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Abstract

Does a politician's sex influence political budget cycles (PBCs)? We answer this question using a sample of Spanish municipalities from the Madrid region for the period 2010–2019. The Madrid region has a homogenous set of budget rules that allows consistently categorising budget expenditure items as either 'mandatory' or 'non-mandatory' public services. After differentiating between *smaller* and *larger* municipalities, gender influence is studied along two dimensions: mayor's sex and share of women in government. Our findings include, in regard to mandatory spending in *smaller* municipalities, that gender-balanced governments induce PBCs. In *larger* municipalities, when the share of women in government is above 60%, electoral spending is increased by up to 10% of an average municipal budget for mandatory spending, and up to 2.2% for non-mandatory. These findings are generally supported in a mixed-gender close election analysis.

JEL Classification: C23, E62, D72, H72, J16

Keywords: Gender, Political budget cycles, Signalling mechanism, Local politicians, Fiscal policy, Spanish municipalities, Madrid region

1. Introduction

The last decade has witnessed a rising share of female politicians, leading to a growing body of research on the effect this has had on stereotypes, public opinion, and policy choices. Empirical evidence shows that greater female representation in politics improves the overall quality of politicians by increasing the pool of qualified female politicians and driving out less competent males (O'Brien and Rickne, 2016; Besley et al., 2017). Men and women are known to have different policy preferences, especially in regard to social, health, and education spending (Bertocchi, 2011; Aidt et al., 2006; Aidt and Dallal, 2008). Thus, it is often assumed in the literature is that those spending categories are particularly favoured by female politicians. Bagues and Campa (2021) call these types of budget items 'female' expenditures. Empirical evidence supporting this conjecture is mixed, however, as only a fraction of studies on this topic find that female political representation matters for different policy choices (Hessami and da Fonseca, 2020).

The political economy literature suggests that, prior to an election, incumbent politicians seek to influence voter perceptions of their competence and/or preferences by means of fiscal policy. These election-induced fiscal policy cycles are known as 'political budget cycles' (PBC). Researchers tend to focus on a scenario in which voters are unhappy with high-spending governments and thus incumbents who adopt more expansionary fiscal policies may be punished instead of rewarded. In this setting, incumbents signal their competence by adjusting the budget in the pre-election period so that specific preferred items receive (new or additional) funding (Drazen and Eslava, 2010; Brender and Drazen, 2013).

In this context, it seems important to know which budget items voters prefer so as to properly assess whether incumbent politicians are, indeed, manipulating expenditure on these items with the aim of influencing voter perceptions. In the empirical literature, classification of budget items as 'visible' or valued by voters appears to be somewhat subjective and context specific. On the one hand, some studies, such as Vergne (2009), Schneider (2010), and Veiga et al. (2017), find that before elections, funds are shifted from investment expenditures towards current expenditures. On the other hand, Drazen and Eslava (2010), Galindo-Silva (2015), Klein and Sakurai (2015), and Repetto (2018) report that opportunistically targeted expenditures are more often associated with infrastructure development projects: roads, schools, water plants, hospitals, and the like. Furthermore, spending areas the literature considers 'female' are not easily categorised in terms of 'visibility', for example, a budget item labelled 'education' may contain funds for school construction, that is, infrastructure investment, as well as funds for teacher salaries, that is, current expenditure.

We study the influence of gender on PBCs by differentiating between ‘mandatory services’, that is, budget items that *must* be provided by each municipality, and ‘non-mandatory services’, that is, services the municipality is not required to provide. Using ‘mandatory services’ avoids the problem of having to decide, more or less arbitrarily, which budget items are ‘visible’ or more likely to be valued by female politicians and whether such politicians actually have the capacity to alter them. Moreover, we do not use final budget data as a proxy for the provision of public goods, which is standard procedure in the PBC field. Instead, taking an approach we believe is more in line with the theoretical PBC framework, we use the *initial* budget as a signalling mechanism directed at voters.

Accettura and Profeta (2022) is the only work to study election-related motives behind gender differences in spending. The literature on gender differences in public policy does not distinguish between electoral and non-electoral periods (Chattopadhyay and Duflo, 2004; Clots-Figueras, 2011; Ferreira and Gyourko, 2014). However, female politicians’ behaviour may vary between electoral and non-electoral years, as women appear to have stronger preferences for redistribution and equality (Corneo and Grüner, 2002; Alesina and La Ferrara, 2005), are more risk averse and less competitive (Gneezy et al., 2009; Croson and Gneezy, 2009), and are associated with less corruption and less opportunism (Dollar et al., 2001; Brolo and Troiano, 2016). Esteve-Volart and Bagues (2012) and Casas-Arce and Saiz (2015) provide evidence that in Spain, prior to the introduction of gender quotas, there was discrimination against female politicians by party leaders. As a consequence, women politicians might have found it necessary to signal their competence much more strongly than was the case for their male colleagues. This argument is especially relevant for the most visible figure of government—the mayor.

Budgets are generally approved by simple majorities and it thus seems possible that PBC-related spending could depend on the relative shares of men and women in government. Also, in municipal-level policymaking, mayors interact intensively with the local council, making it plausible that the influence of the mayor’s sex may be conditional on the share of female councillors. Thus, we study the effect of a mayor’s sex conditional on the share of women in government.

To study PBC-related activities at the municipal level, we use data from the Madrid region (Comunidad Autónoma de Madrid) for the period 2010–2019. Municipalities in the Madrid region are subject to a homogenous set of budget rules, which allows consistently categorising budget expenditure items as either for ‘mandatory’ or ‘non-mandatory’ public services. Note that 2010–2019 was a period of fiscal austerity, characterised by balanced local budgets and constraints on total expenditures due to Organic Law 2012. Therefore, during this period, PBC-related activities could not be accomplished by manipulating deficits or total spending; instead, incumbents had to rely on budget

composition to signal their competence and/or preferences. In March 2007, the Equality Act amended Spanish electoral law by introducing gender-balanced candidate lists. The Equality Act positioned Spain among the group of countries with rising shares of female politicians and it has the additional advantage of allowing us to empirically test the influence of gender on PBCs.

Our analysis is based on annual municipal data from the Madrid region over the period 2010–2019, which we study using a dynamic panel-data framework and, as a robustness test, a regression discontinuity design. When conditioning the analysis on two important gender dimensions, female mayor and share of women in government, we find evidence of PBC-related spending. For *smaller* municipalities, we discover that gender-balanced governments engage in PBC-related behaviour in terms of mandatory spending. In the case of *larger* municipalities, we find significant gender-related differences in both – mandatory and non-mandatory expenditures. In contrast to previous findings, balanced-governments do not prevent PBC-related activities. Furthermore, female-dominated governments tend to engage in opportunistic budget manipulation by increasing electoral spending up to 10% of total expenditures. Overall, our analysis suggests that gender-balanced councils, as mandated by the Equality Act, do not appear to prevent electoral budget manipulation, neither in *smaller* nor *larger* municipalities. Quite to the contrary, we find evidence that increasing the share of women in government above 60% increases local politicians' PBC-related behaviour. Hence, in contrast to some claims in the literature, under specific circumstances, female politicians can behave as opportunistically as males.

Some studies of Spanish municipalities, such as Cabaleiro-Casal and Buch-Gómez (2020) and Bagues and Campa (2021) report limited (or no) gender impact of female politicians on social spending. Other studies show that female mayors tend to be more compliant with legal restrictions on debt, financial sustainability (Cabaleiro-Casal and Buch-Gómez, 2018; Hernández-Nicolás et al., 2018), and budget stability, especially in the presence of a gender-balanced council as mandated by the Equality Act (Navarro-Galera et al., 2017; Balaguer-Coll and Ivanova-Toneva, 2021).

Our results do not corroborate these findings in the literature: that is, we find, conditional on female mayors, that government composition in line with the Equality Act increases PBC spending, but only in *smaller* municipalities. In *larger* ones, a government composition in line with the Equality Act is indistinguishable from a male-dominated government and only when the governing body becomes female-dominated, we find electoral motivated spending in mandatory and non-mandatory services.

The remainder of the paper is organised as follows. Section 2 discusses the related literature. Section 3 presents some theoretical considerations. The empirical strategy is formulated in Section 4. Section 5 sets out the results of our analysis, and these are discussed in Section 6. Section 7 concludes.

2. Literature Review

The theoretical literature on PBCs begins with Rogoff and Sibert (1988) and Rogoff (1990), who propose models in which more competent incumbents signal their competence before elections by higher public spending or by altering the budget to showcase more ‘visible’ items. Shi and Svensson (2006) and Drazen and Eslava (2010) further develop this perspective. See García and Hayo (2021) for a more comprehensive discussion of the PBC literature.

