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Bloc-party Politics and Economic Outcomes. What Are the Effects of Local Parties?

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Abstract: In a much cited 2008 article, Per Pettersson-Lidbom uses regression discontinuity to test for Swedish party effects on economic policies such as municipal taxation, spending and employment. We reassess the issue using the same estimator as Pettersson-Lidbom but new data on all factual coalitions, including minority coalitions as well as those previously deemed as undefined on a left and right wing political scale (constituting about 20 percent of the sample used in Pettersson-Lidbom's study). This makes it possible to remove a systematic bias against centre-right coalitions in Pettersson-Lidbom's study. We find that a majority of the previous findings stand, with sometimes even slightly stronger effects, but not as regards the proportional income tax rate and number of government employees per capita. Parties seem to matter for economic outcomes, but not always, and some parties more than others.

Keywords: Democracy, Voting behaviour, Economic policy, Political systems

JEL: C21, D72, D78, H71, H72

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1. Introduction

In an important and much cited study in this journal, Pettersson-Lidbom (2008) uses a regression discontinuity design to test for political party bloc effects of local governments in Sweden. Using only parties represented in the parliament, he finds significant differences between left and right wing political rule where the former is associated with both higher municipal taxation and spending as well as higher employment. We update Pettersson-Lidbom's study with a hitherto unavailable data set on the factual coalition set-up of Swedish municipal coalitions, including new and emerging parties represented on the local level as well as all minority coalitions. These data show that parties which by Pettersson-Lidbom are classified as belonging to neither the left nor the right in fact consistently side with either of these two political blocs. Thus, a labelling of these parties – and the coalitions in which they take part – as undefined on a left- and right wing scale is problematic. In contrast, rather than using predefined coalition definitions we allow all parties to self-select into political blocks. When replicating Pettersson-Lidbom's study in this fashion, with otherwise the same estimator and controls, we can hereby replicate a majority but not all of his original results

As we further detail below, this difference in outcome is neither due to us including the green party nor minority left wing coalitions in our sample, but is rather due to a disproportionate number of (primarily) right wing coalitions having been classified as undefined in Pettersson-Lidbom's earlier study. The findings are relevant both for research on the influence of smaller political parties in proportional-representative political systems, as well as the broader field of political economy.

In what follows, we discuss previous studies in section 2 and section 3 provides the necessary empirical background. Section 4 details data, methodological issues and the empirical model, while our results and an alternative interpretation of the outcome is provided in section 5. Section 6 concludes.

2. Previous studies

According to the classic median voter theorem (Black, 1958, Bowen, 1943 and Hotelling 1929) two competing candidates for office should converge towards identical political positions in order to capture the vote of the median voter. As a result, at least in a majority voting system, the expected policy outcomes should tend to be similar regardless who wins.

As regards the empirical outcome however, the economic impact of parties is much disputed. Where some find only weak evidence that party control matters, or no evidence whatsoever (Faust & Irons, 1999), others find significant impacts. For the US, Lee, Moretti, and Butler (2004) show that congressional voting is highly partisan and that voters in effect elect policies, and Besly and Case (2003) find that more elected Democrats in State legislatures increases state spending. Further, studying US mayoral elections, Ferreira and Gyourko (2009) show significant differences between Democrat or Republican candidates when it

comes to both level of spending and allocation of spending in US cities. For Sweden, Folke (2014) also finds significant impacts of parties on specific policy areas, such as environmental and immigration policy.²

When the preferences of the voters are channelled through different parties in proportionate-representative electoral systems, or when more than two parties compete, the outcome is less clear (see for instance Person & al. (2007) Lipset & Rokhan (1967)). Mueller (2003, p. 300) in his literature review found that the differences between proportionate-representative and majority electoral systems, when examining actual outcomes, were much smaller than what theory would imply.

