

# INFLUENCE OVER ELECTED OFFICIALS

# RENT SEEKING

Using policy to benefit a particular group, rather than the public good

## Classic Examples

- ▶ Agricultural subsidies
- ▶ Professional licensing
- ▶ Mortgage deduction
- ▶ Tax expenditures

# THE ROLE OF ELECTIONS

*The aim of every political constitution is, or ought to be, first to obtain for rulers men who possess most wisdom to discern, and most virtue to pursue, the common good of the society; and in the next place, to take the most effectual precautions for keeping them virtuous whilst they continue to hold their public trust.*

Madison, Federalist 57

# OUTLINE

PARTICULARISTIC INTERESTS

MONEY AND POLITICS

ACCOUNTABILITY

EVIDENCE

- Term Limits

- Incentives and Selection

- Information and Accountability

TAKE AWAYS

# RESPONSIVE VOTERS

Reelection oriented politicians will target policies to benefit citizens whose votes are responsive to those policy choices

Sources of responsiveness

- ▶ Low level of ideological, ethnic, or partisan attachments
- ▶ Single issue voters
- ▶ Districting
- ▶ Low voter turnout
- ▶ Concentrated interests

# SIMPLE MODEL

Two candidates,  $a$  and  $b$ , who care only about winning office

Three groups of voters:  $a$ -partisans ( $A$ ),  $b$ -partisans ( $B$ ), and independents ( $I$ )

No group is a majority on its own, but any two groups are

# THREE PLATFORMS

**Efficient** ( $x_E$ ): Each group gets 1

**Partisan-biased** ( $x_A$  or  $x_B$ ): Relevant partisans get  $\pi > 1$ , while all other voters get 0

**Independent-biased** ( $x_I$ ): Independents get  $\pi$ , while all other voters get 0

Biased platform is inefficient, but preferred by privileged group

# VOTERS

After observing the platforms, voters decide for which candidate to vote

Independent voters' payoffs come only from the platform

Partisan voters also care about the identity of the politician in office

- ▶ Extra benefit  $\eta > 0$  if partisan-aligned candidate wins

If voters are indifferent, they flip a coin.



		<i>b</i> 's platform		
		$x_E$	$x_I$	$x_B$
<i>a</i> 's platform	$x_E$	$\frac{1}{2}, \frac{1}{2}$	$0, 1$	$1, 0$
	$x_I$	$1, 0$	$\frac{1}{2}, \frac{1}{2}$	$1, 0$
	$x_A$	$0, 1$	$0, 1$	$\frac{1}{2}, \frac{1}{2}$

$\eta > 1$

		<i>b</i> 's platform		
		$x_E$	$x_I$	$x_B$
<i>a</i> 's platform	$x_E$	$\frac{1}{2}, \frac{1}{2}$	$1, 0$	$1, 0$
	$x_I$	$0, 1$	$\frac{1}{2}, \frac{1}{2}$	$1, 0$
	$x_A$	$0, 1$	$0, 1$	$\frac{1}{2}, \frac{1}{2}$

$\eta < 1$

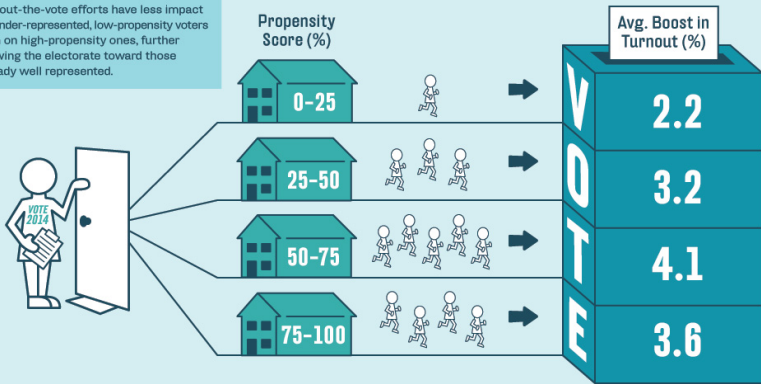
If partisans highly attached (unresponsive), platforms targeted to independents

If partisans weakly attached (responsive), platforms are efficient

# DOES GOTV SOLVE UNRESPONSIVENESS?

## Get-Out-the-Vote Doesn't Bring Under-Represented Voters to the Polls

Get-out-the-vote efforts have less impact on under-represented, low-propensity voters than on high-propensity ones, further skewing the electorate toward those already well represented.



