# Influence over Elected Officials

# KEY QUESTIONS

How and when do elections successfully incentivize politicians to take costly actions to benefit voters?

What is the role of money in electoral politics?

How might electoral incentives distort policy?

# Outline

Electoral Agency

Money and Politics

Particularistic Interests

# 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

# GAME 1.1

Benefit of holding office ($B$): 5

Cost of effort ($C$): 10

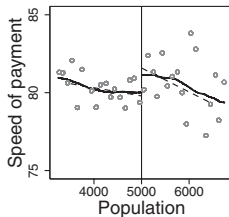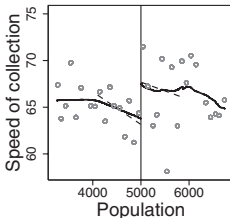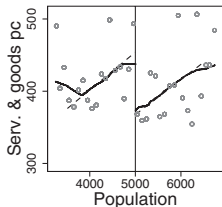Returns to each voter of politician effort ($R$): 5
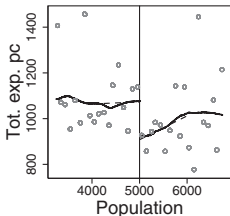
# GAME 1.2

Benefit of holding office ($B$): 20

Cost of effort ($C$): 10

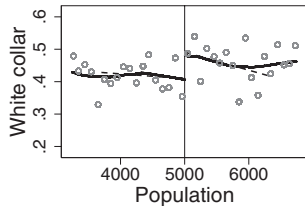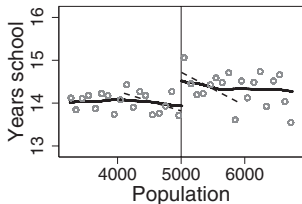Returns to each voter of politician effort ($R$): 5

# Benefits of Holding Office

It can be easier to incentivize politicians to be responsive to voter interests when the benefits of holding office are larger

# It could also be a change in quality of who enter politics

# GAME 2: INTRODUCING CANDIDATE DIFFERENTIATION

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Extra payoff to voters from reelecting the first-period incumbent ($I$): 2

# Game 3.1: Quality differences with informative actions

Voters still like the incumbent (all else equal).

Also, two types of politicians: Good types who *like* effort and Bad types who *dislike* effort

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Cost/Benefit of effort for bad/good type: 10

Returns to each voter of politician effort ($R$): 5

Extra payoff to voters from reelecting the incumbent ($I$): 2

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# Two Mechanisms

Elections improve performance in two ways:

1. Create incentives for effort in order to get reelected

2. Select good types for the future

We can explore these mechanisms using term limits

# 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

# Brazilian CCT

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**
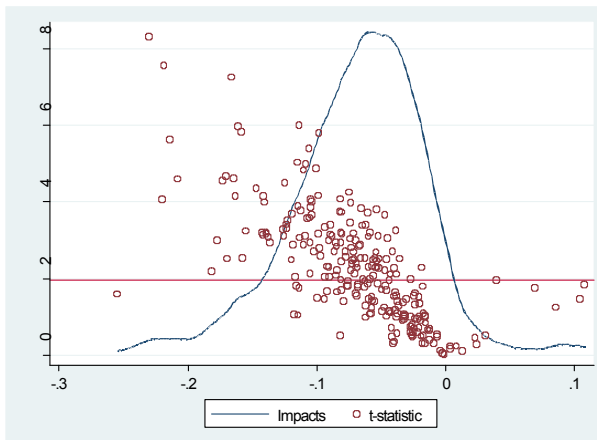


Notes: Each circle represents the impact for one municipality, with the point estimate on the horizontal axis and the absolute value of the associated t-statistic on the vertical axis. The horizontal line at t =1.96 delineates the 5 percent significance level. The frequency distribution is of the impact 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 | -0.022 | -0.021 | -0.026 | -0.018 | -0.020 |
| | [0.008]* | [0.007]** | [0.007]** | [0.009]** | [0.010]+ | [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**
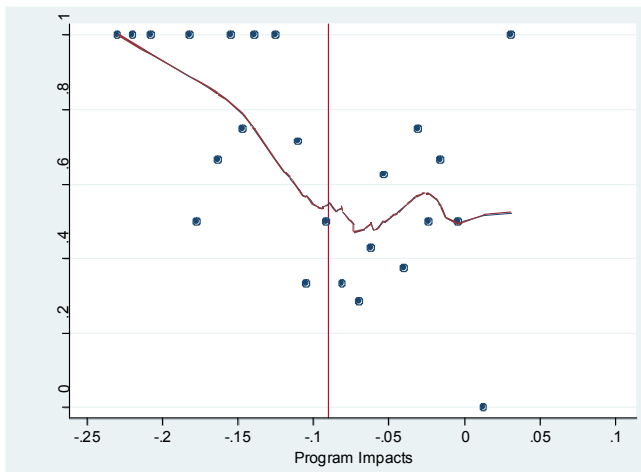
Notes: The figure shows reelection rates in 2004 by program impact. The plot presents the proportion of first-term mayors that were re-elected in 2004 for a bin size of 0.01 impact (circles) along with a locally weighted regression calculated with a bandwidth of 0.8. Municipalities to the left of the vertical line were in the top 25 percent in terms of program impact.