The use of American elections as testing ground has also been a problem in the research on the median voter theorem, since it has limited the research to majority election systems with primaries. In this regard, Fiorina & al. (2005) have argued that the use of primaries might push parties or candidates away from the median voter position. Since primaries are rarely used when selecting candidates in Swedish municipal elections (other than as a non-binding straw poll), the assumption would then be that policy convergence is likely to be even greater in a system like Sweden's, making Pettersson-Lidbom's study all the more interesting.

3. Empirical Background

As highlighted by Pettersson-Lidbom (2008) as well as Lakomaa (2008), where cross-country studies are mired with problems related to differences in electoral systems, election dates and the length of terms, Swedish municipalities can be regarded as an almost ideal testing ground for the problem at hand. The number of municipalities is large (approximately 290), elections are held on the same day and the municipalities all have the same electoral system (proportional representation without thresholds).³

Further, importantly for isolating causal effects, all municipalities have the same tax system and can only tax income from physical persons by way of a proportional tax (as opposed to legal persons like corporations), and these taxes are not deductible from income for the purpose of calculating tax liability at the national level. The ability of municipalities to borrow to finance current spending is also restricted, meaning that there is in principle a direct connection between municipal taxes and spending.

² Previous studies have also found differences between national governments in that the election of more conservative governments are associated with a drop in inflation (Alesina, 1997; Persson & Tabellini, 1999). As municipal policy does not affect inflation they are of little direct relevance for this paper even though they show a party effect.

³ The modified Sainte-Laguë method is used to allocate seats within the electoral districts, and in contrast to Swedish national elections, no seats ("utjämningsmandat") are used to even out the difference between the vote share and the share of seats allocated. This electoral system was first used in the 1973 elections and was not tampered with until 1994 when the terms were lengthened from three to four years.

These 290 municipalities also control a significant share of public spending, on average 20 percent of GDP, or about 40 percent of total public spending. This implies that municipal elections ought to be important to voters, and voter turnout for municipal elections is also high by international standards, above 70 per cent (Jackman & Miller, 1995; Radcliff, 1992).

Even though municipalities are to a considerable extent regulated as to what specific services they have to provide (up towards 80 percent of municipal activities are implementations of parliament decisions), in practice there is still much room for discretion as concerns the ambition and quality of these services. In addition, in areas such as traffic planning, zoning and cultural and leisure activities there is also a very large amount of municipal self-government.

Historically, the Swedish political system was relatively stable during a prolonged period. On the national level, apart from a few small socialist and communist parties that never won seats in parliament, no new parties emerged from the introduction of universal suffrage in 1921 and until 1988, when the Green Party was elected to parliament. This was then followed by the Christian Democrats and the New Democratic Party which were elected to parliament in the next election 1991.

On the municipal level the system also remained stable up until the second municipal reform (when municipalities were merged) in 1970, when local parties emerged in some municipalities. Since then however, the number of parties represented in municipal assemblies has increased on a large scale. These new parties can be said to roughly constitute four types: single-issue parties (for instance . parties that emerge in order for instance to stop the e.g. closure of a school to represent a specific group of citizens, such as Students, retirees); parties that represent a specific geographic part of a municipality (often advocating the secession of a part of a municipality they believe is neglected or exploited as a source of revenue for other parts of the municipality); so-called good government parties, advocating pragmatic solutions for the betterment of the entire municipality; and finally, national parties, i.e., parties with the ambition to eventually gain representation in the national parliament (for further discussion, see for instance Wörlund (1999) or Johansson (2010)).

During the period for which we have data, from 1973 to 1994, three new parties win seats in parliament and also gain representation in many municipalities. Importantly, our data show that these new national parties, the Green, Christian Democratic and the New Democratic Party -, on the municipal level - always sided with either the left or the right: The Green Party supported left-wing coalitions and the two latter parties supported centre-right coalitions. This despite the fact that both the Green Party and the Christian Democrats at least initially described themselves as non-aligned or cross partisan. Also, the New Democratic Party, although usually categorised as a right-wing populist party, did rhetorically always try to portray itself as cross-partisan.

