Online appendix to "Social Democratic Representation and Welfare Spending: A Quantitative Case Study" (Finseraas 2018)

Appendix A: Extended Theoretical Discussion of Partisanship and Welfare Spending

It is useful to consider the two ways voters can influence public policies to understand what is meant by partisan effects (see Lee, Moretti, and Butler 2004). The classic view in political economy is that the competition for votes pushes the platforms of political parties towards the center. The prime example is Downs' (1957) median voter model, where competition for votes forces the two parties to converge on the same policy platform. Although the full convergence result is unrealistic and empirically false, the model is useful because it illustrates how voters have the power to *affect* policies. Later models in the Downsian tradition allow parties to run on different platforms, but voters still affect policies by pushing party platforms toward the political center, away from the preferred policies of the party ideologues.[5]

One strong assumption in the classic view is that politicians' policy promises are credible, i.e. that they will implement exactly the platform they propose to the voters in the election. However, voters cannot sanction politicians between elections if they deviate from their promises, which makes it tempting for parties in office to follow their actual policy preferences instead of their electoral promises. Besley and Coate (1997) argue that the lack of convergence in policy platforms that we witness in the real world is a consequence of the lack of credibility in party promises. Without the possibility of between-election sanctioning, the parties do not converge on similar platforms, but instead run on their true policy preferences. Voters are still powerful, however, since they determine the outcome of the election. Moreover, free entry to run for office ensures that the system is democratic. However, while voters *affect* policies in the Downsian view, they *elect* policies in this alternative view.

It is clear that these two perspectives have different views on partisan effects. In the Downsian tradition there is no or limited room for partisanship to matter. Since platforms have more or less converged, who governs will not matter much for policy outcomes. If implemented policies differ across political entities, this will be because voter preferences differ across the entities. In the alternative view, however, implemented policies might differ strongly across political entities, even if voter preferences are identical across polities. One party will inevitably be elected for office and this party will implement its preferred policy, irrespective of the position of the median voter.

The latter scenario represents what is meant by a partisan effect. It refers to an effect of who governs, controlling for voter preferences. It is challenging to empirically identify the representation effect, because we do not have perfect measures of voter preferences. Lee et al. (2004) put forward a regression discontinuity framework which studies close elections in order to identify the partisan effect. By comparing policy outcomes in polities where the Democratic candidate barely defeated the Republican candidate, one compares the effect of party representation in contexts where voter preferences do not differ much. They find large partisan effects. A couple of papers have extended this framework to multiparty-systems (Pettersson-Lidbom 2008; Folke 2014; Fiva, Folke, and Sørensen forthcoming). Fiva et al. (forthcoming) is of particular interest since they study policy outcomes in

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[5]See Persson and Tabellini (2000) for an overview of these models. See Barth, Finseraas, and Moene (2015) for an recent application on welfare politics.

Norwegian municipalities. They find partisan effects on two types of welfare spending. Rightist representation tend to increase elderly care spending and decrease child care spending. They find insignificant effects on education and health care spending.

My paper complements Fiva et al. (forthcoming) by estimating the partisan effect on another margin, namely the collapse of the dominating, Social Democratic party. This margin is potentially very important. An influential literature in the comparative welfare state research argues that Social Democratic parties are instrumental for the degree of public responsibility for income redistribution and social insurance (Korpi 1983; Huber, Ragin, and Stephens 1993; Huber and Stephens 2001; Korpi and Palme 2003; Allan and Scruggs 2004; Korpi 2006). In essence, this literature argues that there are three components to Social Democratic representation which will ultimately have consequences for the welfare state: Organizational, institutional and ideological. The organizational component refers to the importance of organizing wage earners in the political sphere and ensuring that class politics have a high salience in political competition. The institutional component concerns Social Democratic parties' interest in developing and maintaining collective wage bargaining and corporatist institutions. Finally, the ideological component refers to the recruitment of politicians with a commitment to full employment and public responsibility for social rights. In power resources theory, Social Democratic parties are inherently partisan, representing working-class voters' interests, and, together with unions, solving collective action problems for less-advantaged voter groups. This view of parties is far from the Downsian tradition, and closer to the view that voters elect policies.

Appendix B: Additional Empirical Material

I: On the party organization

One possibility is that the failure to submit the list is a signal of a local party organization in disarray. I have not come across any evidence indicating that this was the case. In Norwegian local elections, voters can make changes on the party list, such as changing the ranking of the candidates and thereby affect what candidates get elected from the party list. A high share of changes of the party list might be interpreted as an indicator of local voter unhappiness with the party establishment. The number of changes made to the list is public information. In the 1991 election (the election prior to 1995), almost 50 percent of the Ap-voters in Flå made changes to the Ap list. Although this sounds like a large number, about 60 percent of the votes in Flå were changed. In the rest of Norway, about 38 percent of Ap voters changed the Ap-list, but this number is close to the total share of changed votes (41 percent). Thus, these numbers do not suggest that voters in Flå were particularly unhappy with the local list compared to Ap-voters elsewhere.

II: On the rightward shift of the Flå municipal council

It is hard to quantify the size of the rightward shift of the council, but one approach is to assume i) that the average party positions reported in Fiva et al. (forthcoming) are representative of the parties in Flå, ii) that party positions are fairly stable over time–again with reference to Fiva et al. (forthcoming)–and iii) that the left-right position of BF is the average over the positions of Sp, KrF and H. Using these assumptions, we can calculate the left-right position of the council by adding together the left-right-positions and use the seat shares as weights. Doing so, I find that the council shifted from 4.75 in 1991 to 5.58 in 1995, a shift of .83 on the 0-10 left-to-right-scale. In comparison, the shift from the 1987 to 1991 election was .19 units (from 4.94 to 4.75). If I use the same assumptions on the other municipalities in my sample, I find that no municipality experienced a similarly large shift on the left-right scale. The average shift across the other municipalities is .05 (SD=.23) from 1991 to 1995 and .09 (.20) from 1987 to 1991. With the caveats associated with the assumptions I make in mind, I argue that the 1995 shock to the council was unusual and politically significant.

