

Rent-Seeking in Public Procurement: Evidence from the Entry of Political Challengers at Electoral Thresholds*

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Abstract

This paper shows that political challengers affect rent-seeking in public procurement. I use data from municipal governments in the Czech Republic to construct new measures of political rent-seeking in procurement and test whether the entry of additional challengers into municipal legislatures affects the rent-seeking practices. Because the entry of challengers is endogenous to the performance of incumbents, I predict the challenger entry using quasi-random variation in the vote share of challengers near the threshold in proportional elections. I show that legislatures with additional challengers allocate fewer procurements to political donors, double price savings in procurement and use more competitive procurement auctions. The entry of extra challengers leads to greater economic benefits in legislatures with fewer political parties and in legislatures entered by local-level political movements. My findings highlight the role of local-level movements in enhancing political accountability and the value of monitoring the behavior of politicians.

Key words: procurement, rent-seeking, accountability, challengers, proportional elections

JEL classification: D72, H57, H72

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