Finally, as regards local parties during the equivalent time period, our data show that all non-national parties (regardless of type) almost exclusively support the centre-right when included in ruling coalitions.⁴

⁴ The exceptions are some small communist parties (KFML, KPML(r), APK and SKP) that managed to get seats in a few municipal assemblies, mainly in Northern Sweden and Gothenburg. However, these extreme left parties have

A possible explanation for this is that most of these parties were formed by former members of centre-right parties. The Social Democratic Party on the other hand, which is the single larger party on the left during the studied time period, seem to have been much more apt to retain oppositional or disillusioned party members or voters.⁵

4. Data, methodological issues and empirical model

The data used in the following come from two sources. All our panel data on spending, taxes and employment, as well as various municipality characteristics used as controls, stem from Pettersson-Lidbom (2008). This insures that our differing outcomes are not due to differences in either variable definitions or data sources for our dependent and independent control variables. However, where Pettersson-Lidbom uses municipality level vote share data to designate a governing coalition as either left or right wing, we instead use data showing the actual parties included in all governing coalitions 1973-1994.⁶ These register data in turn have been assembled from non-electronic sources (registry books) from Statistics Sweden and have previously been used in Lakomaa (2008).

This unique data set has allowed us to expand upon what constitutes a left and right wing coalition and move beyond any pre-conceived assumptions in this regard. In Pettersson-Lidbom (2008), municipal coalitions are defined as being more or less equivalent to those on the national level, i.e., as being composed of either the Social Democratic Party and the Left Party, or the four to five parties making up a centre-right coalition; the Moderate-, Liberal-, Centre-, Christian Democrat- and New Democratic Party. When either of these political blocs (as defined above) receives more than 50 percent of the vote they are assigned accordingly. If neither bloc reaches 50 percent the municipality is coded as undefined.

In contrast, we allow all parties to self-select (or define themselves) by analysing what actual coalitions they choose to be part of and who they align themselves with. We can hereby both take into account municipalities where the left or right block governed in coalition with one or more additional parties (The Green Party or local parties), as well as all cases where they were governed by a coalition of fewer parties than what constituted a political bloc on the national level.⁷ Doing so has eliminated all previously undefined cases, constituting some 20 percent of the population in Pettersson-Lidbom's study.

only been elected to municipalities with strong left-bloc majorities and thus have never had more than negligible impact on policy (Wörlund, 1999).

⁵ The local parties that represent a specific geographic part of a municipality (for example Samling för Sigtuna, Tungelstapartiet or Nykvarnspartiet) have for instance often been formed as a reaction within centre-right parties, since these parties have often been anti-secession due to a fear of never being able to win majority support in a municipality if a certain part seceded. This might imply both that the voters of secessionist parties to a greater extent come from the centre-right and that established centre-right parties are more accommodative in order to retain support from all parts of the municipality. On the emergence on local parties in Sweden see (Demker & Svåsand, 2005; Gidlund, 1978; Hallin, 1990; Johansson, 2010; Johansson, Nilsson, & Strömberg, 2001; Wörlund, 1999).

⁶ According to the law governing municipalities, the seats in committees cannot be reassigned during the electoral period, regardless of majority changes (e.g. as a result of defections from one party to another). Therefore, the coalition behind the chairman of the municipal boards a good indicator of the majority on the Election Day.