III: On political efficacy in small municipalities

The survey Kommuneundersøkelsen from 1993 has three questions on the importance of local politics which shed some light on voters' political efficacy in small municipalities. Table A1 shows the share of respondents who disagree or disagree strongly with three statements on political inefficacy. The sample is broken down by small and large municipalities, where small refers to the "least central" municipalities according to the 1994 version of Statistics Norway's index of centrality,[6] while large municipalities are the rest. In small municipalities, 55 percent of the respondents disagree that "it does not matter what parties have power in the local council" and 59 percent disagree that "it does not matter for me personally who runs the local council". The former share is higher in large municipalities, but the latter is smaller in large municipalities. In any case, a majority of the respondents in small municipalities believe that the local council and local politics matter. The belief that "the local public administration runs the municipality, not the

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[6]See https://www.ssb.no/klass/#!/klassifikasjoner/128/versjon/469

politicians" is however fairly widespread as well, as about one third disagree, but this share is the same in small and large municipalities. Thus local politics is perceived to matter, but within a regime where the local administration is considered a competing, powerful force.

Table A1: Share in small and large municipalities disagreeing with statements.

	Small municipalities	Large municipalities
It does not matter what parties have power in the local council	55	64
It does not matter for me personally who runs the local council	59	56
The local public administration runs the municipality, not the politicians	34	33

Note: Own calculations from Kommuneundersøkelsen 1993.

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IV: Long-run estimates

Table A2: Results from 10 different synthetic control specifications. Long run post-MSPE

	Childcare			Education			Elderlycare			Health care		
	Pre	Post		Pre	Post		Pre	Post		Pre	Post	
Model	$\tilde{R}^2$	MSPE	p	$\tilde{R}^2$	MSPE	p	$\tilde{R}^2$	MSPE	p	$\tilde{R}^2$	MSPE	p
1	.91	3.45	.43	.93	21.40	.31	.88	29.27	.49	.94	10.58	.55
2	.91	3.45	.43	.93	21.40	.31	.88	29.26	.49	.94	10.58	.55
3	**.85**	**3.11**	**.56**	.93	20.68	.14	.71	29.21	.76	**.80**	**10.18**	**.64**
4	.88	3.53	.21	.93	21.39	.08	.63	29.90	.66	.52	10.23	.77
5	.65	3.16	.80	.77	20.79	.48	.68	28.94	.52	.84	10.51	.60
6	.62	3.43	.70	.08	21.25	.41	.50	29.08	.70	.81	10.44	.49
7	.74	3.30	.55	.93	21.36	.18	.80	29.60	.47	.93	10.98	.37
8	.67	3.70	.50	.92	22.50	.12	.81	34.28	.27	.93	11.23	.23
9	.88	3.21	.43	**.93**	**20.55**	**.26**	**.87**	**29.11**	**.46**	.93	10.41	.49
10	.86	3.46	.32	.93	22.20	.27	.87	32.76	.37	.93	10.67	.48

Note: The ten models are: 1) All pre-treatment outcomes + log of population size, share of the population above 65 years of age, share of population in school age, share of population below school age, 2) All pre-treatment outcomes , 3) Pre-treatment outcomes for even years + the covariates 4) Pre-treatment outcomes for even years, 5) Pre-treatment outcomes for odd years + the covariates, 6) Pre-treatment outcomes for odd years, 7) The first half of the pre-treatment outcomes + the covariates , 8) The first half of the pre-treatment outcomes, 9) The first three fourths of the pre-treatment outcomes + the covariates, 10) The first three fourths of the pre-treatment outcomes.

Table A3: Average spending in the 1996-2010 period.

	Flå	Synthetic control	Difference	p-value
A: Lowest Post-MSPE				
Child care	4.87	5.96	-1.09	.56
Education	18.77	20.34	-1.57	.26
Elderlycare	26.96	30.96	-4.00	.46
Health care	11.96	9.69	2.27	.64
B: Model averaging				
Child care	4.87	6.66	-1.79	.41
Education	18.77	20.56	-1.79	.24
Elderlycare	26.96	30.87	-3.91	.49
Health care	11.96	9.43	2.53	.54

V: Unit weights

Table A4: Municipalities with positive synthetic control weights.

Childcare (short run)	Childcare (long run)	Education	Elderlycare	Health care
Dovre .37	Meråker .34	Valle .51	Gulen .27	Rendalen .53
Meråker .31	Bykle .22	Nissedal .31	Røyrvik .23	Tydal .25
Veste Slidre .09	Hasvik .09	Modalen .07	Etnedal .11	Kvitsøy .14
Sør-Aurdal .08	Leka .08	Rindal .06	Kvitsøy .10	Bykle .05
Bykle .06	Modalen .07	Åseral .03	Stor-Elvdal .08	Utsira .02
Hasvik .03	Sør-Aurdal .07	Træna .02	Rendalen .07	Nesseby .001
Rendalen .03	Solund .06		Flatanger .07	
Målselv .03	Veste Slidre .05		Vega .03	
Midtsund .01	Båtsfjord .02		Røst .03	

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