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THE VOTE, THE POLITICS AND THE INTERJURISDICTIONAL TRANSFERS: THE ROMANIAN CASE

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Abstract

This paper represents a continuation of a previous paper, Mutașcu & Dima (2005), where we demonstrated the “abnormal” behavior that local authority from Romania is manifesting regarding the subventions received from the central budget. In accord with public choice theory, exist an “affinity” of a social group - local communities in this case - for a certain political party or political coalition, in which case can expect that the distribution of public funds, having the nature of transfers given by the central budget to local budgets, to be impregnated with a considerable “political color”. This paper is trying to establish, in Romania, quantitative and qualitative, the modality of distributing the central public funds to local authorities under the political impact.

This paper represents a continuation of a previous paper¹ where we demonstrated the “abnormal” behavior that local authority from Romania is manifesting regarding the subventions received from the central budget. The outstanding representatives of the American School of Public Choice, James Buchanan, Gordon Tullock or Geoffrey Brennan, argue that at the base of establishing allocation criteria of the transfers are not only social and economic criteria, but also pure political factors. According to this, the

¹ Mutașcu Mihai, Dima Bogdan, *Politics and Interjurisdictional Transfers: the Romanian Case*, The impact of european integration on the national economy, Ed. Risoprint, Cluj-Napoca, Octombrie, 2005.

budgetary transfers given to the local authorities can represent some true “rewards” for the communities that have sustained, are sustaining or will sustain the political demarche of the forces that have the power.

If we suppose that there is a relation between the transfers given by the central to the local authorities and the political sphere, a challenging question arises: how we can identify, characterize and quantified a linkage like this. In Romania’s case it has been noticed that in the period before the elections, the fiscal policies were accompanied by several important changes at the level of repartition of public funds, by the reduction of the fiscal and growths of the public charges, especially of those whit a social character.

In accord with public choice theory, we can suppose that there is an “affinity” of a social group - local communities in this case - for a certain political party or political coalition, in which case can expect that the distribution of public funds, having the nature of transfers given by the central budget to local budgets, to be impregnated with a considerable “political color”.

This paper is trying to establish, in Romania, quantitative and qualitative, the modality of distributing the central public funds to local authorities under the political impact. For determining the “affinity” of a local community for the political party or political coalition that holds the power, we propose the construction of an “index of proximity to power”, obtained on the base of number of votes received by that party in a local community.

The index takes this shape:

$$I = \frac{\text{Number of favorable votes}}{\text{Total number of votes}} \quad (1)$$

where:

- “Number of favorable votes” represents the number of favorable votes obtained, in the local community chosen, by the party or coalition that holds the power;
- “Total number of votes” represents the total number of votes, valid expressed in that local community.

We can notice that the index takes values between 0 and 1. If the index value is 1, we can conclude that there's a maxim affinity, and if the index is 0, we have a null affinity. So, the proximity to power is greater if it is closer to 1.

In Romania's case, there have been picked and treated two annual statistical series, on the interval between 1993 and 2006, corresponding to the eight regions of development (R1 - North - east, R2 - South - east, R3 - South, R4 - South - west, R5 - West, R6 - North - west, R7 - Center, R8 - Bucharest), representing the "index of proximity to power" (I), and the level of local transfers (T).

To establish the level of the "index of proximity to power" we used the results of the Parliament elections from the 27th of September 1992, the 3rd of November 1996, the 3rd, 26th November 2000 and 28th November 2004, putting accent on the percent obtained, at the level of each county, by the winning party in elections. Because the Parliament of Romania is bicameral, to obtain the final global value for the entire Parliament, we used an arithmetical average of the two indexes corresponding to the two chambers of the Parliament.

Even if the Chamber of Deputies and the Senate have slightly different attributions, so we can't consider them equals from this point of view, we have used the arithmetical average for the index, because the majority of the people don't notice the difference between the two chambers, and for them they have approximately the same importance. For obtaining statistical series, that can be correlated whit the regional level of subventions, we have gather around the counties from the eight regions of development from Romania, establishing for each region a value of the "index of proximity to power" as a arithmetical average of the values of the index corresponding to each county from the considered region. Further on, this value is considered to be constant for each of the four years afferent to the period.

For the study of the linkage "local transfers- politic" we have chose the method of the econometrical analysis, conceiving a "Pool Date"² regressive model with this shape:

² For econometric model we are use the econometric software Eviews 5.0.

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \quad (2)$$

where Y_{it} represents the dependent variable - T, α free term coefficient, β independent variable coefficient, X_{it} independent variable - I, ε_{it} error terms, i cross-sectional units observed for dated periods - 8 sections (the number of regions) and t the period of time (years 1993-2006).

$$T_{it} = \alpha + \beta I_{it} + \varepsilon_{it} \quad (3)$$

Indexes of proximity to power and interjurisdictional transfers in Romania - annual regional dates, years 1993-2006