## KEY LESSON

Politicians pursue policies that benefit those citizens whose votes are responsive to policy choice

If some group's vote is certain, can't attract policy benefits

Rent seeking goes to responsive voters

California Electoral Code changed in 1980s allowing school boards to shift from off- to on-cycle elections. In newly on-cycle districts:

- ▶ Turnout doubles
- ▶ Teacher salaries decreased by \$1,000

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# POSSIBLE MECHANISMS

Quid-pro-quo

Access and persuasion

Money helps aligned candidates win elections

# HOW MUCH MONEY?

Top 50 donor industries

- ▶ 106th Congress: \$370 million
- ▶ 109th Congress: \$445 million

Perhaps \$5 billion in current presidential campaign

# TULLOCK PARADOX

*In 1972, when Tullock raised this question, campaign spending was about \$200 million. Assuming a reasonable rate of return, such an investment could have yielded at most \$250–300 million over time, a sum dwarfed by the hundreds of billions of dollars worth of public expenditures and regulatory costs supposedly at stake.*

# DONATIONS AND EXPENDITURES BY INDUSTRY, 2000

## Defense

- ▶ Donations: \$13.2 million
- ▶ Expenditures: \$134 billion

## Oil and gas

- ▶ Donations: \$33.6 million
- ▶ Subsidies: \$1.7 billion

## Agriculture

- ▶ Donations: \$3.3 million
- ▶ Commodity loans and price supports: \$22.1 billion

Rate of return is too high (6000 to 1) for this to be a market



# VOTES AND MONEY

Lobbies provide contributions and votes—both matter

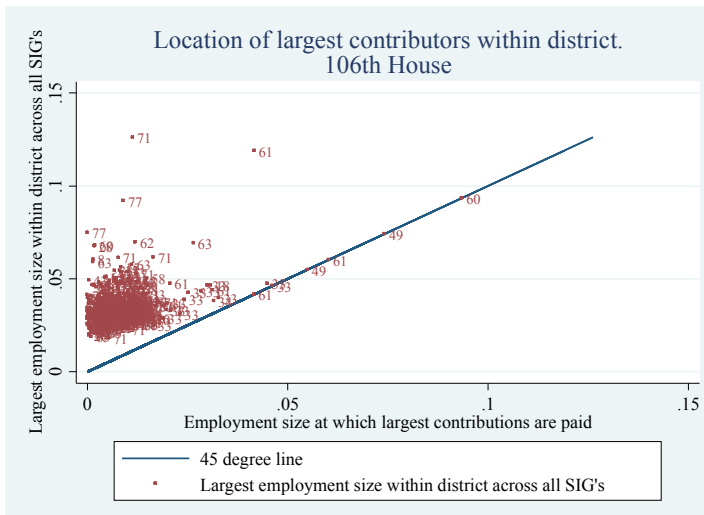
Rate of return is for both

Goes a long way to address Tullock's puzzle

- ▶ 2 million farmers
- ▶ Estimate each of their votes worth \$400 to incumbents
- ▶ Return to contribution now down to \$0.13 per \$1 contributed

*If I get a contribution from, say, Allied-Signal, a big defense contractor, and they've raised money for me. And then they come in and say, 'Senator, we need legislation that would extend some rule of contracting that's good for us.' They lay out the case. My staff goes over it. I'm trying to help them. Why am I trying to help them? The cynic can say: 'Well, it's because they gave you 5,000 bucks. And if you ran again, they'll give you another 5,000 bucks.' Or is it because they have 15,000 jobs in Arizona and this will help keep those jobs in Arizona? Now to me, the far greater motivation is those jobs, because those are the people that are going to vote for me. But I can't ignore the fact that they have given me money—Dennis DeConcini (D-AZ)*

