Buying Influence? Public Transfers to Non-Profits and Local Elections

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Sciences Po

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Politicians and Non-Profits



Mayor of Paris for 18 years Transfers to non-profits rep 10% of the municipal budget (400 million 2019 euros)

"Such transfers contributed to the reputation of the mayor of Paris with a multitude of social, professional, cultural or sport groups; he never forgot to attend major events."

- Clienteles in France, Pierre Tafani, 2003

This paper

- **Context**: Literature has focused on how interest groups influence politicians through campaign contributions, yet politicians also grant sizable amounts to myriads of non-profits with either public or private money
- **Question**: Are transfers to non-profits motivated by electoral concerns?
- **Empirical Strategy**: I study whether national-level politicians target governmental transfers to non-profits in political allies' districts.
 - $\rightarrow\,$ Local close elections provide exogenous variation in partisan connections between national and local politicians

Institutional Background

Subsidies

- I focus on subsidies granted by the central government from 2005 to 2016
 - $\rightarrow~\sim$ 1 billion euros per year, \sim 20k organizations
- How to get subsidies
 - 1. **Application**: past achievements, motivation, financial statements (1st semester)
 - 2. Reviewed by bureaucrats and elected officials
 - 3. Results and payment in September



Institutional Background

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- The role of local politicians
 - $\rightarrow~$ No official role in the procedure
 - $\rightarrow\,$ Yet, example of a shop owners' organization that applied for gvt subsidies, deputy mayor's statement to the press after meeting at Ministry of Economy

"300,000 euros was the maximum we could get from the government. We insisted greatly with the Ministry."

- Aides pour les commerants du centre-ville, Ouest-France, 9/17/2019

Transfers data																	
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

	Presidential term					Presidential term					Presidential term						
	Legislative term					Legi	slati	ve te	erm Legis				ative term				
Trans						ansfe	ers d	ata									
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017

- **Presidential and legislative elections**: every 5 year, same year, both the president and ministers from the same party in 2005-2016
- $\rightarrow\,$ I exploit 2002, 2007 and 2012 elections + Stop in 2016

	Municipal term						Municipal term Municipal t							erm			
	Presidential term P				Presi	dent	ial t	erm		Presidential term							
	Legislative term				Legi	slati	ve te	erm		Legislative term							
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 - Alignment: A mayor is considered aligned with gvt when she belongs to same party as ruling party, otherwise unaligned





	Municipality-level amount of transfers to local organizations per capita								
	First	order		Second order					
Ruling party	1.262**	1.311***		1.461**	1.735***				
	(0.578)	(0.496)		(0.642)	(0.583)				
<i>p</i> -value	.028	.008		.022	.002				
N	27924	27924		27924	27924				
Poly. order	1	1		2	2				
Bandwidth	15.701	14.443		21.922	17.781				
Controls	No	Yes		No	Yes				
Mean (left)	3.243	3.243		3.243	3.243				

Notes: ***, **, and * indicate significance at 1,5 and 10% respectively.

 \rightarrow +1.3 euros per capita: avg municipal candidate spends 1.17 euros per voter

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 \rightarrow +1.3 euros per capita: avg municipal candidate spends 1.17 euros per voter \rightarrow Organizations get +40% transfers from central government

	Municipality-level amount of transfers to local organizations per capita								
	Incumbe	nt reruns	Incumber	t does not					
Ruling party	2.144***	2.235***	-2.135	-1.610					
	(0.664)	(0.575)	(1.785)	(1.721)					
<i>p</i> -value	.001	0	.231	.349					
Ν	23022	23022	4247	4247					
Poly. order	1	1	2	2					
Bandwidth	12.838	10.856	13.459	11.664					
Controls	No	Yes	No	Yes					
Mean (left)	3.273	3.273	3.246	3.246					

Notes: ***, **, and * indicate significance at 1,5 and 10% respectively.

 \rightarrow Effect loads on municipalities where the incumbent reruns: +2.2 euros, +70%

Mechanisms What is influence used for?

Potential explanations for why non-profits' influence could help the incumbent:

1. To increase turnout

- Turnout buying (Holland and Palmer-Rubin, 2015): organizational brokers know voters' preferences and negotiate ties to political parties in exchange for the turnout of voters who would have otherwise not voted
- $\rightarrow~$ Prediction: larger distortions among low turnout municipalities

2. To reduce political competition

- Framework where campaign spending and influence are substituable to some extent
- Avis et al. (2017): higher spending caps decrease political competition
- $\rightarrow~$ Prediction: larger distortions where there are more competitors

Mechanisms

Increase turnout?



Mechanisms

Reduce political competition?