# DISENTANGLING INCENTIVES AND SELECTION

**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<br>Expected signs on<br>coefficients: | Log of per<br>capita spending<br>− | | Log of per<br>capita taxes<br>− | | Borrowing cost<br>− | | Economic<br>growth<br>− | |
|---|---|---|---|---|---|---|---|---|
| | **(1)** | **(2)** | **(3)** | **(4)** | **(5)** | **(6)** | **(7)** | **(8)** |
| First-term eligible | −0.048** | −0.065** | −0.039** | −0.039** | −5.81** | −14.04** | 0.66** | 0.82** |
| (Accountability) | (0.012) | (0.015) | (0.014) | (0.018) | (2.18) | (3.45) | (0.27) | (0.33) |
| Second-term lame | −0.041** | −0.050** | −0.030** | −0.029** | −6.75** | −14.54** | 0.45** | 0.54* |
| duck (Competence) | (0.012) | (0.015) | (0.015) | (0.018) | (2.47) | (3.44) | (0.29) | (0.32) |
| Sample includes governors<br>in office at time of<br>two-term limit adoption? | Yes | No | Yes | No | Yes | No | Yes | No |
| Observations | 686 | 622 | 686 | 622 | 286 | 261 | 686 | 622 |
| R² | 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.

# GAME 4: VOTER INFORMATION

Voters don't observe incumbent action before election

Benefit of holding office ($B$): 20

Cost/Benefit of effort for bad/good type: 10

Returns to each voter of politician effort ($R$): 5

Extra payoff to voters from reelecting the incumbent ($I$): 2

# 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
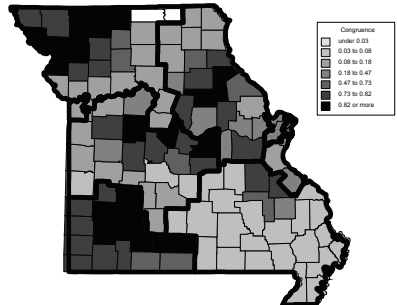
- Imagine a county near a city in the same congressional district: congruence is high

- Imagine a county near a city in a different congressional district: congruence is low

# CONGRUENCE

**Congressional districts**
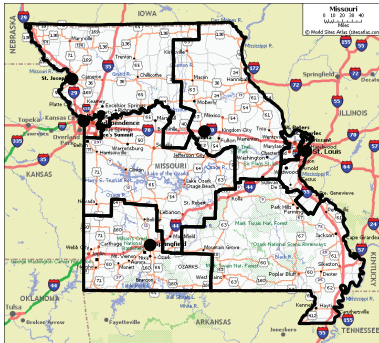
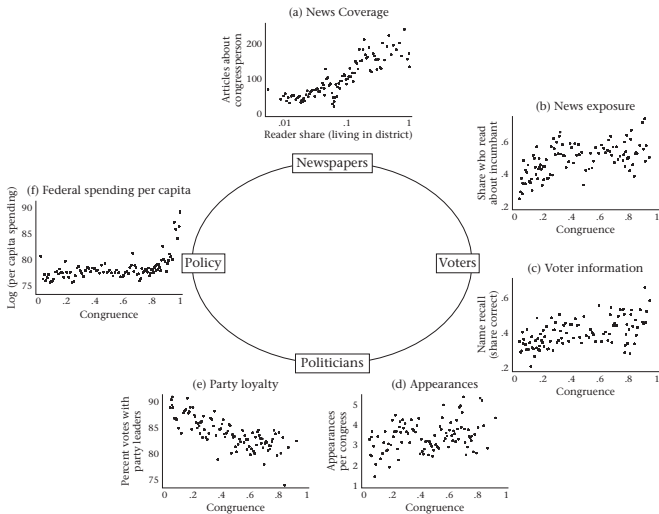**Congruence between newspaper markets and congressional districts**