Earlier empirical literature (Brender and Drazen, 2003, 2005; Persson and Tabellini, 2003; Shi and Svensson, 2006) relies on country-level panel data and aggregated fiscal expenditure or deficit as the primary PBC indicators. The focus has now shifted towards a scenario in which voters prefer balanced fiscal budgets, although, and at the same time, they may reward high spending on specific, more ‘visible’, items (Vergne, 2009; Schneider, 2010; Brender and Drazen, 2013; Veiga et al., 2017). Furthermore, it is now common to use data from local governments rather than country-level data. Regional data have a number of advantages. First, it is difficult to control for all sources of cross-country heterogeneity, whereas regions within one country tend to be subject to similar institutional constraints and shocks. Second, using municipal data substantially increases the number of observations for studying PBC-related activities. Third, it is widely believed that citizens are more likely to monitor local government policies and actions than they are to monitor higher-level government action. Moreover, specific groups of voters may be more easily targeted at the local level, meaning that the distinction between targeted and non-targeted expenditures (or taxes) and their opportunistic manipulation is more relevant at this level.

Politicians’ perception of ‘visible’ or targeted items appears to be context specific. On the one hand, some studies, such as Vergne (2009), Schneider (2010), Sakurai and Menezes-Filho (2011), Katsimi and Sarantides (2012), Veiga et al. (2017), and Mandon and Cazals (2019), find that pre-electoral spending shifts from investment towards current expenditures. On the other hand, Kneebone and McKenzie (2001, 757) argue that ‘brick and mortar’ expenditures are highly visible and beneficial for specific (and potentially large) groups of voters. In line with this, Veiga and Veiga (2007), Drazen and Eslava (2010), Galindo-Silva (2015), Klein and Sakurai (2015), Baskaran et al. (2016), and Repetto (2018) report that opportunistically targeted expenditures are more often associated with infrastructure development projects, for example, roads, schools, water plants, hospitals, and the like.

Bastida et al. (2013), Benito et al. (2013a), Vicente et al. (2013), Cabaleiro-Casal and Buch-Gómez (2018, 2021), and Balaguer-Coll and Ivanova-Toneva (2021) analyse local Spanish PBCs in the context of fiscal austerity. The studies examine the effect of elections on debt, budget stability, and capital expenditure. The researchers tend to find significant hikes in capital spending in pre-electoral years, conditional on different political attributes, for instance, majority, government transparency, and party affiliation. Benito et al. (2013b), Guillamón et al. (2013), Benito et al. (2017), and Cabaleiro-Casal and Buch-Gómez (2020) analyse the effect of PBCs on cultural, police, waste collection, and social municipal expenditures, respectively. Again, conditional on political and socioeconomic characteristics, they all find evidence of electoral manipulation.

The share of female politicians has increased in recent years, which, at least to some extent, is due to the introduction of gender quotas. Empirical findings show that increasing the presence of women in government (1) raises the pool of qualified female politicians (O'Brien and Rickne, 2016), (2) improves the quality of all politicians (Baltrunaite et al., 2014; Besley et al., 2017), (3) homogenises education levels of male and female politicians under closed-list proportional representation (Profeta and Woodhouse, 2022), (4) increases electoral participation, and (5) reduces negative stereotypes about women (De Paola et al., 2010, 2014). The latter result is in line with the findings of Esteve-Volart and Bagues (2012) and Casas-Arce and Saiz (2015), who show that in Spain, prior to gender quotas, party leaders were not maximising electoral success, as they were including fewer women in the candidate lists than voters would have preferred.

Men and women hold distinctly different policy preferences. Bertocchi (2011) finds that extending the franchise to women increases the size of government, due to higher expenditures on health, education, and social issues (Aidt et al., 2006; Aidt and Dallal, 2008). Funk and Gathmann (2015) study Swiss survey data and discover differing preferences between men and women in specific areas, such as health, defence, environmental issues, and welfare spending. Employing representative survey data on Germany, Hayo and Neumeier (2019) show that women are relatively more opposed to fiscal consolidation than are men. In addition, there is substantial evidence that women have social preferences different than those of men. Slegten and Heyndels (2019) show that female politicians tend to be more left-wing oriented. For instance, women appear to have a stronger preference for redistribution and equality than do men (Corneo and Grüner, 2002; Alesina and La Ferrara, 2005). Using a controlled experiment comparing matrilineal and patriarchal communities, Andersen et al. (2008) and Gneezy et al. (2009) report gender differences with respect to competitive behaviour and public good provision. Dollar et al. (2001) find that greater representation of women in government is associated with less corruption. Brollo and Troiano (2016) report that female mayors are less likely to be involved in corruption and tend to behave less opportunistically than male mayors.

In a comprehensive review of the literature on gender differences in economic experiments, Croson and Gneezy (2009) discover that women are more risk averse than men and also less competitive.

How gender influences policymaking has become particularly relevant in the empirical literature. Due to its political structure and the availability of regional budget data, India has received a lot of attention in the last 20 years. Using a quasi-experimental setup, Chattopadhyay and Duflo (2004), Clots-Figueras (2011, 2012), and Bhalotra and Clots-Figueras (2014) provide evidence of gender differences in budget expenditures, particularly those aimed at health and education, areas traditionally considered of special interest to women. Evidence of gender differences at the local level is found in richer economies, too. Besley and Case (2003), Svaleryd (2009), Funk and Gathmann (2015), Braga and Scervini (2017), Clayton and Zetterberg (2018), and Funk and Philips (2019) show significant differences between male and female politicians when it comes to spending on childcare, health, education, and social assistance. However, Gagliarducci and Paserman (2012), Ferreira and Gyourko (2014), and Geys and Sørensen (2019) report that increasing the share of female politicians has no impact on the composition of public spending. Accettura and Profeta (2022) find evidence for both scenarios. When they analyse the full electoral term, they find no spending differences between male and female mayors. However, once the electoral timeline is accounted for, male mayors appear to be more likely to engage in pre-electoral spending on what the authors believe to be highly 'visible' items. However, most of these effects are significant at only the 10% level.

Gender differences are also studied using municipal data on Spain. Cabaleiro-Casal and Buch-Gómez (2018) and Hernández-Nicolás et al. (2018) show that female mayors in Spain tend to be more compliant with legal restrictions on debt and financial sustainability, especially in the presence of a gender-balanced council as mandated by the Equality Act (Navarro-Galera et al. 2017). However, Cabaleiro-Casal and Buch-Gómez (2021) report quite the reverse: the effect of female mayors is very limited and a greater share of female councillors worsens fiscal performance.

Balaguer-Coll and Ivanova-Toneva (2021) condition the effect of female councillors on mayor's sex and conclude that the combination of a female mayor with an Equality-Act-compliant council results in greater budget stability. Their results also show that in pre-electoral years, female mayors are less likely to engage in PBC-related activities. In a sample of *large* Spanish municipalities, which receive more media coverage in Spain, Cabaleiro-Casal and Buch-Gómez (2020) report a limited gender-related impact on social spending. Bagues and Campa (2021) study whether the Equality Act had an effect on the proportion of female councillors and female mayors as well as on the composition of public finances. They employ a regression discontinuity design around the 3,000 and 5,000 population threshold to check whether budget composition changes around the threshold. They

observe no significant variations in the size and composition of public finances, regardless of council composition.

3. Theoretical Considerations

Recent PBC literature investigates whether local government incumbents use fiscal policy, in the form of spending composition, to provide specific public goods and signal their competence and/or preferences to the electorate. Empirical studies in this literature look at a number of PBC-relevant aspects, such as term limits, governor's affiliation with the national party in power, electoral calendar and political cohesion, characteristics of parties and politicians, degree of fiscal decentralisation, balanced budget rules, voters' information set, and the role of female mayors and councillors. Despite this wide range of topics, however, we believe the extant literature does not sufficiently consider two important aspects.

First, given that public visibility of different budget items is the backbone of the theoretical and empirical literature, it is surprising that most of this literature does not distinguish between the different stages of the budget process (García and Hayo, 2021). Standard procedure is to use final budget data in the form of the amount of money a local government spends on different budget items. This type of data is relatively comprehensive and easy to collect, two useful characteristics for applied work.

This standard procedure, however, implicitly assumes that final budget data are a good proxy for actual public goods provision. Illustrating why this could be problematic, Bradford et al. (1969) decompose the production of public services into two stages: (i) the government uses a vector of primary inputs to produce what the authors call 'directly produced' outputs, and (ii) these directly produced outputs are transformed into observable outcomes. Thus, the government uses monetary and nonmonetary resources (inputs) to provide directly produced outputs, conditional on the government's allocative and technical efficiency and a vector of environmental factors. Finally, individual citizens consume the final outcome, which is a function of directly produced output and environmental factors. Hence, citizen welfare depends on the final outcome, and this outcome is not solely determined by public service providers (De Witte and Geys, 2011).