Conclusion

- A substantial share of **public transfers to non-profits serve electoral motives**
- Politicians value the **influence** of non-profit organizations, not only their ability to make campaign contributions
- Target municipalities with challengers competing on a similar political platform

Appendix

Institutional Background

Growing number of non-profit organizations



Institutional Background

Growing number of non-profit organizations



Growth of non-profit organizations US - 501(c) exempt organizations



Source: National Center for Charitable Statistics Data Archive Back

Growth of non-profit organizations US – Encyclopedia of Associations



Source: John Hopkins

Growth of non-profit organizations Germany – *eingetragene Verein*



Source: ZIVIZ survey (2017) and Archambault et al. (2014) Back

Growth of non-profit organizations Italy – *Istituzioni* nonprofit



Source: ISTAT Back

Growth of non-profit organizations Spain – *Asociaciones*



Source: Registro Nacional de Asociaciones, Ministerio del Interior (2002) in Carmen Marcuello Servos (2007) Back

Institutional Background Revenues



Back

Electorally motivated transfers Bandwidth choice





Electorally motivated transfers Balancing tests

Robustness: Balancing test

Regress pre-election covariates on alignment margin

	β	se	р	95% ci
NGOs characteristics				
Nb. assos per capita	0.00063	(0.001)	0.34	[-0.00065 ; 0.0019]
media	-0.017	(-1.58)	0.11	[-0.037 ; 0.0039]
HR for local employers	0.0042	(0.27)	0.79	[-0.026 ; 0.034]
social and prof. reintegration	0.0017	(0.36)	0.72	[-0.0078 ; 0.011]
education	-0.039	(-2.14)	0.03	[-0.075 ; -0.0033]
social work elderly	-0.0068	(-0.48)	0.63	[-0.035 ; 0.021]
social work youth	0.0069	(0.68)	0.50	[-0.013 ; 0.027]
social work other	-0.040	(-1.38)	0.17	[-0.097 ; 0.017]
culture	0.0054	(0.07)	0.94	[-0.14 ; 0.15]
sports, leisure	-0.0082	(-0.06)	0.95	[-0.27 ; 0.26]
employer org.	0.013	(0.95)	0.34	[-0.014 ; 0.040]
other	0.15	(0.55)	0.58	[-0.37 ; 0.66]



Electorally motivated transfers Balancing tests

Robustness: Balancing test

	β	se	р	95% ci
Population characteristics				
Population	-2596.6	(3199.2)	0.42	[-8866.9 ; 3673.7]
Share 0-14yo	0.00096	(0.003)	0.74	[-0.0048 ; 0.0067]
Share 60+yo	-0.0035	(0.007)	0.60	[-0.017 ; 0.0095]
Share retired	-0.0043	(-0.73)	0.47	[-0.016 ; 0.0072]
Share w-collars	0.0080	(0.006)	0.19	[-0.0039 ; 0.020]
Share b-collars	-0.0036	(0.004)	0.39	[-0.012 ; 0.0046]
Share higher educ.	0.012	(0.009)	0.16	[-0.0046 ; 0.029]
Share unemployed	-0.0085	(0.005)	0.06	[-0.017 ; 0.00041]
Mean income	505.4	(447.637)	0.26	[-372.0 ; 1382.7]



Electorally motivated transfers Balancing tests

Robustness: Balancing test

	β	se	р	95% ci
Municipal elections (1st round)				
# lists	-0.089	(-0.48)	0.63	[-0.45 ; 0.27]
far left	-0.022	(-0.37)	0.71	[-0.14 ; 0.092]
left	0.018	(0.28)	0.78	[-0.11; 0.14]
right	0.013	(0.18)	0.86	[-0.13 ; 0.16]
far right	-0.014	(-0.45)	0.65	[-0.075 ; 0.047]
other	-0.066	(-1.37)	0.17	[-0.16 ; 0.028]
Turnout	0.0012	(0.16)	0.88	[-0.014 ; 0.017]
Vote share far left	-0.0021	(-0.37)	0.71	[-0.013 ; 0.0091]
Vote share left	-0.0072	(-0.65)	0.52	[-0.029 ; 0.015]
Vote share right	0.0085	(0.73)	0.47	[-0.015 ; 0.032]
Vote share far right	-0.0017	(-0.35)	0.73	[-0.011 ; 0.0080]
Vote share other	-0.00089	(-0.10)	0.92	[-0.018 ; 0.017]



Mechanisms

How does it compare with municipal grants?

	(1)	(2)	(3)	(4)
	All resources	Local taxes	Rule based grant	Other res.
Ruling party	-22.84	-13.19	8.274	-29.68
	(27.11)	(15.99)	(5.759)	(21.86)
p-value	.399	.409	.15	.174
Ν	11267	11267	11267	11267
Poly. order	1	1	1	1
Bandwidth	14.161	11.555	18.33	13.57
Clustered s.e.	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
Mean (left)	1236.96	503.83	255.80	477.32

Table: Municipality resources in beginning-of-term years

Notes: ***, **, and * indicate significance at 1,5 and 10% respectively.



Mechanisms

How does it compare with municipal grants?

	(1)	(2)	(3)	(4)
	All expenses	Personnel	Intermediate cons.	Subsidies
Ruling party	-23.59	-10.29	3.570	5.009
	(23.49)	(11.78)	(5.940)	(4.392)
p-value	.315	.382	.547	.254
Ν	11267	11267	11267	11267
Poly. order	1	1	1	1
Bandwidth	14.313	16.637	18.806	14.597
Clustered s.e.	Yes	Yes	Yes	Yes
Controls	Yes	Yes	Yes	Yes
Mean (left)	1092.65	554.11	258.91	85.575

Table: Municipality expenditures in beginning-of-term years

Notes: ***, **, and * indicate significance at 1,5 and 10% respectively.