⁷ This situation may occur in cases when e.g. the Social Democratic Party alone is larger than the four centre-right parties and is close to having a majority of the seats, but then decides not to include the Communist/Left Party in a

A few words should also be said about the Swedish Green Party and their bloc-party alignment. Out of the three new parties that win seats in the national parliament during our studied time period, Pettersson-Lidbom includes the Christian Democratic Party and New Democratic Party in defining a right-wing coalition. Notably, he treats the Green Party as a party independent of the left and right blocks and therefore excludes them from his definition of a left-wing coalition. How to define the Green Party is however a matter of debate. Svaleryd & Vlachos (2009) treat the party as left while Folke (2011) follows Pettersson-Lidbom's definition, arguing that this is motivated by the party's co-operation with centre-right parties *after* 1994. In this regard, our data clearly speaks in favour of the approach taken by Svaleryd & Vlachos; during our studied time-period, the Green Party was in constant alignment with the left and was never included in coalitions that did not also include the Social Democrats. We can also note that treating them as undefined is somewhat inconsequential as regards the designation of the Centre Party as belonging to the right, since after 1994 the Centre Party at times also cooperated "across the aisle" with the Social Democratic Party.⁸

Apart from these distinctions, our data and choice of estimator are as in Pettersson-Lidbom (2008). Formally, these regression models can be described as

$$Y_{it} = \mu_i + \lambda_t + \pi T_{it} + f(\text{Left vote share})\phi + v_{it}.$$

Y_{it} is here the economic outcome; either per capita spending, employment and unemployment, taxes or government employees per capita, for municipality i in time period t . μ_i is a fixed effect for each municipality, λ_t is a time fix-effect and T_{it} is the treatment indicator taking the value of one (1) for left wing local governments and zero otherwise. Further, $f(\text{Left vote share})$ is a control function, some lower-order polynomial of left vote share, and v_{it} is the error term. As in Pettersson-Lidbom (2008), the party effect, π , is our parameter of main interest, measuring the difference in outcome for left and right-wing local government coalitions.

4. New Empirical Results

First, as comparison and as to show that our differing outcomes are not driven by us using an entirely different data set, we replicate in Table 1 Pettersson-Lidbom's tests as concerns fiscal policy differences between left and right wing coalitions (Table 7 in his original paper). Basically, all coefficient estimates are the same as in Pettersson-Lidbom's original article except that our levels of significance are somewhat

coalition since they assume they can count on them either voting with the Social Democrats or abstain, before voting with the centre-right.

⁸ Lastly, of relevance is also that polls indicate Swedish voters themselves as perceiving the Greens as a party of the left (Statistics Sweden, 1982-2002). Gilljam & Oscarsson (1996), studying elections after 1985 and using polling data where the voters define themselves on a right-left scale, also positions the voters of the Green party clearly to the left.

lower - in 19 out his 43 significant estimates at the 90th to 99th percent level of significance. This is somewhat perplexing as we are using the exact same estimator and data as in Pettersson-Lidbom's article, and we can only explain this as perhaps due to us using a later version of Stata as compared to the original data runs.

(TABLE 1 ABOUT HERE)

Table 2 in turn shows results using the same estimator, but with left and right wing rule as well as left vote share now based on our expanded definition of coalitions. As mentioned, in these data runs we have no undefined governments (312 in Pettersson-Lidbom's article) but instead 119 and 193 more left- and right-wing wing coalitions, respectively (see Table 4). In about half of Pettersson-Lidbom's original significant estimates, in 24 out of 43, we are hereby able to discern a somewhat stronger effect of left-wing rule. These slightly stronger effects are primarily related to spending, such as total and current spending per capita and spending as a share of income (rows no. 1, 3 and 4), as well as total revenues and to some extent total revenues as a share of income (rows no. 5 and 6). In 11 of the original significant estimates – with no discernible pattern – we on the other hand find a somewhat weaker effect, whereas the rest of the estimates are about the same. When replicating the tests for fiscal policy in this fashion, contrary to Pettersson-Lidbom's results we are however not able to find any effect whatsoever on the proportional income tax rate (row no. 7).

Turning to Table 3, showing tests for party coalition effects on economic policies (i.e. the unemployment rate and the number of government employees per capita), where Petterson-Lidbom's original estimates were positive and highly significant all through models 1-7, we cannot reproduce Pettersson-Lidbom's original results for the number of government employees per capita. In line with his original estimates however, we find no evidence of any effects on the unemployment rate.