The local government efficiency literature acknowledges this complexity and focuses on the first stage, in which basic inputs are transformed into directly produced outputs (Narbón-Perpiñá and De Witte, 2018a, 2018b). Given their nonmarket nature, budget expenditures and revenues are the most common proxies for municipal resources employed in local service provision. As emphasised by Narbón-Perpiñá and De Witte (2018b) and Aiello and Bonanno (2019), the transformation of public

inputs into final outcomes is not straightforward, as environmental influences can have a large impact on the efficiency of the provided municipal services. Rosen and Fullerton (1977, 433) thus conclude that it is problematic to use expenditures on local public benefits as a measure of the quantity and quality of local public services 'because of the untenable assumption that output can be measured by expenditures on inputs'. Aaberge and Langorgen (2003, 129) agree: 'The lack of adequate measures for public output is a major problem in the analysis of demand for public services. Using expenditure as a proxy for output, which relies on the assumption on constant prices, is obviously in conflict with reality'. Drazen and Eslava (2010, 41) also allow for the possibility that government policy might not affect individuals' consumption of the public good.

The second important aspect, thus far ignored in the relevant literature, is that classifying budget items as 'visible' to or valued by voters appears highly context specific. Rogoff (1990, 21) writes that 'the incumbent leader has an incentive to bias pre-election fiscal policy toward easily observed consumption expenditures, and away from government investment'. Quite the reverse is argued by Drazen and Eslava (2010, 45), who state that 'in Colombia, opportunistic targeted expenditures are more often associated with infrastructure development projects'. The literature review presented in Section 2 of this paper demonstrates that empirical findings are all over the map; some of the studies report a shift in pre-electoral spending towards more current expenditures, whereas others provide empirical evidence of opportunistically targeted investment expenditures. There is not even any evidence of clear regional patterns that would allow us to conclude that, for example, in Region A, budget item 1 is considered 'visible', whereas budget item 2 is more 'visible' in Region B.

We do not use final expenditures to measure public good output, nor do we engage in an arbitrary categorisation of what is, or is not, a 'visible' budget item. As to public goods provision, we consider the initially proposed budget as a signalling mechanism directed at voters. According to the literature on local government efficiency in public goods provision, actual outcomes are strongly influenced by laws and higher federal levels as well as by past budget decisions (Afonso and Fernandes, 2006, 2008; Balaguer-Coll et al., 2007, 2019; Bosch et al., 2012). Although the initial budget is somewhat subject to these influences too, it is much less constrained and can be revised right up until the final budget is adopted. Moreover, the initial municipal budget is published before the actual budget period, thus allowing incumbents to signal their future policy stance. Hence, in contrast to measuring public good output based on backward-looking final budget data, the initial budget can be understood as a forward-looking type of signal for the following budget period, one that reveals the preferences and/or competence of incumbents through their choice of future fiscal policies. As argued by Drazen (2001, 101–102), fiscal manipulation can have a significant effect on voting without necessarily having an effect on aggregate activity. And finally, typically, it is the initial budget that is

reported on and discussed by the media, whereas final budget data are generally available only with considerable delay and are rarely subject to external scrutiny.¹ This could be important, as the media plays a significant role in communicating budget data to the general public (García and Hayo, 2021). Indeed, municipal-level political debates are typically based on the initial budget, not on the final one.

In most decentralised countries, municipalities are required to provide a minimum of services, the standards for which are determined by higher-level government. Such externally required minimum services have fiscal priority over the rest of the services provided at the municipal level (Balaguer-Coll et al., 2013, 2019; Kalb et al., 2012). By using ‘mandatory services’ as a spending category, we do not have to arbitrarily decide which budget items are ‘visible’ and/or more likely to be valued by female politicians or whether such politicians can actually influence these items. The latter point is emphasised by Geys and Sørensen (2019, 3), who note that higher levels of government impose substantial institutional and budgetary constraints on the local level. Moreover, spending areas considered in the literature to be ‘female’ are not always so easily also categorised as ‘visible’.

In Spain, local governments are responsible for a significant number of tasks. The Spanish Constitution grants municipalities a notable degree of budget autonomy and flexibility, but it is also very specific about what services must be provided. Depending on their population, municipalities must provide different levels of basic services:²

- All municipalities: public lighting, cemeteries, waste collection, public cleaning, drinking water supply, sewer system, access to urban areas, road surfacing, and food and drink control.
- Municipalities with more than 5,000 inhabitants: all of the above, plus public parks, public libraries, and market and waste management.
- Municipalities with more than 20,000 inhabitants: all of the above, plus civil defence, social work, fire safety, sports facilities, and slaughterhouses.
- Municipalities with more than 50,000 inhabitants: all of the above, plus public transport and environment protection.

¹ An exception to this statement is big infrastructure projects, for which the final costs of public provision are much higher than the planned ones and that therefore raise questions of poor planning and waste of public funds.

² According to Law 27/2013 (27 December 2013), food and drink control, markets, and slaughterhouses are not part of mandatory minimum services from the 2015 budget onwards. The social work category has been strongly modified. Prior to this law, municipalities were responsible for providing social services. After the reform, compulsory municipal intervention is no longer, strictly speaking, a service, but a simple identification of needs. Although still a mandatory service, the extent and scope of social work conducted at the municipal level is now highly limited.

We categorise municipal expenditure categories as either mandatory or non-mandatory. Thus, in principle, local political decision-makers can increase spending on mandatory budget items above the minimum and/or change non-mandatory spending.

4. Empirical Strategy

4.1 Institutional Context

In 2001, Spain passed the Law of Budgetary Stability to accommodate the European Monetary Union mandate on public finances. Local governments now must comply with the Balanced Budget Rule (BBR), that is, in general, all planned budgets and successive modifications must be balanced. The Ministry of Finance has the right to veto an approved municipal budget if the ministry concludes that the BBR has not been followed. Furthermore, local governments may incur deficits only under special circumstances and with the authorisation of the Ministry of Finance. During the economic recession following the global financial crises, that is, from 2009 onwards, local governments (especially those governing *larger* municipalities) suffered severe worsening of public finances. To maintain budgetary stability at the local level, the Spanish government adopted austerity programmes that included tax increases and public spending reductions. In 2011, public budget stability was anchored in the Spanish Constitution (Article 135). Under this provision, local governments are required to adhere to the BBR and repayment of debt has priority over any other expenditure. A year later, to operationalise the budget stability obligation implemented in the Constitution, the Spanish parliament approved Organic Law 2/2012, 'Budgetary Stability and Financial Sustainability'. This law further tightens municipalities' fiscal limits by regulating government expenditures. In 2013, the 'Local Government Rationalisation and Sustainability Act' (No. 27/2013) was introduced to ensure that local governments comply with the rules and regulations previously set out in Article 135 and Organic Law 2/2012. The focus of Act 27/2013 is to clarify municipal responsibilities and eliminate any overlap in responsibility between local and regional or central governments. The Act's ultimate goal is to make local public administrations conduct themselves based on principles of efficiency and financial stability.

Local elections occur simultaneously across the country every four years on the same day. Councillors are elected through a proportional representation system based on closed lists.³ There are as many electoral ballots as there are parties in each municipality, and each ballot includes as many candidates as the number of possible councillors. To ensure that all voters are sufficiently represented, the number of elected councillors is computed according to the d'Hondt law, in combination with a 5% threshold to avoid a situation where local legislation is dominated by many very small parties. The

³ Municipalities with 250 (or less) inhabitants use an open-list system.

order in which a party's candidates are listed determines who will be elected as councillors. In the opening session of the new council, councillors choose the mayor by simple majority vote. Only candidates placed at the top of the respective party lists are eligible for running as mayor. In principle, council members serve four-year terms and there are no term limits (Organic Law 5/1985, 'General Electoral Regime'). The mayor proposes initiatives and regulations, which are passed, or not, by majority voting in the council. The mayor has control over the municipality's executive functions and is in charge of explaining and presenting the municipal budget proposal to the council for approval.⁴ The council is responsible for monitoring the municipality's activities and approving the budget and its possible amendments.

In March 2007, the Equality Act mandated gender-balanced candidate lists. According to the Act, at least 40% of the candidates on an electoral list must be female and at least 40% must be male. This quota applies both to the entire party list and to each section of five candidates within the list. For example, in a municipality with 13 councillors, the ballot must contain at least six women and at least six men, plus at least two men and two women within the first five positions and within Positions 6 to 10. Parties whose candidate lists do not fulfil these requirements are not allowed to participate in the elections. The quota was introduced in 2007 in municipalities with more than 5,000 inhabitants; in 2011, it was extended to municipalities with more than 3,000 inhabitants.

4.2 Data

The sample is comprised of municipalities from the Madrid region (Comunidad Autónoma de Madrid) for the period 2010–2019. The Madrid region is an interesting case. First, available information at the local level is generally not homogeneous between regions. Thus, building a comparable database using data from municipalities located in different regions is fraught with difficulties. Second, Madrid has no supra-municipal authority between municipalities and regional government, which ensures homogeneity in terms of legal requirements with respect to public services provision and grants.⁵ At the same time, the Madrid region is very diverse; it includes a *very large* municipality, some *large* ones, and a considerable number of towns and villages. The majority of municipalities in our sample (55%) have less than 5,000 inhabitants; 13% have more than 50,000 inhabitants. Note that, compared

⁴ Sweeting (2009) provides a detailed discussion of the mayor's role in Spain.

