

Government Subsidies and Presidential Election Outcomes: Evidence for a Developing Country

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Abstract

We explore the effects of government subsidies on presidential elections in Chile in 1989–99. We use a panel with three periods (the elections of 1989, 1993, and 1999) and 229 counties. We correct for the potential simultaneity problem deriving from the fact that an incumbent facing a difficult political scenario might react by increasing subsidies to improve his/her electoral performance. Our results indicate that the greater the coverage of these types of programs (i.e., the percentage of people receiving subsidies), the higher the votes for the incumbent. (C) 2008 Elsevier Ltd. All rights reserved.

Keywords

Political elections, Government subsidies, Business cycle, Latin America, Chile.