# THE LARGEST EMPLOYER DOES NOT PAY THE MOST



# NO INDUSTRY PAYS THE MOST WHERE IT IS THE LARGEST EMPLOYER

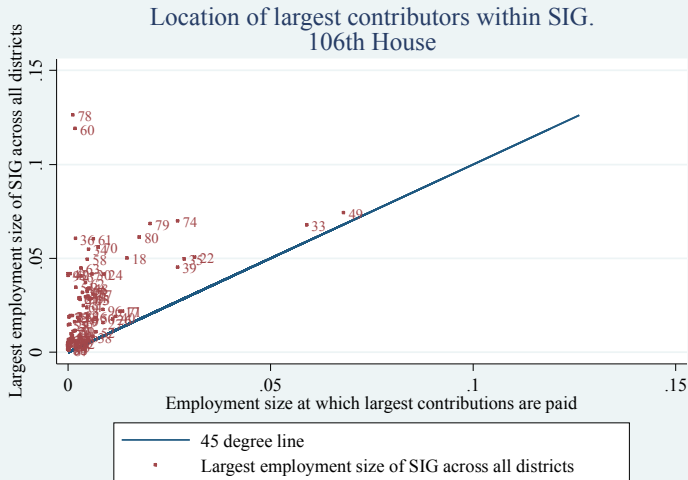
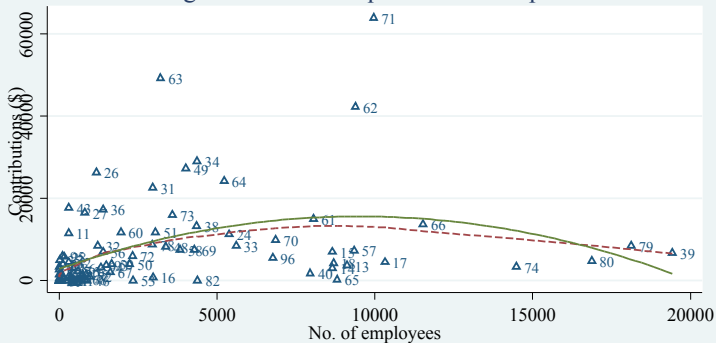
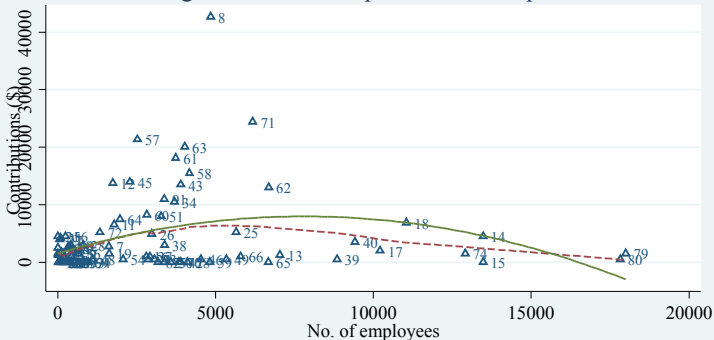


Figure:  
Rep. Morella, Connie (R-MD) [8]  
106th Cong. contributions: quadratic & nonparametric fit.



△	Electoral contributions (OSID)	---	Locally weighted smoothed scatterplot
—	Quadratic fit contribution		

Figure:  
Rep. Fields, Jack M Jr (R-TX) [8]  
101st Cong. contributions: quadratic & nonparametric fit.