⁵ The Spanish territorial organisation consists of regions (Comunidades Autónomas), provinces (Provincias), and municipalities (Municipios). Each region has one or more provinces, and provinces contain multiple municipalities. Municipalities are required to provide some mandatory services based on their population (see Section 3). The non-mandatory services are provided by either the regional or central government. Article 36 of the local administrative law states that the provincial administration is in charge of coordinating and establishing those municipal mandatory services. According to the territorial administration, it is possible that two similarly sized municipalities that belong to the same region but are located in different provinces could have different standards of mandatory services. Madrid is a region with only one province and, consequently, there cannot be any variability in municipal mandatory services.

to the rest of the country, our sample region underrepresents *smaller* municipalities and overrepresents *larger* ones.⁶

The sample period—2010–2019—was determined by data availability. In December 2008, Order EHA/3565, 'Structure of the Budget of Local Entities' thoroughly modified the structure of local budgets. The changes affected all budgets from 2010 onwards. The revenue side of the budget was virtually unchanged, but the expenditure side was greatly modified, thus making a comparison of most expenditure items before and after 2010 practically impossible. The period 2010–2019 is characterised by balanced local budgets and constraints on total expenditures due to Organic Law 2012. Therefore, PBCs cannot occur through deficits or total spending and incumbents interested in creating PBCs must engage in a 'second best' strategy, namely, using budget composition to signal their competence and/or preferences (Schneider, 2010; García and Hayo, 2021).

Administratively, the Madrid region is divided into 179 municipalities. To avoid too many missing observations, we restrict our analysis to municipalities with more than 250 inhabitants, which reduces our database to 156 municipalities. The period 2010–2019 covers three different electoral terms (elections took place in 2011, 2015, and 2019) and yields a panel dataset containing 1,554 observations. We not only consider *larger* municipalities, the focus of most of the extant literature, but include a large number of *smaller* municipalities as well. This diversity allows us to study PBCs in both *larger* urban areas as well as in *smaller* towns and villages.

We divide our sample of municipalities into *smaller* and *larger* ones depending on whether their population size is below or above 5,000 inhabitants. This classification is based on public accountability and legal budget regulations. *Larger* municipalities not only manage larger budgets, they are also subject to greater accountability and media scrutiny. *Larger* municipalities have more resources to compile information and have the appropriate technical staff to manage the budget professionally. In *smaller* municipalities, there is no requirement to present a detailed budget and most of these municipalities instead choose to present a simplified budget. In *larger* municipalities, the standards for public services are homogenous and well defined, which gives their politicians more flexibility to manipulate non-mandatory spending. In the case of *smaller* municipalities, standards for mandatory spending are monitored by the regional authority, which has the legal responsibility to intervene if these standards are not met. Although *smaller* municipalities are required to provide relatively fewer mandatory services, they have small budgets and hence tend to focus on mandatory

⁶ According to the Spanish Statistical Institute, in 2019, out of 8,131 municipalities, 83% had less than 5,000 inhabitants and 5% more than 50,000 inhabitants.

spending. Note that in our sample, it is only in *larger* municipalities that the share of women in government is ever above 60%.

Data for planned budgets were extracted from the Ministry of Finance's CONPREL database, which we merged with data collected from municipality archives.⁷ All nominal variables are expressed as 2010 real values. Table A1 in the Appendix lists the different public services required to be provided by Spanish municipalities based on the size of their population. *Level0* encompasses the very basic services, which need to be performed by every municipality (e.g., public lighting, waste collection, drinking water supply, etc.), and *Level1* (e.g., public libraries, parks, etc.), *Level2* (e.g., civil defence, social work, etc.), and *Level3* (e.g., public transport and environmental protection) reflect the fact that *larger* municipalities must offer a richer set of public services. Our key outcome variables *Mandatory* and *Non-mandatory* spending are constructed as follows:

- *Mandatory*: For municipalities with fewer than 5,000 inhabitants, it takes the value of what we call *Level0* expenditures. For municipalities between 5,000 and less than 20,000 inhabitants, it takes the value of the sum of *Level0* and *Level1* expenditures. In municipalities between 20,000 and less than 50,000 inhabitants, it takes the value of *Level0*, *Level1*, and *Level2* expenditures. For municipalities with 50,000 inhabitants or more, it takes the value of *Level0*, *Level1*, *Level2*, and *Level3* expenditures.
- *Non-mandatory*: For municipalities with fewer than 5,000 inhabitants, it takes the value of *Level1*, *Level2*, and *Level3* expenditures. For municipalities between 5,000 and less than 20,000 inhabitants, it takes the value of *Level2* and *Level3* expenditures. This variable takes the value of *Level3 expenditures* in municipalities between 20,000 and less than 50,000 inhabitants.⁸

We control the revenue side by including *Total revenues*. Socioeconomic variables were collected from the Statistical Institute of the Community of Madrid.⁹ *Rent* is a measure of municipal income.¹⁰ Reflecting the literature on local PBCs, we control for the demand side of public goods provision by including *Unemployment rate*, *Share of dependents*, and *Share of immigration*, all of which are measured in per cent.

⁷ <https://serviciostelematicosextr.hacienda.gob.es/SGFAL/CONPREL>

⁸ All expenditure items in our study are mandatory for municipalities with 50,000 or more inhabitants; therefore, they cannot be used for estimation of non-mandatory spending in Column 3 of Table A5.

⁹ <http://gestiona.madrid.org/desvan/Inicio.icm?enlace=almudena>

¹⁰ This variable is constructed based on information provided by tax authorities (as the main input), plus on information about earnings, wealth, rents (capital and noncapital), social payments, and transfers in each municipality. The weight of each component is adjusted according to different factors, such as number of households, number of declarants, age of population, and percentage of rents from nonworking earnings, and a socioeconomic indicator for each municipality.

Political data were retrieved from the Ministry of the Interior's Database of Electoral Results.¹¹ To create a consistent dataset referring to the governing body rather than the whole council, we combine these variables with specific information on each municipality. We define the governing body as those councillors who are in the governing majority, either via one party's absolute majority or in a coalition. Note that standard procedure in the PBC literature is to collect information on the whole council and then create all political variables based on this information. However, given that the budget can be approved by a simple majority in the council, all that matters is the votes of the governing body.¹²

Right measure the government's ideological orientation. When the mayor belongs to the Popular Party or Citizens or one of those two parties is the main member in a coalition, the municipality is defined as right-wing oriented. *Parties in government* captures the degree of government fragmentation. *Mayor's age* is measured in years. *Mayor's higher education* is a dummy that take the value 1 when the mayor has obtained university education. *Government age* is the average age of the members of the governing body in years. *Government higher education* represents the share of councillors who obtained university education

Our main variables of interest are *Female mayor*, a dummy variable taking the value 1 in case of a female mayor, and the share of women in government. *Male government* is a dummy variable that takes the value 1 when the share of women in government is below 40% and 0 otherwise. *Balanced government* is a dummy variable that takes the value 1 when the share of women in government is between 40–60% and 0 otherwise. *Female government* is a dummy variable that takes the value 1 when the share of women in government is over 60% and 0 otherwise. In the PBC literature, both pre-electoral and electoral manipulation are subjects of study (García and Hayo, 2021). However, as described in Section 3, our theoretical PBC framework assumes the operation of a signalling mechanism directed at voters through the initial budget composition, rather than adopting a PBC perspective where the budget serves as a proxy for actual public good provision. In light of this perspective, we focus solely on election years. Thus, our indicator for PBCs, *Election*, takes the value 1 in the year when an election takes place and 0 otherwise.

¹¹ <http://www.infoelectoral.mir.es/infoelectoral/min/>

¹² When a party does not have an absolute majority and a coalition is not reached, the whole council is considered the governing body.

4.3 Method

Our dependent variables are items from municipal budgets that have shown a considerable degree of persistence. Thus, to avoid misspecifying the models, we use a lagged dependent variable. In addition, we include a set of control variables and the time-based indicators for elections. The basic dynamic regression specification is:

$$y_{i,t} = \delta y_{i,t-1} + \sum_{j=0}^1 \varphi' X_{i,t-j} + \beta_E (E_{i,t} * FM_{i,t} * WG_{i,t}) + \sum_{j=0}^1 \theta' D_{i,t-j} + \mu_i + \varepsilon_{i,t} \quad (1)$$

where i is an index for municipalities, t is the year index, $y_{i,t}$ is the budget category of interest, $X_{i,t-j}$ is a vector of controls, $D_{i,t-j}$ is a set of dummies, μ_i is a municipality fixed effect, and $\varepsilon_{i,t}$ is the idiosyncratic error term. The j index represents the fact that we allow for some dynamics, not only with respect to the lagged dependent variable, but also in regard to the independent variables. $FM_{i,t}$ is the *Female mayor* dummy, and $WG_{i,t}$ stands for the share of women in government. To account for the electoral term, we include three different dummies: *Election* ($E_{i,t}$), *Pre-election*, and *Post-election*.