(TABLE 2 AND TABLE 3 ABOUT HERE)

To what extent are these differences in outcomes driven by either *a*) that our definition of a left wing majority also includes the Green party, or *b*) that we also include minority left wing governments, i.e. all cases where municipalities were governed by a coalition of fewer parties than what constituted a political bloc on the national level? A possibility is of course either that the Green party had a different agenda in terms economic policies, or that minority local governments had to be sufficiently more accommodative towards opposition parties so as to blur any ideological policy differences. In Tables A1 and A2 (see appendix), we therefor show outcomes where we test for party bloc effects on fiscal and economic policy, excluding all coalitions including the green party as well as all minority left wing coalitions. These two types of coalitions are instead controlled for by means of two dichotomous variables, much in the same manner as Pettersson-Lidbom includes a dummy for his undefined coalitions.

As is shown in Table A1, our estimates here indicate that hardly any of our differing outcomes can be linked to us including the greens and minority left wing coalitions. Overall, the treatment effects are largely the same as shown previously in Table 2, with a green coalition effect only discernible in two out of a total of 49 possible point estimates (a small negative effect in two of the models on current spending per capita), and a negligible positive effect of minority coalitions as regards three models of the income tax rate.

Further, as seen in Table A2, our inclusion of these two types of coalitions is also not what seems to be behind our differing outcomes as regards the number of government employees per capita.

Instead, our differing outcomes are likely due to the fact that there is a party bloc bias in the previously undefined cases in Pettersson-Lidbom's study. As highlighted in Table 4, out of the total number of election outcomes that Pettersson-Lidbom considers as undefined on a political left and right scale (312 in total), only 119 constitute left majority coalitions, the equivalent of around 40 percent of the undefined cases. Not including smaller parties in defining coalitions thus leads to a systemic bias towards excluding centre-right coalitions from the sample. This in turn leads to somewhat skewed results; whereas the effect of left-wing rule is actually somewhat stronger using an expanded definition of left and right wing coalitions, the effects are not at all traceable as regards two of Pettersson-Lidbom's original fiscal and economic policy models, the proportional income tax rate and government employees per capita.

(TABLE 4 ABOUT HERE)

5. Discussion and Concluding Remarks

The alternative estimations presented above show that, in the Swedish case and for this specific time period, there is still relatively strong support for the contention that left and right wing party differences in economic outcomes can be traced on the municipal level. Our results, based on actual coalition data rather than vote shares, confirm Petterson-Lidbom's findings on a positive left wing party-bloc effect on different measures of spending as well as revenue (rows 1-6, in Table 2). In contrast to Petterson-Lidbom, however, we are not able to find any significant difference between left and right coalitions as regards the tax level and government employees per capita (see row 7 in Table 2, and row 2 in Table 3, respectively).

As we are able to show that these differing outcomes cannot be seen as an effect of including either the green party nor minority left-wing coalitions in our sample, the only possible conclusion is that Pettersson-Lidbom's earlier findings in this regard depends upon excluding a relatively large share of the centre-right coalitions. In other words, previous results are valid only when excluding new and emerging parties from the equation, parties that with the exception of the Green party have always sided with the right. But as we have argued above, the question is then to what extent the more limited definition of a right and left wing coalition is better suited to address the theoretical problem at hand.

