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Deadly Politics: Political Connections, Intergovernmental Transfers, and Mortality
(Job Market Paper)

Intergovernmental transfers finance most local government spending in developing and developed nations. The allocation of government revenue, however, might be subject to distortions for political reasons, such as political connections. Existing evidence shows that political connections can cause government resources to be allocated inefficiently, but evidence on the extent to which such inefficiency affects individuals is scarce. I ask whether co-partisanship between the heads of the central and subnational governments cause imbalances in transfer allocation sufficiently large to affect local government jurisdictions outcomes. I examine connections between the federal and local governments in Brazil and how they affect municipalities' mortality rates. Whether municipalities become connected might be correlated with unobservable shocks that affect outcomes. Besides, residents can vote for the president's party if they know they can benefit from being connected to the federal government. To address these identification challenges, I compare municipalities where elections were decided by a close margin within a Regression Discontinuity Design (RDD). The data consist of municipality-year health, election, and financial outcomes from all 5,570 Brazilian municipalities spanning 2002 to 2017. I use individual-level death-certificates data to construct mortality data, in addition to hospital admissions, transfers, and local spending data. I match election outcomes to party affiliation records to determine municipalities' ruling party and build the RDD assignment variable. In Brazil, discretionary transfers finance 25.1% of local government capital spending. I find that municipalities that become connected to the federal government receive 36% more transfers, make 38% more capital spending, and have 17% fewer deaths in the two years following local elections. Estimates of the effect of political alignment on cause-specific mortality suggest that differences in all-cause mortality are likely due to increased spending in several functions of government. This is supported by the finding that connected municipalities have lower health operating expenditures and admit fewer patients to hospital beds. The effect of political alignment on long-run mortality support the claim that political alignment affects mortality through capital transfers, as investments allow for a permanent expansion of public service provision. I find evidence of a decreasing, convex relationship between mortality and spending. Because transfers face budgetary constraints, this last result suggests that the political distribution of transfers might be inefficient: the reduction in deaths in connected regions would not compensate for the increase in deaths in unconnected municipalities. Using political alignment as an instrument for government spending, I find that a one percent increase in capital spending causes a 0.93% reduction in mortality. My main contribution is showing that the political allocation of transfers, a widely acknowledged issue, affects government jurisdictions' outcomes inefficiently. It is one of the few studies to use plausibly exogenous variation in government spending to identify its effect on health outcomes.

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