# 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

Relationship should be stronger in 2000 than in 2002

Table 2   Incumbent Vote Shares in School Board Elections

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

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

# GAME 5: LARGER BIAS TOWARD INCUMBENT

Benefit of holding office ($B$): 20

Cost/Benefit of effort for bad/good type: 10

Returns to each voter of politician effort ($R$): 5

Extra payoff to voters from reelecting the incumbent ($I$): 15

# Uncompetitive elections are bad for incentives
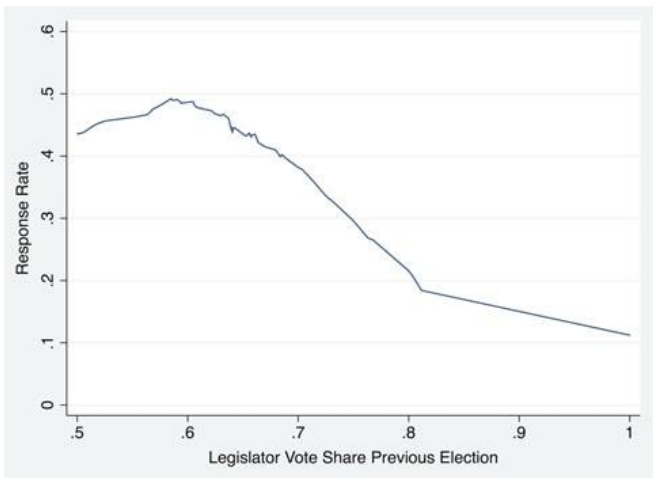
# ARE INCENTIVES ALWAYS GOOD?

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

# Take Aways

Elections improve governance outcomes through incentive and selection effects

Higher rewards to office can change incentives and the pool of candidates

Term limits reduce incentives and selection

Better voter information can strengthen incentives and selection

Uncompetitive races weaken incentives and selection

# Key Lesson

Increasing the benefits to holding office can strengthen incentives for politicians to take actions which improve likelihood of reelection

When effort or outcomes convey information, elections work through both incentives and selection

Voter access to information affects incentives and selection

Uncompetitive elections are bad for incentives and selection

When there are incentives to pander, incentives can be bad

# Outline

Electoral Agency

Money and Politics

Particularistic Interests

# 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

\$6.5 billion in 2016 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.*

# Tullock Paradox

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Is this really the right question?

# 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

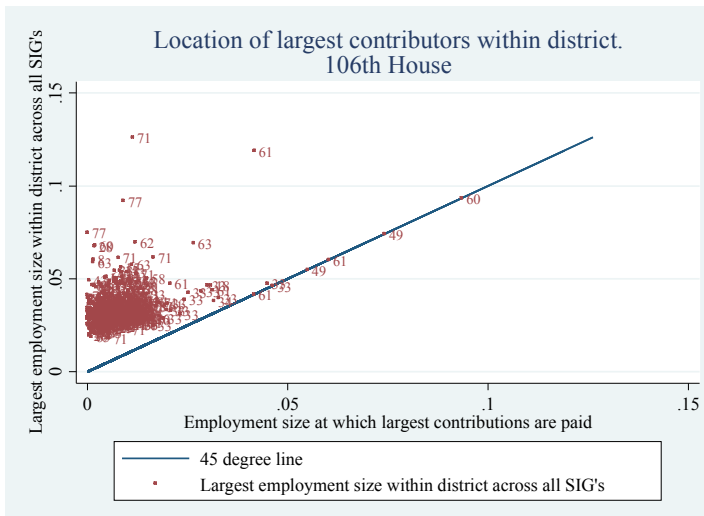Lobbies provide contributions and votes—both matter

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 thats 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