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Table 1. Party effect: Fiscal policies (replication of Pettersson-Lidbom's Table 7)

	1	2	3	4	5	6	7
Log (Total spending per capita)	0.024** (0.011)	0.027** (0.011)	0.023** (0.012)	0.021* (0.012)	0.024 (0.015)	0.020* (0.010)	0.021* (0.011)
Log (Total spending as a share of income)	0.021* (0.012)	0.025** (0.012)	0.024** (0.012)	0.025** (0.013)	0.034 (0.021)	0.021** (0.010)	0.024** (0.011)
Log (Current spending per capita)	0.024** (0.012)	0.027** (0.011)	0.027** (0.012)	0.026** (0.012)	0.019 (0.016)	0.025** (0.011)	0.026** (0.012)
Log (Current spending as a share of inc.)	0.022* (0.013)	0.025** (0.013)	0.028** (0.013)	0.030** (0.013)	0.029 (0.024)	0.026** (0.011)	0.029** (0.012)
Log (Total revenues per capita)	0.024** (0.010)	0.027*** (0.010)	0.019* (0.011)	0.017 (0.011)	0.015 (0.016)	0.017* (0.010)	0.014 (0.010)
Log (Total revenues as a share of income)	0.021* (0.011)	0.025** (0.011)	0.020* (0.011)	0.021* (0.012)	0.025 (0.023)	0.018* (0.009)	0.017* (0.010)
Log (Proportional income tax rate)	0.012*** (0.004)	0.013*** (0.004)	0.012*** (0.005)	0.013*** (0.004)	0.011 (0.011)	0.013*** (0.004)	0.014*** (0.004)
Sample	Full	Full	Full	Full	±2	Full	Full
Left vote share polynomial	First	Second	Third	Fourth	None	Fourth	Fourth×time
Controls	No	No	No	No	No	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: As in Pettersson-Lidbom's original paper, standard errors clustered at the local government's term in office level are within parentheses. Each entry is a separate regression. All regressions also include, but not reported, municipality-specific effects and time effects. The full sample includes 5,913 observations. The ±2 sample include all observations that are in the range of [48, 52] of the left vote share and there are 852 such observations

Table 2. Party effect: Fiscal policies (reproduction of Pettersson-Lidbom’s Table 7), with our treatment variable and vote share data

	1	2	3	4	5	6	7
Log (Total spending per capita)	0.023** (0.011)	0.028*** (0.011)	0.033*** (0.011)	0.035*** (0.011)	0.008 (0.011)	0.035*** (0.010)	0.019* (0.010)
Log (Total spending as a share of income)	0.018* (0.011)	0.023** (0.011)	0.028** (0.011)	0.031*** (0.011)	0.012 (0.013)	0.033*** (0.010)	0.017* (0.010)
Log (Current spending per capita)	0.027** (0.011)	0.032*** (0.011)	0.039*** (0.011)	0.041*** (0.011)	0.026* (0.014)	0.042*** (0.011)	0.029*** (0.011)
Log (Current spending as a share of inc.)	0.022** (0.011)	0.027** (0.011)	0.034*** (0.011)	0.037*** (0.011)	0.030** (0.014)	0.039*** (0.011)	0.027** (0.011)
Log (Total revenues per capita)	0.026** (0.011)	0.031*** (0.011)	0.033*** (0.011)	0.034*** (0.011)	0.009 (0.012)	0.035*** (0.011)	0.020* (0.010)
Log (Total revenues as a share of income)	0.021* (0.011)	0.026** (0.011)	0.028** (0.011)	0.030*** (0.011)	0.013 (0.013)	0.033*** (0.010)	0.018* (0.010)
Log (Proportional income tax rate)	0.001 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.004)	0.003 (0.003)	-0.000 (0.003)
Sample	Full	Full	Full	Full	±2	Full	Full
Left vote share polynomial	First	Second	Third	Fourth	None	Fourth	Fourth×time
Controls	No	No	No	No	No	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: As in Pettersson-Lidbom’s original paper, standard errors clustered at the local government’s term in office level are within parentheses. Each entry is a separate regression. All regressions also include, but not reported, municipality-specific effects and time effects. The full sample includes 5,913 observations. The ±2 sample include all observations that are in the range of [48, 52] of the left vote share and there are 852 such observations

Table 3. Party effect: Economic Policies (reproduction of Pettersson-Lidbom’s Table 8), with our treatment variable and vote share data