△	Electoral contributions (OSID)	- - -	Locally weighted smoothed scatterplot
—	Quadratic fit contribution		

# WOULD CAMPAIGN FINANCE REFORM HAVE A BIG EFFECT?

Marginal vote costs approximately \$200

- ▶ Hard to see how donors could be buying policy

Little to no evidence of policy responsiveness to donations

Institutional donors (industry, unions, corporations) are less polarized in their giving patterns than are individuals

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# MADISON'S TWO PURPOSES OF ELECTIONS

Fostering a “dependence on the people” and “keeping them virtuous”

“to obtain for rulers [leaders] who possess most wisdom to discern, and most virtue to pursue, the common good of the society”

# A MODEL

Three players: an incumbent, a challenger, and a voter

Each politician may be *high quality* or *low quality*

- ▶ High quality with probability  $p \in (0, 1)$

In each period, incumbent chooses effort,  $e_1 \in [0, 1]$  (not observed by voter)

Policy outcome is *good* or *bad*

- ▶ High quality politician always achieves good outcome
- ▶ Low quality politician achieves good outcome with probability  $e_1$

Election between periods

# PAYOFFS

Politician gains a benefit  $B$  if win election and bears costs of effort  $e^2$

Voter cares only about good policy outcomes

## 2ND PERIOD AND ELECTION

No incumbent exerts effort

Good outcome if politician in office is high type

At election, voter wants to maximize probability of high type

Reelect if and only if good outcome in first period

# FIRST PERIOD EFFORT

$$\max_{e_1} e_1 B - (e_1)^2.$$

$$e_1^* = \frac{B}{2}.$$

Probability of a good outcome:

$$\Pr(\text{Good Outcome}) = p + (1 - p)\frac{B}{2}.$$

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# BRAZILIAN MAYORS AND TERM LIMITS

Brazil highly decentralized

- ▶ Local governments receive large sums of resources to provide public services such as education, health care, transportation, and local infrastructure
- ▶ Decision on how to spend these resources is made by an elected mayor in conjunction with a local council of elected legislators

Mayors limited to two terms

- ▶ Exogenous variation in reward to good performance



# DE JANVRY, FINAN, AND SADOULET, 2011

Brazilian conditional cash transfer program meant to keep children in school

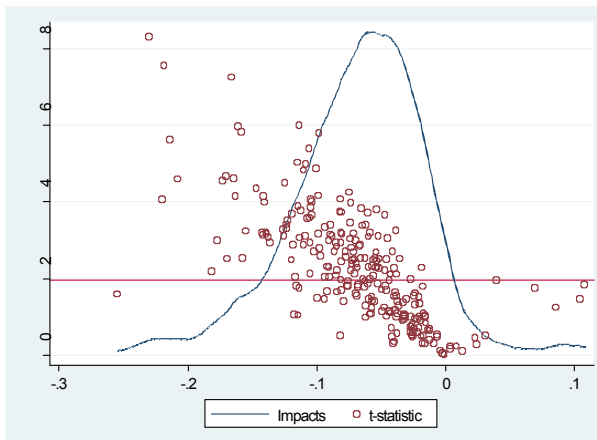
- ▶ Typically more eligibles than funds
- ▶ Up to local official to target funds to minimize dropout

Implemented nationwide in 2001

- ▶ Exogenously (by accident of history), some mayors were term limited in 2001 and some weren't

Large variation in success of program across cities (mean reduction in dropouts is 8%)

**Figure 1. Frequency distribution and t-statistics of estimated impacts of Bolsa Escola on dropout rates by municipality**