Location of largest contributors within district.
106th House

# No Industry Pays The Most Where It Is The Largest Employer



Location of largest contributors within SIG. 106th House

45 degree line

Largest employment size of SIG across all districts
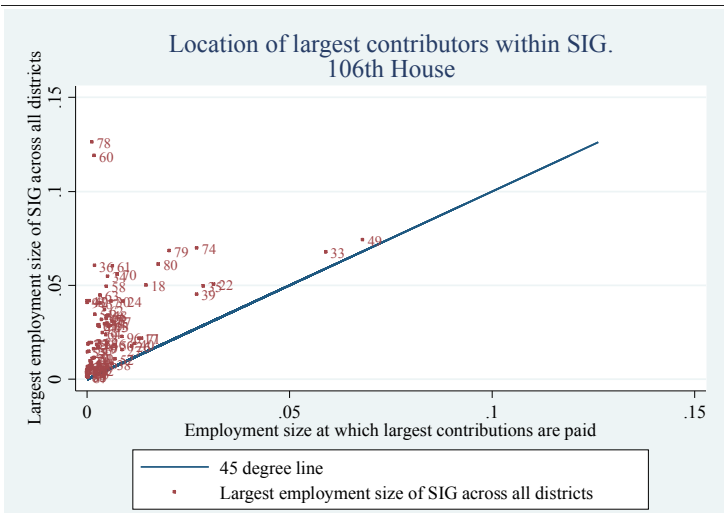
Figure:
Rep. Morella, Connie (R-MD) [8]
106th Cong. contributions: quadratic & nonparametric fit.
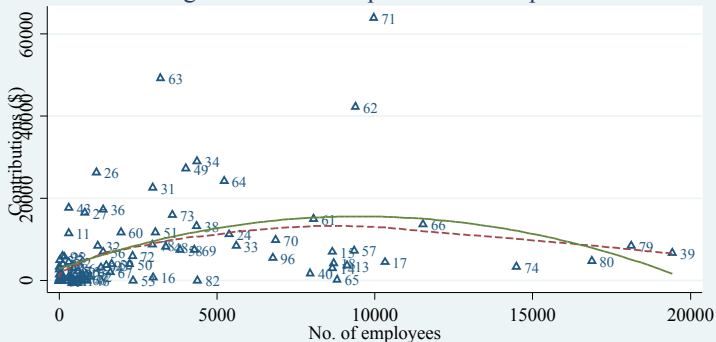
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Rep. Fields, Jack M Jr (R-TX) [8]
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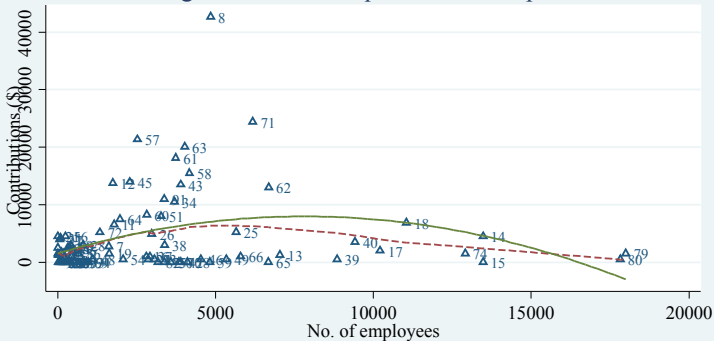
# Would Campaign Finance Reform Have a Big Effect?

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

# Outline

# Rent Seeking

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

Classic Examples

- ▶ Agricultural subsidies

- ▶ Professional licensing

- ▶ Mortgage deduction

- ▶ Tax expenditures

# 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

- ▶ High voter turnout

- ▶ Concentrated interests

# A 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 gets $\pi > 1$, 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.

| | | b's platform | | |
|---|---|---|---|---|
| | | $x_E$ | $x_I$ | $x_B$ |
| a's platform | $x_E$ | $\frac{1}{2}, \frac{1}{2}$ | $0, \mathbf{1}$ | $\mathbf{1}, 0$ |
| | $x_I$ | $\mathbf{1}, 0$ | $\frac{1}{2}, \frac{1}{2}$ | $\mathbf{1}, 0$ |
| | $x_A$ | $0, \mathbf{1}$ | $0, \mathbf{1}$ | $\frac{1}{2}, \frac{1}{2}$ |

$$\eta > 1$$

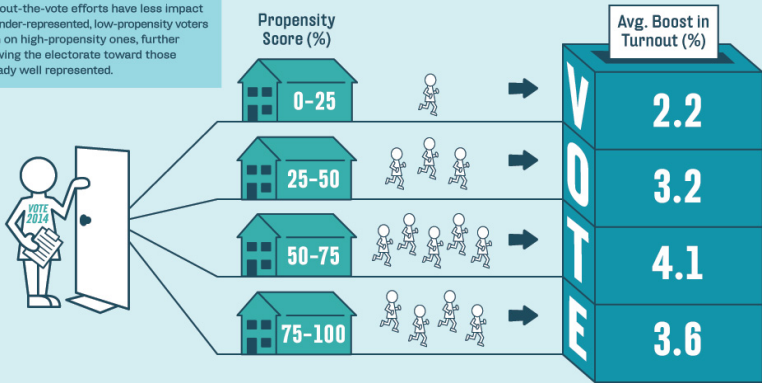| | | b's platform | | |
|---|---|---|---|---|
| | | $x_E$ | $x_I$ | $x_B$ |
| a's platform | $x_E$ | $\frac{1}{2}, \frac{1}{2}$ | $\mathbf{1}, 0$ | $\mathbf{1}, 0$ |
| | $x_I$ | $0, \mathbf{1}$ | $\frac{1}{2}, \frac{1}{2}$ | $\mathbf{1}, 0$ |
| | $x_A$ | $0, \mathbf{1}$ | $0, \mathbf{1}$ | $\frac{1}{2}, \frac{1}{2}$ |

$$\eta < 1$$

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.

Propensity Score (%)

| Propensity Score (%) | Avg. Boost in Turnout (%) |
|---|---|
| 0–25 | 2.2 |
| 25–50 | 3.2 |
| 50–75 | 4.1 |
| 75–100 | 3.6 |

# 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