	1	2	3	4	5	6	7
Log (Unemployment rate)	0.019 (0.031)	-0.007 (0.030)	-0.004 (0.030)	-0.008 (0.030)	0.038 (0.032)	-0.000 (0.029)	-0.045 (0.029)
Log (Government employees per capita)	0.008 (0.013)	0.011 (0.013)	0.017 (0.013)	0.020 (0.013)	0.020 (0.014)	0.023* (0.012)	0.011 (0.012)
Sample	Full	Full	Full	Full	±2	Full	Full
Left vote share polynominal	First	Second	Third	Fourth	None	Fourth	Fourth×time
Controls	No	No	No	No	No	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Note: As in Pettersson-Lidbom’s original paper, standard errors clustered at the local government’s term in office level are within parentheses. Each entry is a separate regression. All regressions also include, but not reported, municipality-specific effects and time effects. The full sample includes 5,913 observations for government employment and 4520 for unemployment. The ±2 sample include all observations that are in the range of [48, 52] of the left vote share and there are 852 such observations for government employment and 639 for unemployment

Table 4. Party control in Swedish local governments, 1974-1994, in Pettersson-Lidbom (2008) as compared to our data

	Pettersson-Lidbom (2008)	Current data used
Number of undefined majorities	312	0
Number of left governments	826	945
Number of centre-right governments	833	1026

Table A1. Party effect: Fiscal policies, with separate dummy variables for left wing coalitions including the Green party, as well as minority left wing coalitions

	1	2	3	4	5	6	7
Total spending per capita	0.023* (0.013)	0.029** (0.013)	0.036** (0.014)	0.038*** (0.014)	0.011 (0.013)	0.041*** (0.013)	0.023* (0.013)
Coalition incl. the Green party	-0.014 (0.011)	-0.013 (0.011)	-0.007 (0.011)	-0.006 (0.011)	0.001 (0.020)	0.002 (0.011)	0.002 (0.012)
Left minority coalitions	0.011 (0.010)	0.010 (0.010)	0.014 (0.010)	0.014 (0.010)	0.007 (0.016)	0.015 (0.010)	0.011 (0.010)
Total spending / income	0.022* (0.013)	0.027** (0.012)	0.037*** (0.014)	0.041*** (0.013)	0.015 (0.014)	0.038*** (0.013)	0.021 (0.013)
Coalition incl. the Green party	0.007 (0.011)	0.008 (0.011)	0.016 (0.012)	0.018 (0.012)	0.004 (0.022)	0.001 (0.012)	-0.001 (0.012)
Left minority coalitions	0.008 (0.010)	0.008 (0.009)	0.013 (0.010)	0.013 (0.010)	0.006 (0.016)	0.015 (0.010)	0.010 (0.010)
Current spending per capita	0.021* (0.012)	0.026** (0.012)	0.036*** (0.013)	0.038*** (0.013)	0.032** (0.015)	0.041*** (0.013)	0.027** (0.013)
Coalition incl. the Green party	-0.027** (0.011)	-0.026** (0.011)	-0.018 (0.012)	-0.017 (0.012)	-0.009 (0.025)	-0.011 (0.012)	-0.010 (0.013)
Left minority coalitions	0.001 (0.011)	0.000 (0.011)	0.006 (0.011)	0.006 (0.011)	0.018 (0.013)	0.007 (0.010)	0.002 (0.010)
Current spending/income	0.020 (0.013)	0.025** (0.012)	0.037*** (0.013)	0.041*** (0.013)	0.036** (0.016)	0.038*** (0.013)	0.025* (0.013)
Coalition incl. the Green party	-0.006 (0.011)	-0.006 (0.011)	0.005 (0.012)	0.007 (0.012)	-0.005 (0.028)	-0.013 (0.012)	-0.013 (0.013)
Left minority coalitions	-0.002 (0.011)	-0.002 (0.011)	0.004 (0.011)	0.005 (0.011)	0.016 (0.012)	0.006 (0.010)	0.002 (0.011)
Total revenues per capita	0.025* (0.013)	0.030** (0.013)	0.032** (0.013)	0.033** (0.014)	0.012 (0.014)	0.037*** (0.013)	0.018 (0.013)
Coalition incl. the Green party	-0.016 (0.011)	-0.015 (0.011)	-0.013 (0.012)	-0.013 (0.012)	-0.011 (0.022)	-0.004 (0.012)	-0.007 (0.012)
Left minority coalitions	0.007 (0.009)	0.006 (0.009)	0.008 (0.009)	0.008 (0.009)	0.008 (0.010)	0.009 (0.010)	0.001 (0.009)
Total revenues /income	0.024* (0.012)	0.029** (0.012)	0.033** (0.013)	0.036*** (0.013)	0.015 (0.015)	0.034*** (0.012)	0.016 (0.013)
Coalition incl. the Green party	0.005 (0.011)	0.006 (0.011)	0.010 (0.012)	0.011 (0.012)	-0.007 (0.023)	-0.005 (0.012)	-0.010 (0.012)
Left minority coalitions	0.004 (0.009)	0.004 (0.009)	0.006 (0.009)	0.007 (0.009)	0.006 (0.015)	0.008 (0.009)	0.001 (0.010)
Income tax rate	0.004 (0.004)	0.004 (0.004)	0.005 (0.004)	0.005 (0.004)	0.002 (0.005)	0.006 (0.004)	0.002 (0.004)
Coalition incl. the Green party	0.000 (0.004)	0.000 (0.004)	0.001 (0.005)	0.001 (0.005)	0.004 (0.011)	0.002 (0.005)	-0.000 (0.005)
Left minority coalitions	0.007 (0.004)	0.007 (0.004)	0.007* (0.004)	0.007* (0.004)	-0.000 (0.005)	0.007* (0.004)	0.006 (0.004)
Sample	Full	Full	Full	Full	±2	Full	Full
Left vote share	First	Second	Third	Fourth	None	Fourth	Fourth×time
Controls	No	No	No	No	No	Yes	Yes

