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
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
- High 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 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
OUTLINE

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TAKE AWAYs
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.
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 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

Location of largest contributors within district.
106th House

- Largest employment size within district across all SIG's

45 degree line
No Industry Pays The Most Where It Is The Largest Employer

Location of largest contributors within SIG. 106th House

Largest employment size of SIG across all districts

Employment size at which largest contributions are paid

- 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
OUTLINE

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TAKE AWAYS
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:

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

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TAKE AWAYS
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 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

<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>
</tr>
<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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.178</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></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>
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.
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**
OUTLINE

PARTICULARISTIC INTERESTS

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TAKE AWAYS
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

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 reelection. 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</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>(Accountability)</td>
<td></td>
<td></td>
<td>−5.81** (2.18)</td>
<td>−14.04** (3.45)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.66** (0.27)</td>
<td>0.82** (0.33)</td>
</tr>
<tr>
<td>Second-term lame</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>duck (Competence)</td>
<td></td>
<td></td>
<td>−6.75** (2.47)</td>
<td>−14.54** (3.44)</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>
<tr>
<td>Observations</td>
<td>686</td>
<td>622</td>
<td>686</td>
<td>622</td>
</tr>
<tr>
<td>R²</td>
<td>0.98</td>
<td>0.98</td>
<td>0.98</td>
<td>0.98</td>
</tr>
</tbody>
</table>

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.
OUTLINE

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TAKE AWAYS
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 set of decisions made by judges in retention districts therefore constitutes a suitable control group against which to make comparisons of decisions made by judges who serve under the threat of primary and/or general election challenges. Other empirical contexts in which these comparisons might be made are problematic. One could, for example, consider comparing judicial sentencing behavior across states with different selection methods. Even if one could adequately control for the contextual and institutional heterogeneity across states, however, fundamental differences in legal systems would remain difficult to account for. Criminal codes vary enormously in how they categorize crimes, and judges in different states have vastly different discretion in punishing offenders. By confining our analysis to a single state, we can hold constant the legal system under which judges (as well as prosecutors, defense attorneys, and defendants) operate.

Another possibility is to examine the behavior of officials in another state. For example, Missouri has a similarly bifurcated system of selecting judges. However, Missouri adopted nonpartisan selection of circuit court judges only in urban areas (Kansas City and St. Louis) on the heels of charges that urban political machines were exercising undue influence in the selection process (Watson and Downing 1969). The effect of the selection mechanism in Missouri is therefore not separable from numerous other differences between urban and rural counties. Such confounding influences are likely to be minimal in the Kansas setting. Two of the four most urban counties in the state (Wyandotte and Sedgwick) select district judges via partisan races, while the other two (Shawnee and Johnson) employ a retention system. Rural counties are similarly split.

To determine whether the institutional variable is a proxy for other features of judges' environments, we gathered data on the political and demographic characteristics of Kansas' 31 judicial districts. We then compared the characteristics of the partisan competitive and retention districts using t-tests of equality of means and bootstrapped Kolmogorov-Smirnov tests of equality of distributions.
The Results

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

<table>
<thead>
<tr>
<th>Expected Change in . . .</th>
<th>Fact Pattern Matching Only</th>
<th>District, Then Fact-Pattern Matching</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>All Judges</td>
<td>Unchallenged</td>
</tr>
<tr>
<td>Pr(prison)</td>
<td>0.034</td>
<td>0.036</td>
</tr>
<tr>
<td></td>
<td>(5.64)</td>
<td>(5.57)</td>
</tr>
<tr>
<td>Months prison (unconditional)</td>
<td>0.513</td>
<td>0.48</td>
</tr>
<tr>
<td></td>
<td>(3.43)</td>
<td>(2.91)</td>
</tr>
<tr>
<td>Matched treated observations</td>
<td>4,717</td>
<td>3,868</td>
</tr>
</tbody>
</table>
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
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%.

Table 2: Incumbent Vote Shares in School Board Elections

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in total score, previous to current year</td>
<td>.327*</td>
<td>−.270</td>
<td>−.371</td>
</tr>
<tr>
<td></td>
<td>(.191)</td>
<td>(.223)</td>
<td>(.267)</td>
</tr>
<tr>
<td>Total percentile score in current year</td>
<td>−.104</td>
<td>−.063</td>
<td>−5.136</td>
</tr>
<tr>
<td></td>
<td>(.067)</td>
<td>(.101)</td>
<td>(7.918)</td>
</tr>
<tr>
<td>Change in millage rates, previous to current year</td>
<td>.380*</td>
<td>−.050</td>
<td>.254</td>
</tr>
<tr>
<td></td>
<td>(.190)</td>
<td>(.150)</td>
<td>(.317)</td>
</tr>
<tr>
<td>Constant</td>
<td>62.198*</td>
<td>6.632*</td>
<td>62.722*</td>
</tr>
<tr>
<td></td>
<td>(4.968)</td>
<td>(4.150)</td>
<td>(3.261)</td>
</tr>
<tr>
<td>Observations</td>
<td>960</td>
<td>1308</td>
<td>963</td>
</tr>
<tr>
<td>R²</td>
<td>.041</td>
<td>.011</td>
<td>.024</td>
</tr>
</tbody>
</table>

By comparison, in the U.S. House of Representatives, 98% of incumbents who ran for reelection in 2000 won, as did 80% of incumbents who ran for the U.S. Senate.
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.
OUTLINE

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- Information and Accountability

TAKE AWAYS
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