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?
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**

Suppose the first-period incumbent is better than the challenger in some way that matters to voters

Benefit of holding office ($B$): 20

Cost of effort ($C$): 10

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

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

Benefit of holding office \((B)\): 5

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
**Game 3.2: 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

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
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
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%)
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

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

Notes: This table reports the effects of re-election incentives on program performance. Robust standard errors in brackets. + significant at 10%, * at 5%, and ** at 1%. Mayor characteristics include gender, education, number of terms held in a political position, age, and party affiliation dummies. Municipal characteristics include population density (pop/km), number of districts, % rural, % literate population, log per capita income, margin of victory in the previous election, and Gini coefficient. Other municipal characteristics include existence of an NGO, share of children benefited by the program, municipality is a judiciary district, existence of a social council, received training, number of radios, number of newspapers, public sector employment (as share of population), total number of employees in the mayor's office, and total number of secretariats. Sample in column (4) restricted to second-term mayors and first-term mayors that will be re-elected in 2004. Sample in column (5) restricted to second-term mayors and first-term mayors with at least 2 terms of political experience in another office.
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

As described in the literature review, Besley and Case (1995a) find that per capita taxes and spending were higher under term-limited governors than under eligible governors between 1950 and 1986. However, in a 2003 paper the authors find that the effect of term limits on spending and taxes displays a marked downward trend over the past 50 years. Besley and Case do not distinguish first- and second-term lame ducks; their regression models include a dummy variable for all governors who cannot run for re-election. They conjecture that some unobserved factor has altered gubernatorial behavior over time.

Our results suggest that the changing effect of gubernatorial term limits reflects changes in governors' competence rather than their behavior. As states have gradually switched from one- to two-term limits, voters have increasingly been able to use elections to weed out low-quality incumbents and incumbents have had increased scope for on-the-job learning. As average tenure has increased, performance by term-limited governors has increasingly reflected the effect of greater incumbent competence, offsetting the effect of lower effort over time. Since the estimated competence effect is roughly the same size as the accountability effect, the shift from one- to two-term limits made it appear as though the impact of term limits was declining to zero.

### Table 4 One-Term Limits vs. Two-Term Limits

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>Log of per capita spending</th>
<th>Log of per capita taxes</th>
<th>Borrowing cost</th>
<th>Economic growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>First-term eligible (Accountability)</td>
<td>−0.048** (0.012)</td>
<td>−0.065** (0.015)</td>
<td>−0.039** (0.014)</td>
<td>−0.039** (0.018)</td>
</tr>
<tr>
<td>Second-term lame duck (Competence)</td>
<td>−0.041** (0.012)</td>
<td>−0.050** (0.015)</td>
<td>−0.030** (0.015)</td>
<td>−0.029** (0.018)</td>
</tr>
<tr>
<td>Sample includes governors in office at time of two-term limit adoption?</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

| 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

Map showing the congruence between newspaper markets and congressional districts in Missouri.
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

(a) News Coverage

(b) News exposure

(c) Voter information

(d) Appearances

(e) Party loyalty

(f) Federal spending per capita
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
Our analysis begins with the 2000 South Carolina school board elections, the first cycle of elections after PACT scores became available. In this year, 67 incumbents from 37 school boards ran for reelection in competitive races. Of these 67 incumbents, 50 were reelected, and the median vote share for all incumbents was 58%.

Column 1 of Table 2 presents the regression results for incumbent vote shares in 2000. In Panel A, we find that precinct-level test score change is significant at the 10% level, with the expected positive coefficient indicating that incumbents won more votes where test scores showed improvements. The model predicts that a movement from the 25th to the 75th percentile of test score change—that is, moving from a loss of 4 percentile points to a gain of 3.8 percentile points between 1999 and 2000—is associated with an increase of three percentage points in an incumbent's vote share. With average incumbent vote share at 58 percent, these estimates suggest that a major swing in test scores can erode as much as two-fifths of an incumbent's margin of victory. Panel B shows that district-level scores were not significant, suggesting that voters focused on school performance within their immediate neighborhood rather than across the broader district. In models that include both district- and precinct-level scores (not shown), we again find that only precinct-level scores have a significant relationship with vote share.

The remaining results from 2000 are readily interpreted. Levels of test scores are not significant, which is consistent with the prediction from the retrospective voting literature that rational citizens will base their assessment of incumbents on changes during their tenure rather than the absolute level of performance. Finally, to account for the possibility that races are more competitive in higher-spending districts and that voters may evaluate student outcomes relative to spending, we control for changes in millage rates. We find that voters in 2000 rewarded incumbents for increases in spending.

The next two columns of Table 2 present the results for the 2002 and 2004 elections. As is immediately evident, whatever evidence of retrospective voting remained in these years is weak. Levels of test scores are not significant, which is consistent with the prediction from the retrospective voting literature that rational citizens will base their assessment of incumbents on changes during their tenure rather than the absolute level of performance.
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.

We calculate the Hansen's J statistic (Hansen 1982) to examine whether the models are correctly specified. Under the null hypothesis of a correctly specified model, Hansen's J statistic is distributed chi-squared with one degree of freedom. As seen at the bottom of Table 3, in each of the specifications, we fail to reject the null at the 90% significance level, providing additional support for our models.

In addition to our primary independent variable of interest, the regression results shed light on other factors that explain variation in constituency service.

The coefficient on the state senator indicator variable is uniformly positive across the specifications and marginally statistically significant in some of the specifications. Republican legislators have a significantly higher response probability across specifications.

The effects of age and chamber tenure on response rate appear to be quite small. The indicator for whether the legislator is running for reelection is positive, but insignificant in all of the specifications. The distance from Austin variable is estimated to be negative and statistically significant. This evidence is consistent with the story where legislators who represent districts spend more time traveling and less time on legislative work.

In columns 4, 5, and 6 of Table 3, we report results conditioning on the sample of legislators who respond to at least one of the requests. The primary difference between the results in the conditioned sample is that the legislator vote share variable is insignificant in column 4 of Table 3. Once we include the additional legislator covariates, this coefficient estimate is significant at the 95% level.

While these linear probability models are easy to interpret and are preferred by many applied researchers as results, they do not always predict response probabilities in the [0, 1] interval. To account for the binary nature of the dependent variable, we also estimated instrumental variables probit regressions. Comparing the results in Table 2 to Table 4, we see that the point estimates are dramatically attenuated toward 0 in the former. This could explain the absence of robust findings in previous empirical studies on the relationship between constituency service and the electoral environment that failed to account for the endogeneity of a legislator's vote share. In the final three columns, we again condition the analysis on the sample of legislators who respond to at least one request and obtain similar results.

We also estimate probit regressions where the independent variable of interest is the district normal vote, as measured by the average two-party vote share of the legislators' copartisan candidates in the Supreme Court and Railroad Commission elections. As seen in Table 5, the results are qualitatively similar to Figure 4.
**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.
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
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.

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

- 45 degree line
- Largest employment size within district across all SIG's
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.
Figure:
Rep. Fields, Jack M Jr (R-TX) [8]
101st Cong. contributions: quadratic & nonparametric fit.
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
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.
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.

<table>
<thead>
<tr>
<th>Propensity Score (%)</th>
<th>Avg. Boost in Turnout (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-25</td>
<td>2.2</td>
</tr>
<tr>
<td>25-50</td>
<td>3.2</td>
</tr>
<tr>
<td>50-75</td>
<td>4.1</td>
</tr>
<tr>
<td>75-100</td>
<td>3.6</td>
</tr>
</tbody>
</table>
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