For a small number of time-series observations T , including a lagged dependent variable makes the panel data fixed effect (FE) estimator not only biased, but also inconsistent, regardless of the number of cross-sections (Nickell, 1981; Kiviet, 1995). In our analysis, T equals 10 and, hence, the resulting bias could be non-negligible.

Instrumental variable and generalised method of moments (GMM) estimators are extensively applied in estimating panel data models. However, GMM estimators tend to suffer from weak instruments, especially when the dependent variable is highly persistent (Bun and Windmeijer, 2010), thus undermining their consistency property. Furthermore, there is a high risk of obtaining inefficient estimates due to the fact that it is very difficult to detect the validity of the instruments in the GMM context. Roodman (2009) calls this ‘the problem of instrument proliferation’. In practice, this aspect of the estimator often makes GMM estimates highly sensitive to the specific instrument set.

Motivated by these disadvantages, Kiviet (1995) developed a bias-corrected FE estimator based on a higher-order expansion of the bias term. Kiviet (1995) and Judson and Owen (1999) demonstrate that for finite samples, the bias-corrected estimator is an attractive alternative to GMM estimators. A drawback of the ‘Kiviet correction’ is that it is based on unknown parameters that have to be estimated by a consistent initial estimator. Accordingly, the asymptotic distribution of this estimator is unknown.

In light of this, Breitung et al. (2022) propose a bias-corrected estimator obtained as a method of moments estimator. This estimator does not require specific assumptions about the initial values

of the dynamic process, nor must the researcher choose a preliminary estimator. This bias-corrected estimator is easier to implement than likelihood-based estimators and has an advantage over more 'classical' bias-corrected methods in that heteroscedasticity and cross-sectional dependence are accounted for when computing cluster-robust standard errors. Small-sample Monte Carlo simulations suggest that, relative to FE and GMM, the 'Breitung et al.' estimator performs well with respect to efficiency and correctly sized tests. When T is around 10, the estimator appears to outperform GMM estimators and perform as well as the 'Kiviet' estimator, at least as long as the persistence of the autoregressive component is moderate (around 0.4). In the presence of heteroscedasticity and cross-sectional dependence, and when there is moderate persistence, the 'Breitung et al.' estimator appears robust.

In our sample, the time dimension (T) equals 10 and there is a moderate degree of persistence. Moreover, our data seem to suffer from cross-sectional dependence and heteroscedasticity, which can be accounted for by using cluster-robust standard errors at the municipal level. Given these conditions, the 'Breitung et al.' estimator is the best choice. According to autocorrelation tests and given that the persistence of our dependent variable is moderate, we included only one lag of the dependent variable. Further lags are insignificant, reduce the number of observations and estimation efficiency, and do not even perform better in terms of autocorrelation.

The Breitung et al. estimator allows including a large number of control variables and accounting for a fairly dynamic adjustment process in the independent variables, too. All socioeconomic variables are used in lagged form only, since current values are published well after the budget has been approved. Political variables are included in lagged form, as the planned budget in year t was proposed by the governing body in $t - 1$.

Note that dynamic models imply a difference between the effects of explanatory variables in the short term and the long term. Qualitatively, the estimated long-term effects in electoral years are similar to the short-term ones. Quantitatively, we discover notable increases in the magnitude of the respective effects. Thus, short-term-oriented PBC-related activities appear to cause substantial consequences for municipal budgets in the long term. However, to allow comparisons with the extant literature, we simply identify PBCs by using changes in specific budget items during election years.

There could be simultaneity between spending decisions and women's representation (Svaleryd, 2009). To avoid this endogeneity problem, some studies take advantage of exogenous changes in women's representation that are not correlated with budget decisions (Chattopadhyay and Duflo, 2004; Clots-Figueras, 2011, 2012; Bhalotra and Clots-Figueras, 2014; Ferreira and Gyourko, 2014; Geys and Sorensen, 2019).

However, due to institutional restrictions, in practice this should not be a problem, as voters in Spanish local elections cannot directly show their preferences for male or female politicians by voting for single candidates. The closed lists of a proportional representation system do not give voters any power to affect the order of candidates on party lists. Casas-Arce and Saiz (2015) present evidence for Spanish municipalities suggesting that prior to the quota system, party leaders were not maximising electoral outcomes because they included too few women in the lists. According to Cordero et al. (2016), the list order is in the hands of party elites and is more responsive to competing interests within each party than it is to vote maximisation. In addition, the main left-wing parties have adopted a ‘championing’ position with regard to women’s political representation, with the aim of distinguishing themselves from the other parties. This triggered a contagion effect across the Spanish party system at the local level, making the lists more homogenous in terms of gender composition (Kenny and Verge, 2013; Simon and Verge, 2017; Verge, 2020).

When lists look similar, it does not seem likely that voters will choose one party list over the other based on the relative position of female candidates. However, in the case that voters do choose a list according to the order in which it lists female candidates, there still needs to be a sufficient number of voters with the same preferences in order to translate these preferences into an elected councillor representing this party. Ultimately, the proportion of female councillors is the result of votes translated into seats according to a proportional representation system, where agreements and coalitions are an important part of the outcome. This setup leads to a quasi-exogenous proportion of women in government.

The same line of argument cannot be applied to the mayor. In the Spanish local electoral system, candidates who run for mayor are the most visible and, very frequently, the only candidate voters even recognize (Sweeting, 2009; Bagues and Campa, 2021). Therefore, a possible threat to our identification strategy is that in a given municipality, the decision to vote for a male or female mayor might be correlated with the voter’s desired spending decisions. To address this issue, we perform the empirical analysis in a restricted sample of municipalities in which a female (or male) mayor was elected in both the 2011 and 2015 elections, that is, the governing body was headed consistently by one sex. We argue that, at least in these municipalities, any correlation between a desired spending decision and the election of a female or male mayor is time invariant and thus captured by our municipality fixed effects.

5. Results

5.1 Main estimation

To understand how PBC-related expenditure is influenced by gender differences, we perform separate regressions for the two subsamples of *smaller* and *larger* municipalities. Tables A4 and A5 of the Appendix set out the results for Equation (1) with a triple interaction between *Election*, *Female mayor*, and *Balanced government* (base category: *Male government*), as well as including *Female government* for the subsample of *larger* municipalities.

As seen in Tables A4 and A5, the lagged dependent variable is always significant, but of low-to-moderate magnitude. The influence of socioeconomic and political characteristics is minimal, with the former slightly more important in *larger* municipalities, and the latter more relevant in *smaller* municipalities.

In Table 1, we only report the coefficients of interest. According to the thresholds defined, reflected in our three dummy variables (below 40%, between 40–60%, and more than 60% share of women in government), gender distribution in municipal government is as follows:

- In *smaller* municipalities: *Male government*: 64%, *Balanced government*: 36%.
- In *larger* municipalities: *Male government*: 32%, *Balanced government*: 65%, and *Female government*: 3%.

Hence, governments become more gender balanced with increasing municipality size. However, there are only few female-dominated governments, and these are solely found in *larger* municipalities.

Table 1 (Panel A) shows the estimated effects for *smaller* municipalities. Focussing on mandatory spending (Column 2), we find a statistically significant increase in mandatory spending when an election takes place. Compared to *Male government* with *Male mayor*, the combination of *Balanced government* with *Female mayor* leads to higher electoral spending of almost €130 per capita. The average spending of *smaller* municipalities is €1,362 per capita, thus, the PBC-related average effect is almost 10% of total expenditures. Turning to non-mandatory spending, Column 3 of Table 1, we do not find significant electoral effects.

For mandatory spending, a higher share of women in government seems to be conducive to increasing PBC-related activities. This suggests that a high number of women in government induces female mayors to act in electorally motivated ways in those areas that are the primary focus of the municipality.

Panel B presents the effects observed in *larger* municipalities. Focussing on mandatory spending (Column 2), we note the emergence of PBC-related spending when comparing *Female government* against *Balanced government*. *Larger* municipalities, on average, spend €984 per capita,

resulting in a PBC-related average effect of €98 per capita, which constitutes 10% of total expenditures. Moving on to non-mandatory spending (Column 3), we find that *Female government* increases electoral spending compared to *Male government* by almost €22 per capita, accounting for more than 2% of total spending. As previously argued, politicians in *larger* communities tend to have more room to manipulate non-mandatory spending, which makes up a large part of their budget and is less regulated than mandatory spending.