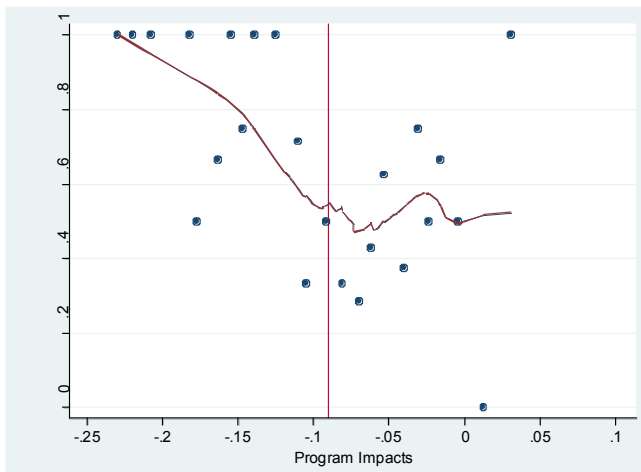


Notes: Each circle represents the impact for one municipality, with the point estimate on the horizontal axis and the absolute value of the associated t-statistic on the vertical axis. The horizontal line at  $t = 1.96$  delineates the 5 percent significance level. The frequency distribution is of the impact point estimates in the sample of municipalities.

**Table 4. Effects of electoral incentives on program performance**

Dependent variable: Program's impact on dropout rate	(1)	(2)	(3)	(4)	(5)	(6)
Mayor in first term	-0.020 [0.008]*	-0.022 [0.007]**	-0.021 [0.007]**	-0.026 [0.009]**	-0.018 [0.010]+	-0.020 [0.007]**
Governance practices						
Mayor's spouse is a politician						0.018 [0.010]+
Share of public employees related to the mayor						0.178 [0.062]**
Share of secretariat that are politicians (vs. technicians)						0.020 [0.012]
Municipal characteristics	No	Yes	Yes	Yes	Yes	Yes
Mayor characteristics	No	Yes	Yes	Yes	Yes	Yes
Other municipal characteristics	No	No	Yes	Yes	Yes	Yes
State fixed effects	No	Yes	Yes	Yes	Yes	Yes
Mean of dependent variable	-0.067	-0.067	-0.067	-0.067	-0.064	-0.067
Observations	236	236	236	193	176	236
R-squared	0.03	0.27	0.31	0.38	0.32	0.34

**Figure 2. Reelection rates by program impact**



Notes: The figure shows reelection rates in 2004 by program impact. The plot presents the proportion of first-term mayors that were re-elected in 2004 for a bin size of 0.01 impact (circles) along with a locally weighted regression calculated with a bandwidth of 0.8. Municipalities to the left of the vertical line were in the top 25 percent in terms of program impact.

# FERRAZ AND FINAN, 2011

Brazilian government audits cities for corruption, some before and some after election, and announces results

