: Universitetsforlaget.
- Romer, Thomas. 1975. "Individual Welfare, Majority Voting, and the Properties of a Linear Income Tax." *Journal of Public Economics* 4 (2): 163–85.
- Rosas, Guillermo, Noel P. Johnston, and Kirk Hawkins. 2014. "Local Public Goods as Vote-Purchasing Devices? Persuasion and Mobilization in the Choice of Clientelist Payments." *Journal of Theoretical Politics* 26(4): 573–98.
- Rueda, David. 2005. "Insider-outsider Politics in Industrialized Democracies: The Challenge to Social Democratic Parties." *American Political Science Review* 99(1): 61–74.
- Saavedra, Luz Amparo. 2000. "A Model of Welfare Competition with Evidence from AFDC." *Journal of Urban Economics* 47 (2): 248–79.
- Sachsse, Christoph, and Florian Tennstedt. 1980. "Geschichte Der Armenfürsorge in Deutschland." *Vom Spätmittelalter Bis Zum Ersten Weltkrieg*, Stuttgart.
- Salmon, Pierre. 1987. "Decentralization as an Incentive Scheme." *Oxford Review of Economic Policy* 3: 24–43.
- Saraceno, Chiara. 2002. *Social Assistance Dynamics in Europe: National and Local Poverty Regimes*. Policy Press.
- Scheve, Kenneth, and David Stasavage. 2006. "Religion and Preferences for Social Insurance." *Quarterly Journal of Political Science* 1 (3): 255–86.
- Schneider, Aaron. 2003. "Decentralization: Conceptualization and Measurement." *Studies in Comparative International Development* 38 (3): 32–56.
- Schram, Sanford F, and J Patrick Turbett. 1983. "Civil Disorder and the Welfare Explosion: a Two-step Process." *American Sociological Review* 48(3): 408–14.
- Semyonov, Moshe, Rebeca Raijman, and Anastasia Gorodzeisky. 2006. "The Rise of Anti-foreigner Sentiment in European Societies, 1988–2000." *American Sociological Review* 71 (3): 426–449.
- Senik, Claudia, Holger Stichnoth, and Karine Van der Straeten. 2009. "Immigration and Natives' Attitudes Towards the Welfare State: Evidence from the European Social Survey." *Social Indicators Research* 91 (3): 345–370.

- Sellers, Jeffery M., and Lindstrom, Anders. 2007. "Decentralization, Local Government, and the Welfare State." *Governance*. 20 (4): 609-632.
- Sennoga, Edward, David L. Sjoquist, and Sally Wallace. 2007. "Incidence and Economic Impacts of Property Taxes in Developing and Transitional Countries." Andrew Young School of Policy Studies Research Paper, no. 07-36.
- Shah, Anwar, Theresa Thompson, and Heng-fu Zou. 2004. "The Impact of Decentralization on Service Delivery, Corruption, Fiscal Management and Growth in Developing and Emerging Market Economies: A Synthesis of Empirical Evidence." *CESifo DICE Report* 1: 10-14.
- Sharp, Elaine B, and Steven Maynard-Moody. 1991. "Theories of the Local Welfare Role." *American Journal of Political Science* 35(4): 934-50.
- Skogan, Wesley G. 1990. *Disorder and Decline: Crime and the Spiral of Decay in American Neighborhoods*. University of California Press.
- Soroka, Stuart, Keith Banting, and Richard Johnston. 2006. "Immigration and Redistribution in a Global Era." In *Globalization and Egalitarian Redistribution*, edited by Sam Bowles, Pranab Bardhan and Michael Wallerstein, 261-88. Princeton University Press.
- Speciale, Biagio. 2012. "Does Immigration Affect Public Education Expenditures? Quasi-experimental Evidence." *Journal of Public Economics* 96 (9): 773-783.
- Stegarescu, Dan. 2005. "Public Sector Decentralisation: Measurement Concepts and Recent International Trends." *Fiscal Studies* 26(3): 301-33.
- Stephens, John D. 1979. *The Transition from Socialism to Capitalism*. Urbana, IL: University of Illinois Press.
- Steinmetz, George. 1993. *Regulating the Social: The Welfare State and Local Politics in Imperial Germany*. Princeton University Press.
- Stigler, George. 1957. "The Tenable Range of Functions of Local Government." In *Federal Expenditure Policy for Economic Growth and Stability*, Joint Economic Committee, 213-19. Washington, DC: US Government Printing Office.
- Subbaroa, K., Bonnerjee, Aniruddha, Jeanine Braithwaite, Soniya Carvalho, Kene Ezemenari, Carol Graham, and Alan Thompson. 1997. *Safety Net Programs and Poverty Reduction*. Washington, DC: World Bank.
- Swank, Duane. 2001. "Political Institutions and Welfare State Restructuring." In *The New Politics of the Welfare State*, edited by Paul Pierson, 197-237. Oxford: Oxford University Press.
- Swartz, Teresa Toguchi, Amy Blackstone, Christopher Uggen, and Heather McLaughlin. 2009. "Welfare and Citizenship: The Effects of Government Assistance on Young Adults' Civic Participation." *The Sociological Quarterly* 50(4): 633-65.
- Taylor-Gooby, Peter. 2005. "Is the Future American? Or, Can Left Politics Preserve European Welfare States from Erosion Through Growing 'Racial' Diversity?" *Journal of Social Policy* 34 (04): 661-672.

