

Abstract

This paper is, to our knowledge, the first attempt in the Baltic countries to investigate the influence of political factors on the size of a municipal budget. Consistently with M. Migueis (2009), we employ the regression discontinuity design, which enables us to distinguish between the ‘partisan supporter’ and ‘political alignment’ theories heavily discussed in the literature on distributive politics and test them empirically using data from Lithuania. Additionally, we perform a case study of four Lithuanian municipalities by analyzing historical data regarding budget size and election results as well as conducting interviews with relevant specialists. We find evidence of a political alignment effect as aligned municipalities are found to receive almost 12% larger discretionary transfers. Case study results from three municipalities also confirm the presence of the effect.

Keywords: Funding allocation, political alignment, partisan supporter, municipalities, political economy, regression discontinuity