Table 1: Electoral-gender effects in mayor-restricted sample

	(1)	(2)	(3)
	All	Mandatory	Non-Mandatory
<i>Panel A: Municipalities less 5,000 inhabitants</i>			
Balanced vs Male government	171.02** (67.67)	129.98** (46.32)	42.01 (55.51)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Observations	445	445	445
<i>Panel B: Municipalities more 5,000 inhabitants</i>			
Balanced vs Male government	-33.62 (24.36)	-29.40 (27.07)	18.92 (14.06)
Female vs Male government	87.36** (42.79)	69.05 (44.38)	21.78* (13.19)
Female vs Balanced government	120.98*** (37.04)	98.46** (41.98)	2.86 (5.21)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Observations	460	460	325

Notes: The mayor-restricted sample is comprised of those municipalities in which the mayor elected during the 2011 and 2015 elections was always of the same sex, that is, the municipality was run by either a male mayor or a female mayor. Coefficients are obtained from the triple interaction between *Election*Female mayor*Women in government* estimated in Table A4 (Panel A) and in Table A5 (Panel B). Cluster-robust standard errors are used (clusters: number of municipalities). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Hence, when the share of women in government increases, we observe an electorally motivated hike in mandatory spending in both *smaller* and *larger* municipalities. For non-mandatory spending, the only difference is found in *larger* municipalities when comparing *Female* and *Male government*. These findings suggest that, under specific circumstances, female mayors can exhibit opportunistic behaviour, which is similar to that reported for male mayors in other studies (Cabaleiro-Casal and Buch-Gómez,2018; Balaguer-Coll and Ivanova-Toneva,2021; and Accettura and Profeta, 2022).

Estimation results for a more ‘classic’ PBC approach are set out in Table A6 of the Appendix. In this case, we do not split the sample based on municipality size. In Table A7, the estimates give the impression as if electoral manipulation was undertaken solely by resorting to mandatory spending.

Contrasting the results for *all* municipalities with those set out in Table 1, we conclude that classifying municipalities by size and categorising budget items as mandatory or not reveals otherwise hidden PBC-related influences of female politicians.

5.2 Robustness

In Section 4.3, we argued that it is unlikely that mayor's sex is endogenous. However, to alleviate any remaining doubts about the exogeneity of this variable, we focus on the subsample of close elections and apply a regression discontinuity design. The underlying reasoning is that elections won by a sufficiently narrow margin are very similar to elections lost by a narrow margin and, hence, whether a mayor is male or female is due to chance. Since Spanish local councils are elected using party-list proportional representation, we follow the approach developed by Curto-Grau et al. (2018) to compute the running variable that defines a close election. Given that we have collected information on the governing body for each municipality, we are able to calculate the exact number of votes needed for the governing body to lose the majority of seats on the local council. Our running variable is defined as the minimum number of votes for the governing body to lose the majority of seats, divided by the total number of votes. Furthermore, we focus on mixed-gender races, which is the standard approach to estimate gender effects in the close election literature (Curto-Grau et al., 2018; Bagues and Campa, 2021; Accettura and Profeta, 2022).

Focusing on those municipalities where elections were won/lost by 5% or less percentage points, Table 2 shows the same estimations we reported in Table 1. The choice of the 5% bandwidth is a compromise between the 'optimal' bandwidth based on the procedure proposed by Calonico et al. (2014) and a sufficiently small margin to be plausibly considered a 'close-election'. Since the 'optimal' bandwidth tends to be larger than 5%, Table A8 in the Appendix sets out the estimates when we increase the bandwidth to 10%. We find that results are generally robust.

For *smaller* municipalities and mandatory spending, Panel A in Table 2 shows that the magnitude of the gender effect is about €423 per capita (31% of total budget spending). This effect is three times larger than the corresponding one computed in Table 1, where we considered all elections. When focussing on non-mandatory spending in Column 3, we find a statistically significant decrease in electoral years amounting to 15% of total spending. In *smaller* municipalities, the hike in mandatory spending during election years is partially financed by a reduction in non-mandatory spending. In *larger* municipalities, Panel B of Table 2, a significantly positive effect is reported for mandatory spending. The magnitude of the effect is almost €97 per capita (10% of total expenditures). In terms of size, this effect is comparable to the effect found in Table 1, but it now appears when

comparing *Female* and *Male government*. Turning to non-mandatory spending, Column 3 of Table 2, we do not find significant electoral effects.

Table 2: Electoral-gender effects in close election sample (5% bandwidth)

	(1) All	(2) Mandatory	(3) Non-Mandatory
<i>Panel A: Municipalities less 5,000 inhabitants</i>			
Balanced vs Male government	252.07*** (63.50)	423.65*** (49.20)	-201.46*** (48.61)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Bandwidth (percent)	5.00	5.00	5.00
Observations	72	72	72
<i>Panel B: Municipalities more 5,000 inhabitants</i>			
Balanced vs Male government	32.67 (37.51)	59.56 (38.82)	-36.34 (43.39)
Female vs Male government	108.31*** (30.19)	96.76** (34.60)	-23.94 (40.28)
Female vs Balanced government	75.63** (33.91)	37.21 (34.99)	12.40 (20.10)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Bandwidth (percent)	5.00	5.00	5.00
Observations	129	129	96

Notes: The close election sample is comprised of those municipalities in which the difference in votes between the governing coalition and the opposition is equal or less than 5%. Coefficients are obtained from the triple interaction between *Election*Female mayor*Women in government*. Cluster-robust standard errors are used (clusters: number of municipalities). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

We also perform a battery of additional robustness tests. Regarding the estimation method and possible outliers, results remain unchanged when using the ‘Kiviet’ estimator, excluding Madrid proper as a municipality, and controlling for the age and education of members of the governing body.¹³ Above, we argue that all that matters is the votes of the governing body because budgets are approved by simple majority in the council, which is why we focus on the gender composition of the council’s governing body. However, the extant literature bases its results on total council composition and, hence, we use *Share of women in the total council* as a robustness test. Theoretically, the competing hypotheses are whether female councillors matter for PBC-related activity due to their influence on (1) general political debates in the council or (2) government budget decisions. We discover that *Share of women in the total council* shows few significant effects, most of which are generally in line with the results we obtained based on female government councillors. Hence, we

¹³ Results are available on request.

conclude that what matters for PBC-related activity is the share of women in government, that is, Hypothesis (2), and not the total share of women on the council.

6. Conclusion

Using a dataset on Spanish municipalities, we investigate gender differences in PBC-related activities. In contrast to the extant literature, we do not study the influence of mayor gender, or female representation on municipal councils, in isolation. Instead, we take a look at different gender combinations of both mayor and council. Indeed, we depart from the literature in at least three important aspects: (1) by using the composition of the initial budget as a signalling mechanism directed at voters, instead of using the final budget composition as a proxy for output, (2) by avoiding the arbitrary categorisation of ‘visible’ or preferred budget items and instead classifying expenditures according to a clear budgetary rule, and (3) by concentrating on the share of female government councillors.

To study PBC-related spending at the municipal level, we use data from the Madrid region (Comunidad Autónoma de Madrid) for the period 2010–2019. The Madrid region is subject to a homogenous set of budget rules that allows consistently categorising budget expenditure items as either ‘mandatory’ or ‘non-mandatory’ public services. Furthermore, 2010–2019 was a period characterised by balanced local budgets and constraints on total expenditures due to Organic Law 2012. Therefore, during that period, PBCs could no longer be effected via manipulation of deficits or total spending; instead, incumbents interested in manipulating the budget to their advantage had to rely on budget composition to signal their competence and/or preferences. Additionally, in March 2007, the Equality Act introduced gender-balanced candidate lists to Spanish electoral law. The Equality Act has positioned Spain among the group of countries with rising shares of female politicians and has the added advantage of allowing us to empirically test the influence of gender differences on policymaking and PBCs.

Conditional on politicians’ sex, we find robust evidence of PBC-related spending in election years. In *smaller* municipalities with a female mayor, gender-balanced governments increase mandatory spending by almost 10% of total spending. In *larger* municipalities, female mayors in conjunction with a female-dominated government, tend to engage in opportunistic manipulation by increasing electoral spending. On average, this results in 10% higher spending on mandatory budget items and 2% higher spending on non-mandatory budget items. Thus, we would interpret these effects as notable. Moreover, our robustness analysis based on close elections and a regression discontinuity design suggests that the magnitude of the gender effect may be up to three times larger.

Our analysis challenges the established opinion that female mayors are generally less opportunistic than male ones. We also find that the influence of those women councillors who support the current government is more important than the total share of female councillors, the indicator used in the extant literature. Moreover, our evidence does not support the conclusion that gender-balanced councils are able to prevent electoral budget manipulation.

Since we present evidence that women may behave opportunistically even in highly competitive situations, our results stand in contrast to findings that women appear to be less competitive and/or opportunistic than men (Croson and Gneezy, 2009; Brollo and Troiano, 2016). However, our conclusions do not exclude the possibility that in an environment of party discrimination against women (Esteve-Volart and Bagues, 2012; Casas-Arce and Saiz, 2015; Bagues and Campa, 2021), female mayors, as the most visible figures of the government, might have found themselves in a position where they had to signal their competence much more strongly than did their male colleagues. This seems to be especially relevant when the share of women in government increases above 60% making the governing body female-dominated.

