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# Ideology and redistribution through public spending

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## Abstract

For a panel of OECD economies (1980-2013) we analyse the scope of government ideology to shape patterns of public expenditures. To address if public expenditures are used to channel redistributive outcomes, we adopt a flexible panel error correction model and proceed in two steps: Firstly, we analyse if ideological positions matter for the sizing of the public sector. Secondly, we address the actual impact of government ideology on two disjoint categories of public expenditure that are characterized by distinguished redistributive effects. Under both, left-wing and right-wing governments, public spending shows progressively redistributive effects which are indirectly channelled through their policy response to changing macroeconomic, fiscal and demographic fundamentals. While right-wing governments act progressively redistributive under favourable socio-economic conditions, their left-wing counterparts do so under unfavourable conditions. Comparing the two effects in terms of their explanatory content, we find that the latter is stronger than the former.

**JEL classification:** H53, H87, I18, D72, F13, F60, C22, C23

**Key words:** Redistribution; Public expenditure; Government ideology; Electoral cycles; OECD panel data

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