Robust standard errors in parentheses,

*** p<0.01, ** p<0.05, * p<0.1

Table A2: Party effect: Economic policies, with separate dummy variables for left wing coalitions including the Green party as well as minority left wing coalitions

	1	2	3	4	5	6	7
Log (Unemployment)	0.025 (0.038)	-0.001 (0.037)	0.008 (0.038)	0.004 (0.037)	0.033 (0.038)	0.014 (0.035)	-0.030 (0.036)
Coalition incl. the Green party	0.051 (0.035)	0.049 (0.035)	0.056 (0.037)	0.055 (0.036)	0.041 (0.068)	0.050 (0.036)	0.073* (0.037)
Left minority coalitions	-0.029 (0.036)	-0.027 (0.036)	-0.023 (0.036)	-0.023 (0.036)	-0.020 (0.051)	-0.014 (0.035)	-0.027 (0.035)
Log (Government employees per capita)	0.004 (0.016)	0.007 (0.016)	0.016 (0.016)	0.019 (0.016)	0.029* (0.015)	0.024 (0.016)	0.011 (0.015)
Coalition incl. the Green party	-0.032** (0.015)	-0.031** (0.015)	-0.024 (0.015)	-0.023 (0.016)	-0.010 (0.031)	-0.019 (0.015)	-0.018 (0.016)
Left minority coalitions	0.012 (0.012)	0.011 (0.012)	0.016 (0.012)	0.016 (0.012)	0.021 (0.016)	0.019 (0.012)	0.012 (0.012)
Sample	Full	Full	Full	Full	±2	Full	Full
Left vote share polynomial	First	Second	Third	Fourth	None	Fourth	Fourth×time
Controls	No	No	No	No	No	Yes	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1