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Appendix

Table A1: Descriptive statistics

<i>Variable</i>	<i>Description</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Dev.</i>
<i>Level0 expenditures</i>	Spending: public lighting, cemeteries, waste collection, public cleaning, drinking water supply, sewer system, access to urban areas, road surfacing, and food and drink control. Real euros per capita.	0	1271.48	164.18	134.12
<i>Level1 expenditures</i>	Spending: public parks, public libraries, and market and waste management. Real euros per capita.	0	443.29	60.97	54.76
<i>Level2 expenditures</i>	Spending: civil defence, social work, fire safety, sports facilities, and slaughterhouse. Real euros per capita.	0	4126.82	117.29	355.51
<i>Level3 expenditures</i>	Spending: public transport and environmental protection. Real euros per capita.	0	393.91	9.09	23.03
<i>Total revenues</i>	Total budget revenues. Real euros per capita.	234.48	2977.06	656.59	236.54
<i>Rent</i>	Municipal income. Real euros per capita.	9670.91	39681.99	15246.53	3751.35
<i>Unemployment rate</i>	Percentage of registered unemployed in relation to labour force.	1.64	85.51	34.4	16.56
<i>Share of dependents</i>	Share of the population below 15 and over 65 in relation to total population (in %).	21.87	44.36	31.77	3.17
<i>Share of immigration</i>	Share of non-Spanish inhabitants in relation to total population (in %).	2.96	40.42	13.72	5.39
<i>Female mayor</i>	Dummy variable taking value 1 when mayor is female (0 otherwise).	0	1	0.24	0.43
<i>Mayor's age</i>	Age of mayor in years.	26	75	49.38	9.05
<i>Mayor's higher education</i>	Dummy variable taking value 1 when the mayor obtained university education (0 otherwise).	0	1	0.42	0.49
<i>Government age</i>	Average age of members of the governing body.	32.75	72	47.44	5.80
<i>Government higher education</i>	Share of the governing body with university education.	0	100	29.91	26.43
<i>Right</i>	Dummy variable taking value 1 when the governing body has right-wing ideology (0 otherwise).	0	1	0.65	0.48
<i>Parties in government</i>	Number of parties in the government.	1	7	1.90	1.35
<i>Share of women in government</i>	<i>Male government:</i> takes the value 1 when the share of women in government is below 40%.	0	1	0.42	0.49
	<i>Balanced government:</i> takes the value 1 when the share of women in government is between 40–60%.	0	1	0.54	0.50
	<i>Female government:</i> takes the value 1 when the share of women in government is over 60%.	0	1	0.04	0.20
<i>Share of women in the total council</i>	<i>Male council:</i> takes the value 1 when the share of women in the council is below 40%.	0	1	0.48	0.50
	<i>Balanced council:</i> takes the value 1 when the share of women in the council is between 40–60%.	0	1	0.49	0.50
	<i>Female council:</i> takes the value 1 when the share of women in the council is over 60%.	0	1	0.03	0.17
<i>Election</i>	Dummy variable taking the value 1 in the year of a local election (0 otherwise).	0	1	0.30	0.46
<i>Pre-election</i>	Dummy variable taking the value 1 in the year preceding a local election (0 otherwise).	0	1	0.30	0.46
<i>Post-election</i>	Dummy variable taking the value 1 in the year after a local election (0 otherwise).	0	1	0.70	0.46

Table A2: Descriptive statistics by mayor's sex

	<i>Smaller municipalities</i>					<i>Larger municipalities</i>				
	Male mayor		Female mayor		t	Male mayor		Female mayor		t
	Mean	Std. Dev.	Mean	Std. Dev.		Mean	Std. Dev.	Mean	Std. Dev.	
<i>All (spending)</i>	349.07	577.34	254.01	218.59	**	294.05	126.98	285.43	154.94	
<i>Mandatory</i>	167.62	161.69	194.08	210.60		309.39	156.07	272.79	174.19	**
<i>Non-mandatory</i>	210.08	565.56	84.93	75.35	***	60.78	60.59	71.55	86.22	
<i>Total revenues</i>	1432.11	870.70	1231.13	524.49	***	1007.80	237.35	1037.96	376.08	
<i>Rent</i>	13658.50	2080.24	13168.39	2043.85	**	16952.44	4029.45	16518.97	4799.84	
<i>Unemployment rate</i>	39.20	18.27	40.78	17.94		29.34	13.43	30.30	12.40	
<i>Share of dependents</i>	33.19	3.29	32.66	3.18	*	30.30	2.53	31.27	2.39	***
<i>Share of immigration</i>	13.99	6.44	13.50	5.44		13.36	4.57	14.16	4.06	**
<i>Mayor's age</i>	50.06	8.71	49.63	9.12		48.85	9.72	48.80	7.79	
<i>Mayor's higher education</i>	0.28	0.45	0.24	0.43		0.51	0.50	0.69	0.46	***
<i>Government age</i>	48.82	7.02	47.73	6.13	*	46.57	4.54	45.92	3.99	*
<i>Government higher education</i>	18.97	22.31	17.62	20.02		40.61	24.78	40.07	29.40	
<i>Right</i>	0.59	0.49	0.72	0.45	**	0.67	0.47	0.68	0.47	
<i>Parties in government</i>	1.51	0.92	1.41	0.79		2.24	1.52	2.46	1.72	
<i>Share of women in government</i>	31.89	17.60	46.48	15.39	***	42.95	9.79	44.34	8.32	*

Notes: 't' indicates the outcome of t-tests for equal means for each variable across the given gender dimensions. *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A3: Descriptive statistics by share of women in government

	<i>Smaller municipalities</i>					<i>Larger municipalities</i>						
	Male government		Balanced government		t	Male government		Balanced government		Female government		F
	Mean	Std. Dev.	Mean	Std. Dev.		Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	
<i>All (spending)</i>	310.68	436.27	349.06	608.03		271.32	138.73	302.35	131.76	267.17	135.68	**
<i>Mandatory</i>	175.88	163.20	170.53	186.04		269.17	157.97	317.03	161.95	237.18	132.43	***
<i>Non-mandatory</i>	160.27	401.60	209.20	602.60		59.96	68.48	64.48	65.48	86.92	112.37	
<i>Total revenues</i>	1394.16	718.59	1380.18	911.21		993.07	246.73	1029.14	295.47	946.32	213.13	
<i>Rent</i>	13694.90	2151.39	13376.86	1982.07	**	16552.03	4145.60	16926.75	4302.48	17771.64	3792.65	
<i>Unemployment rate</i>	39.44	18.19	39.60	18.22		33.57	13.69	27.88	12.68	27.53	10.32	***
<i>Share of dependents</i>	33.07	3.21	33.08	3.35		30.48	2.39	30.59	2.60	30.30	2.28	
<i>Share of immigration</i>	14.28	5.93	13.41	6.56	*	14.06	4.66	13.44	4.42	11.51	1.54	**
<i>Mayor's age</i>	50.48	8.95	49.27	8.54	*	47.99	9.50	49.12	9.23	50.73	6.45	
<i>Mayor's higher education</i>	0.27	0.45	0.27	0.44		0.46	0.50	0.59	0.49	0.69	0.47	**
<i>Government age</i>	48.59	7.36	48.58	6.13		46.67	4.76	46.43	4.26	43.37	2.73	**
<i>Government higher education</i>	18.59	22.54	18.77	20.94		36.77	25.49	41.16	25.70	60.90	28.16	***
<i>Right</i>	0.59	0.49	0.65	0.48		0.68	0.47	0.66	0.47	0.84	0.37	
<i>Parties in government</i>	1.50	0.87	1.46	0.92		2.52	1.66	2.19	1.53	2.54	1.53	**
<i>Female mayor</i>	0.11	0.31	0.35	0.48	***	0.21	0.41	0.28	0.45	0.15	0.37	*

Notes: 't' ('F') indicates the outcome of t-tests (F-tests) for equal means for each variable across the given gender dimensions. *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A4: Explaining spending in smaller municipalities (less than 5,000 inhabitants)

	(1)	(2)	(3)
	All	Mandatory	Non- mandatory
Lag dependent	0.39*** (0.13)	0.34** (0.15)	0.50*** (0.18)
Total revenues	0.13 (0.09)	0.04 (0.08)	0.08* (0.04)
Lag rent	-0.00 (0.02)	-0.02 (0.02)	0.01 (0.01)
Lag unemployment rate	1.57 (1.15)	0.73 (0.86)	0.94 (0.71)
Lag share of dependents	7.88 (6.45)	4.91 (6.00)	2.89 (4.33)
Lag share of immigration	-3.77 (3.15)	-0.97 (3.31)	-2.27 (1.72)
Mayor's age	2.55 (2.33)	1.78 (2.07)	1.24 (0.85)
Mayor's university education	97.63** (41.44)	95.19** (37.06)	12.37 (27.90)
Right	-21.41 (32.15)	13.30 (27.70)	-50.40*** (18.26)
Parties in government	12.68 (16.51)	7.64 (12.64)	2.91 (8.35)
Balanced government	35.45 (23.77)	31.89 (20.81)	18.22 (16.66)
Female mayor	-2.50 (86.91)	-75.26 (60.07)	13.31 (84.03)
Female mayor * Balanced government	51.46 (45.47)	74.65* (38.98)	-3.38 (25.98)
Election	12.38 (16.74)	-2.67 (15.11)	11.09 (12.71)
Election * Balanced government	-51.67 (43.26)	-17.78 (30.03)	-34.40 (31.08)
Female mayor * Election	-89.63* (44.81)	-76.14*** (27.10)	-25.62 (44.92)
Female mayor * Election * Balanced government	171.02** (69.74)	129.98*** (47.74)	42.01 (57.21)
Pre-election	51.57** (19.60)	34.20* (19.08)	9.03 (7.62)
Post-election	2.84 (22.26)	5.27 (19.57)	-10.62 (9.14)
Number of observations	445	445	445
Number of municipalities	53	53	53