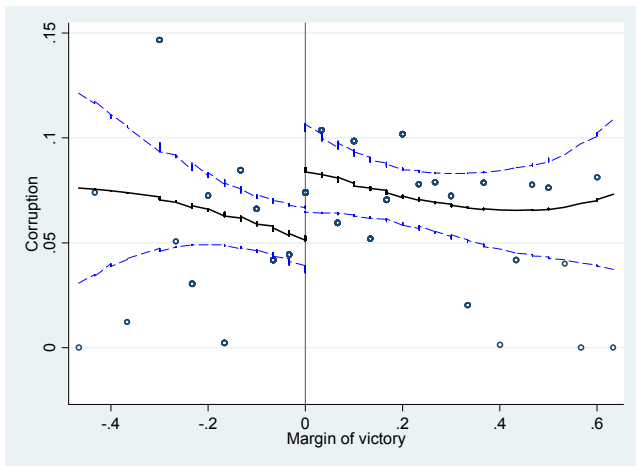


FIGURE 2: THE EFFECTS OF RE-ELECTION INCENTIVES ON CORRUPTION

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# DISENTANGLING TWO EFFECTS

Disentangle incentive and competence effects using variation in term limits

**Incentive Effect:** Compare 1st term eligible to 1st term ineligible

**Competence Effect:** Compare 1st term ineligible to 2nd term ineligible

# DISENTANGLING TWO EFFECTS

TABLE 4 One-Term Limits vs. Two-Term Limits

Dependent variables Expected signs on coefficients:	Log of per capita spending		Log of per capita taxes		Borrowing cost		Economic growth	
	—		—		—		—	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
First-term eligible (Accountability)	-0.048** (0.012)	-0.065** (0.015)	-0.039** (0.014)	-0.039** (0.018)	-5.81** (2.18)	-14.04** (3.45)	0.66** (0.27)	0.82** (0.33)
Second-term lame duck (Competence)	-0.041** (0.012)	-0.050** (0.015)	-0.030** (0.015)	-0.029** (0.018)	-6.75** (2.47)	-14.54** (3.44)	0.45** (0.29)	0.54* (0.32)
Sample includes governors in office at time of two-term limit adoption?	Yes	No	Yes	No	Yes	No	Yes	No
Observations	686	622	686	622	286	261	686	622
R <sup>2</sup>	0.98	0.98	0.98	0.98	0.72	0.75	0.69	0.68

*Note:* The omitted category is first-term lame ducks. Controls: state income, population, percent elderly and school-aged, Democratic Governor, Democratic House, Democratic Senate, divided government, political competition in the House and Senate, governor's years of prior political experience, state-specific time trends, state fixed effects, and year fixed effects.

Robust standard errors in parentheses.

\*Significant at 10% level.

\*\*Significant at 5% level.



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# ADDING INFORMATION TO THE MODEL

Suppose voter only correct perceives a good outcome with probability  $\pi \in (1/2, 1)$

$$e_1 = \frac{\pi B}{2}$$

Lowers incentives and likelihood of good outcome

# CHALLENGERS

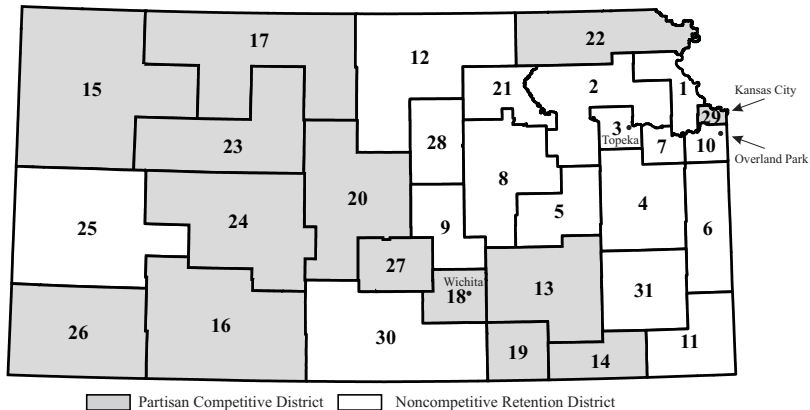
Official who faces a specific challenger faces more strenuous monitoring than one who faces a retention election

Examine in a quantitative case study of judges in Kansas

- ▶ Districts differ in electoral form
- ▶ Directly look at covariate differences across forms
- ▶ Also have a rich set of case-level controls

# ELECTORAL GEOGRAPHY OF KANSAS

Figure 1: Kansas Judicial Districts and Selection Rules



# THE RESULTS

Table 4: Matching Estimates of the Average Effect of Treatment (Potential Competition) on the Treated (Cases in Partisan Competitive Districts)

	Fact Pattern Matching Only		District, Then Fact-Pattern Matching	
	(1) All Judges	(2) Unchallenged	(3) All Judges	(4) Unchallenged
<i>Expected Change in . . .</i>				
Pr(prison)	0.034 (5.64)	0.036 (5.57)	0.067 (18.17)	0.08 (19.99)
Months prison (unconditional)	0.513 (3.43)	0.48 (2.91)	1.15 (2.91)	1.406 (2.91)
Matched treated observations	4,717	3,868	1,195	1,016

# MEDIA

Congruence of congressional district and media market as source of exogenous variation in voter information

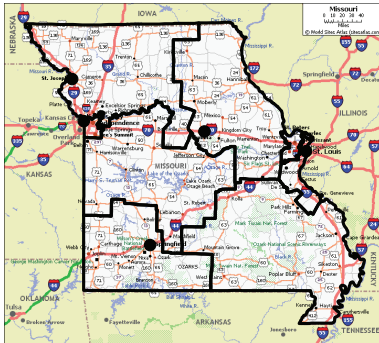
See whether more information improves performance (as suggested in the accountability model)