- Thelen, Kathleen. 2014. *Varieties of liberalization and the new politics of social solidarity*. Cambridge University Press.
- Ter-Minassian, Teresa, ed. 1997. *Fiscal Federalism in Theory and Practice*. Washington, DC: International Monetary Fund.
- Tiebout, Charles M. 1956. "A Pure Theory of Local Expenditures." *Journal of Political Economy* 64 (5): 416-24.
- Tilly, Charles. 1974. "Food Supply and Public Order in Modern Europe." In *The Formation of Nation States in Western Europe*, Charles Tilly, 380-455. Princeton University Press.
- . 1978. *From Mobilization to Revolution*. McGraw-Hill New York.
- Treisman, Daniel. 2007. *The Architecture of Government: Rethinking Political Decentralization*. Cambridge University Press.
- Trydegård, Gun-Britt, and Mats Thorslund. 2000. "Explaining local variation in home-help services: The impact of path dependency in Swedish municipalities 1976-1997." In *Tradition, Change and Variation: Past and Present Trends in Public Old-Age Care*, Gun-Britt Trydegård. Diss. Stockholm: Stockholm University.
- Van Oorschot, Wim. 2006. "Making the Difference in Social Europe: Deservingness Perceptions Among Citizens of European Welfare States." *Journal of European Social Policy* 16 (1): 23-42.
- , and Wilfred Uunk. 2007. "Welfare Spending and the Public's Concern for Immigrants: Multilevel Evidence for Eighteen European Countries." *Comparative Politics* 40(1): 63-82.
- Van Twist, M.J.W. van, M.S. Schulz, J. Ferket., J. Scherpenisse, and M. van der Steen. 2013. *Lichte Evaluatie Gemeentelijke Herindeling: Inzichten op Basis van 39 Herindelingen in Gelderland, Limburg en Overijssel*. Den Haag: Nederlandse School voor Openbaar Bestuur.
- Verba, Sidney, and Norman H. Nie. 1972. *Participation in America: Political Democracy and Social Equality*. Chicago: University of Chicago Press.
- , Kay Lehman Schlozman; and Henry E. Brady. 1995. *Voice and Equality: Civic Voluntarism in American Politics*. Cambridge, MA: Harvard University Press.
- Vernby, Kare. 2013. "Inclusion and Public Policy: Evidence from Sweden's Introduction of Noncitizen Suffrage." *American Journal of Political Science* 57: 15-29.
- Watson, Sara. 2014. "Does Welfare Conditionality Reduce Democratic Participation?" *Comparative Political Studies* 48(5): 645-86.
- Wildasin, David E. 1988. "Nash Equilibria in Models of Fiscal Competition." *Journal of Public Economics* 35 (2): 229-240.
- . 1991. "Income Redistribution in a Common Labor Market." *American Economic Review* 81: 757-74.

- Wilensky, Harold. 2002. *Rich Democracies: Political Economy, Public Policy, and Performance*. Berkeley: University of California Press.
- Wolfinger, Raymond E., and Steven J. Rosenstone. 1980. *Who Votes?* New Haven: Yale University Press.
- Wong, Cara J. 2007. "'Little' and 'Big' Pictures in Our Heads Race, Local Context, and Innumeracy About Racial Groups in the United States." *Public Opinion Quarterly* 71 (3): 392–412.
- Wörz, Markus. 1998. "Entwicklungsverläufe Ausgewählter Sozialstaatlicher Programme in Der Bundesrepublik Deutschland von 1960-1989."