Notes: We employ the bias-corrected fixed effect estimator proposed by Breitung et al. (2022) for the restricted sample. The restricted sample is comprised of those municipalities in which the mayor elected during the 2011 and 2015 elections was

always of the same sex, that is, the municipality was run by either a male mayor or a female mayor. Cluster-robust standard errors are used (clusters: number of municipalities). Coding of dependent variable is based on the classification provided in Section 4.2 (see Table A1 of the Appendix). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A5: Explaining spending in larger municipalities (equal or more than 5,000 inhabitants)

	(1)	(2)	(3)
	All	Mandatory	Non- mandatory
Lag dependent	0.34*** (0.10)	0.36*** (0.12)	0.42*** (0.10)
Total revenues	0.15** (0.07)	0.12* (0.07)	0.03 (0.02)
Lag rent	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Lag unemployment rate	-0.11 (0.64)	0.48 (0.68)	-0.64** (0.30)
Lag share of dependents	-0.89 (3.85)	-0.82 (3.76)	-5.05** (2.08)
Lag share of immigration	-10.23*** (3.16)	-8.44*** (3.14)	-1.78 (1.62)
Mayor's age	0.48 (0.58)	0.00 (0.61)	0.51 (0.38)
Mayor's university education	3.33 (10.63)	6.81 (9.66)	-2.96 (3.39)
Right	-6.83 (10.59)	-8.65 (9.00)	6.33 (4.86)
Parties in government	-3.43 (3.49)	-3.95 (3.81)	0.23 (1.18)
Balanced government	-2.91 (10.47)	6.73 (10.32)	-0.52 (4.81)
Female government	-14.47 (24.00)	-8.89 (22.95)	0.71 (9.31)
Female mayor	23.28 (33.65)	30.28 (36.46)	3.97 (13.03)
Female mayor * Balanced government	17.20 (17.57)	11.31 (15.55)	-4.71 (9.27)
Female mayor * Female government	-12.37 (27.24)	-2.10 (26.35)	-8.79 (11.95)
Election	-21.04** (8.14)	-21.40* (11.23)	0.85 (7.22)
Election * Balanced government	8.76 (13.99)	2.27 (15.65)	1.53 (8.10)
Election * Female government	-11.10 (35.18)	-1.18 (38.35)	-7.19 (6.33)
Female mayor * Election	45.55* (26.34)	46.60* (25.81)	-15.81 (13.54)
Female mayor * Election * Balanced government	-33.62 (25.17)	-29.40 (27.97)	18.92 (14.73)
Female mayor * Election * Female government	87.36* (44.22)	69.05 (45.85)	21.78 (13.82)

Pre-election	6.29 (6.62)	7.16 (6.80)	4.12 (4.78)
Post-election	3.71 (6.35)	-0.95 (7.09)	6.69 (4.20)
Number of observations	460	460	325
Number of municipalities	54	54	38

Notes: We employ the bias-corrected fixed effect estimator proposed by Breitung et al. (2022) for the restricted sample. The restricted sample is comprised of those municipalities in which the mayor elected during the 2011 and 2015 elections was always of the same sex, that is, the municipality was run by either a male mayor or a female mayor. Cluster-robust standard errors are used (clusters: number of municipalities). Coding of dependent variable is based on the classification provided in Section 4.2 (see Table A1 of the Appendix). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A6: Explaining spending in all municipalities

	(1)	(2)	(3)
	All	Mandatory	Non- mandatory
Lag dependent	0.79*** (0.24)	0.56*** (0.08)	0.93 (0.65)
Total revenues	0.17*** (0.06)	0.07** (0.03)	0.12** (0.05)
Lag rent	-0.02 (0.02)	-0.00 (0.01)	-0.03* (0.02)
Lag unemployment rate	1.38 (1.26)	1.03 (0.67)	-0.92 (1.65)
Lag share of dependents	-2.81 (10.95)	5.19 (4.28)	0.86 (11.61)
Lag share of immigration	-5.67 (5.58)	-2.59 (3.22)	-1.81 (11.72)
Mayor's age	1.71 (1.47)	0.89 (0.92)	0.37 (1.48)
Mayor's university education	24.63 (23.10)	13.71 (15.74)	36.20* (20.11)
Right	-14.54 (22.09)	-2.67 (13.39)	-7.98 (17.73)
Parties in government	7.73 (7.26)	0.68 (3.55)	0.48 (4.25)
Balanced government	-4.52 (21.17)	18.89 (14.65)	-34.19 (32.51)
Female government	12.07 (28.39)	11.89 (19.40)	1.92 (20.64)
Female mayor	-5.35 (60.52)	1.35 (51.11)	-24.36 (39.84)
Female mayor * Balanced government	6.53 (44.46)	-33.96 (33.21)	35.00 (49.52)
Female mayor * Female government	-26.29 (44.57)	-33.86 (36.60)	4.97 (44.21)
Election	13.92 (36.26)	-9.67 (17.70)	-6.02 (28.82)
Election * Balanced government	-50.38 (39.61)	-16.61 (23.51)	-16.67 (24.35)
Election * Female government	-70.76 (67.57)	-24.39 (45.52)	1.34 (29.67)
Female mayor * Election	-51.78 (47.32)	-0.90 (31.44)	-24.60 (43.51)
Female mayor * Election * Balanced government	107.39* (56.99)	45.25 (41.69)	29.89 (41.35)
Female mayor * Election * Female government	284.88*** (104.38)	182.09** (81.22)	26.50 (63.59)

Pre-election	11.13 (17.58)	13.98 (14.69)	-12.01 (17.84)
Post-election	-10.81 (20.47)	-0.80 (15.36)	-29.10* (15.17)
Number of observations	1,015	1,015	880
Number of municipalities	121	121	105

Notes: We employ the bias-corrected fixed effect estimator proposed by Breitung et al. (2022) for the restricted sample. The restricted sample is comprised of those municipalities in which the mayor elected during the 2011 and 2015 elections was always of the same sex, that is, the municipality was run by either a male mayor or a female mayor. Cluster-robust standard errors are used (clusters: number of municipalities). Coding of dependent variable is based on the classification provided in Section 4.2 (see Table A1 of the Appendix). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A7: Electoral-gender effects in mayor-restricted sample

	(1) All	(2) Mandatory	(3) Non-Mandatory
Balanced vs Male government	107.39* (56.99)	45.25 (41.69)	29.89 (41.35)
Female vs Male government	284.88*** (104.38)	182.09** (81.22)	26.50 (63.59)
Female vs Balanced government	177.49* (105.93)	136.84 (84.44)	-3.39 (65.66)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Observations	1,015	1,015	880

Notes: The mayor-restricted sample is comprised of those municipalities in which the mayor elected during the 2011 and 2015 elections was always of the same sex, that is, the municipality was run by either a male mayor or a female mayor. Coefficients are obtained from the triple interaction between *Election*Female mayor*Women in government* estimated in Table A6. Cluster-robust standard errors are used (clusters: number of municipalities). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

Table A8: Electoral-gender effects in close election sample (10% bandwidth)

	(1) All	(2) Mandatory	(3) Non-Mandatory
<i>Panel A: Municipalities less 5,000 inhabitants</i>			
Balanced vs Male government	336.19** (145.36)	229.47* (125.89)	-196.78*** (36.63)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Bandwidth (percent)	10.00	10.00	6.5
Observations	140	140	97
<i>Panel B: Municipalities more 5,000 inhabitants</i>			
Balanced vs Male government	4.02 (34.07)	60.04* (30.14)	-58.53 (45.54)
Female vs Male government	97.53** (31.99)	115.71** (36.95)	-5.39 (24.16)
Female vs Balanced government	93.51** (37.36)	55.67 (38.06)	53.14 (37.48)
Municipality FE	Yes	Yes	Yes
Electoral FE	Yes	Yes	Yes
Bandwidth (percent)	10.00	10.00	10.00
Observations	184	184	147

Notes: The close election sample is comprised of those municipalities in which the difference in votes between the governing coalition and the opposition is equal or less than 10%. In Column 3, Panel A, 6.5% is the maximum bandwidth that allows our estimate to converge. Coefficients are obtained from the triple interaction between *Election*Female mayor*Women in government*. Cluster-robust standard errors are used (clusters: number of municipalities). *, **, and *** indicate significance at a 10%, 5%, and 1% level, respectively.