Ani/Regiune	IR1	IR2	IR3	IR4	IR5	IR6	IR7	IR8	TR1	TR2	TR3	TR4	TR5	TR6	TR7	TR8
U.M	IRC(0,1)								mld.ROL							
1993	0.428	0.395	0.413	0.408	0.267	0.159	0.139	0.280	36.7	37.3	27.9	26.0	31.4	29.5	31.2	108.2
1994	0.428	0.395	0.413	0.408	0.267	0.159	0.139	0.280	92.3	82.6	67.0	54.3	72.5	74.2	73.0	246.6
1995	0.428	0.395	0.413	0.408	0.267	0.159	0.139	0.280	150.6	129.5	118.3	90.8	110.9	121.6	112.0	366.1
1996	0.428	0.395	0.413	0.408	0.267	0.159	0.139	0.280	241.0	216.3	191.4	141.1	164.2	192.4	179.2	522.8
1997	0.286	0.342	0.332	0.324	0.347	0.293	0.229	0.472	486.9	432.3	370.4	266.7	339.0	376.9	387.1	1131.0
1998	0.286	0.342	0.332	0.324	0.347	0.293	0.229	0.472	657.0	564.7	524.6	344.8	459.2	493.2	513.0	1498.1
1999	0.286	0.342	0.332	0.324	0.347	0.293	0.229	0.472	353.6	248.2	139.8	81.9	159.0	205.5	192.9	183.1
2000	0.286	0.342	0.332	0.324	0.347	0.293	0.229	0.472	301.7	307.0	201.3	114.3	182.1	271.4	163.7	207.2
2001	0.527	0.463	0.493	0.527	0.387	0.248	0.234	0.401	813.7	570.0	560.7	340.6	494.3	612.9	454.5	507.7
2002	0.527	0.463	0.493	0.527	0.387	0.248	0.234	0.401	74.1	43.8	83.9	18.6	137.0	118.7	32.5	389.2
2003	0.527	0.463	0.493	0.527	0.387	0.248	0.234	0.401	963.0	880.0	876.0	626.0	621.0	742.0	718.0	1118.0
2004	0.527	0.463	0.493	0.527	0.387	0.248	0.234	0.401	1227.0	1268.0	1342.0	858.0	751.0	963.0	1079.0	853.0
2005	0.238	0.327	0.299	0.261	0.317	0.234	0.215	0.476	178.2	218.5	159.2	106.5	151.5	94.0	125.3	68.9
2006	0.238	0.327	0.299	0.261	0.317	0.234	0.215	0.476	144.9	124.5	140.7	98.2	96.1	136.8	111.6	70.6

The obtained results after the modeling of the two statistical series are:

Dependent Variable: TR?
Method: Pooled EGLS (Cross-section SUR)
Date: 10/15/08 Time: 00:19
Sample: 1993 2006
Included observations: 14

Cross-sections included: 8				
Total pool (balanced) observations: 112				
Linear estimation after one-step weighting matrix				
Cross-section SUR (PCSE) standard errors & covariance (d.f. corrected)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
1--IR1	782.5829	126.2992	6.196260	0.0000
2--IR2	668.6576	115.9355	5.767497	0.0000
3--IR3	595.0675	117.4942	5.064655	0.0000
4--IR4	394.3849	76.53993	5.152669	0.0000
5--IR5	626.8893	86.64446	7.235191	0.0000
6--IR6	1020.190	163.9574	6.222285	0.0000
7--IR7	1040.350	192.9440	5.391978	0.0000
8--IR8	1052.320	241.4431	4.358461	0.0000
Weighted Statistics				
R-squared	0.414118	Mean dependent var	0.098468	
Adjusted R-squared	0.374683	S.D. dependent var	1.244570	
S.E. of regression	0.984168	Sum squared resid	100.7331	
F-statistic	10.50144	Durbin-Watson stat	1.926134	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.083034	Mean dependent var	343.3857	
Sum squared resid	11413729	Durbin-Watson stat	1.529418	

In the supposed case, the model has the next formal and general representation:

$$TR_1 = \alpha_1 \times IR_1 \quad (4)$$

$$TR_2 = \alpha_2 \times IR_2 \quad (5)$$

$$TR_3 = \alpha_3 \times IR_3 \quad (6)$$

$$TR_4 = \alpha_4 \times IR_4 \quad (7)$$

$$TR_5 = \alpha_5 \times IR_5 \quad (8)$$

$$TR_6 = \alpha_6 \times IR_6 \quad (9)$$

$$TR_7 = \alpha_7 \times IR_7 \quad (10)$$

$$TR_8 = \alpha_8 \times IR_8 \quad (11)$$

As we can observe, the correlation coefficient shows the fact that 41,41% of the electors political orientation modifications redound on the level of local transfers, so we can conclude that the model is representative.

$$TR_1 = 782,58 \times IR_1 \quad (12)$$

$$TR_2 = 668,65 \times IR_2 \quad (13)$$

$$TR_3 = 595,06 \times IR_3 \quad (14)$$

$$TR_4 = 394,38 \times IR_4 \quad (15)$$

$$TR_5 = 626,88 \times IR_5 \quad (16)$$

$$TR_6 = 1.020,18 \times IR_6 \quad (17)$$

$$TR_7 = 1.040,35 \times IR_7 \quad (18)$$

$$TR_8 = 1.052,32 \times IR_8 \quad (19)$$

Of course, there are a lot of limitations derived from the small size of data used, from the absence of other explicative variables and from some statistical properties of the residuals errors. Despite these limitations, one can conclude that the model is able to enlighten at least partially the correlations between the political „affinity” and the value of local transfers and to provide an empirical support for the mentioned theoretical framework.

This survey revealed the fact that between the two elements exists a linkage strong enough and the interfering effects of the political on the repartition central public funds vary from one region to another, and this fact arise the problem of the justness of the repartition mechanism of the public funds to local authorities. The greatest distortion effects can be noticed in regions R8 - Bucharest, R7 - Center, R6 – North - West and R1 – North - East, and we can assume that electorate from that regions is very flexible and sensitive on the aspect of given the vote to the forces that hold the power. On contrary, on the other regions, the electorate remains political faithful, even if the party or the coalition will or will not de power. We can observe in this case, that the „financial recompense” is equivalences.

We can conclude that the purpose of our scientific demarche is not to propose a new “model of central public funds”, but only to reveal the fact the actual repartition

system of public funds is not working right, mostly due to the political factor, and it's needed to reshape it on new coordinates.

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