Congruence is high if the primary newspaper sources in a county cover primarily that county's congressional representative

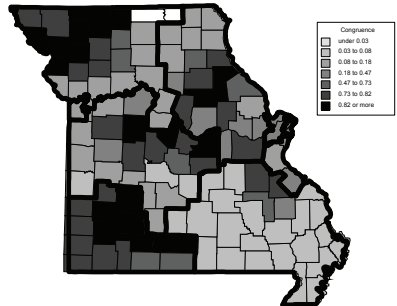
- ▶ Imagine a county near a city in the same congressional district: congruence is high
- ▶ Imagine a county near a city in a different congressional district: congruence is low

# CONGRUENCE

Congressional districts



Congruence between newspaper markets and congressional districts



# IDENTIFICATION STRATEGIES

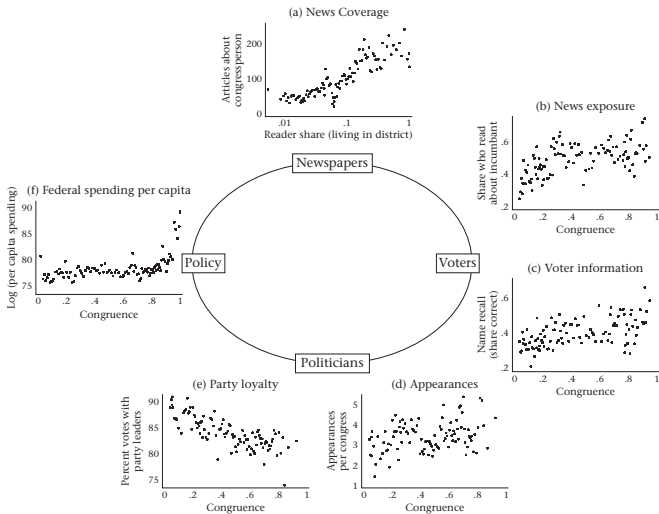
Comparing counties within a given state in a given year

Compare counties within a particular congressional race

Compare a particular county, that got redistricted, to itself



# THE RESULTS



# SOUTH CAROLINA SCHOOL BOARDS

Make standardized test score reporting less informative

- ▶ 2000: report raw scores
- ▶ 2002: report 4 point scale, most schools in same category

Berry and Howell (2007) look at relationship between incumbent vote share and change in test scores before and after this change in reporting system

Our model predicts relationship should be stronger in 2000 than in 2002

**TABLE 2 Incumbent Vote Shares in School Board Elections**

	(2000)	(2002)	(2004)
<b>Panel A: Precinct-Level Scores</b>			
Change in total score, previous to current year	.327* (.191)	-.270 (.223)	-.371 (.267)
Total percentile score in current year	-.104 (.067)	-.063 (.101)	-5.136 (7.918)
Change in millage rates, previous to current year	.380* (.190)	-.050 (.150)	.254 (.317)
Constant	62.198* (4.968)	6.632* (4.150)	62.722* (3.261)
Observations	960	1308	963
R <sup>2</sup>	.041	.011	.024

# ARE INCENTIVES ALWAYS GOOD?

In our model, the key to reelection was good policy outcomes

We also have models in which the key to reelection is choosing popular policies, even if they turn out to be wrong

If electoral incentives primarily give rise to such pandering, things that increase electoral incentives are bad, rather than good

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## TAKE AWAYS

Electoral concerns create incentives to target policy to benefit responsive voters

The extent to which money influences policy remains open question, but votes also matter

Electoral accountability plays at least two roles in affecting the quality: incentives and electoral selection

Several factors affect the magnitude of incentives created by elections: benefits of office, term limits, voter information, the presence of challengers

Electoral incentives can be good or bad, depending on what determines reelection