Political Economics III, Spring 2017

Political Selection in Sweden:

Facts, Causes, and Consequences

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Lecture 3, April 19

Research program on Swedish politics

Immediate questions

- who selected as politicians and leaders?
- drivers and consequences of selection?

Broader question

- how well does democracy work?

Common denominator

- high-quality register data for all national and municipal, politicians on a ballot in all parties and elections since 1982
- same data for rest of population

Four papers with different co-authors

"Who becomes a politician?"

- ▶ *Quarterly Journal of Economics* (forthcoming)
- ▶ selection on competence and social background

"The primary effect: Preference votes and political promotion"

- ▶ *American Political Science Review* (2016)
- ▶ selection of local party leaders

"Dynastic political rents"

- ▶ *Economic Journal* (forthcoming)
- ▶ incomes of close relatives to newly selected mayors

"Gender quotas and the crisis of the mediocre man"

- ▶ *American Economic Review* (forthcoming)
- ▶ leader selection of follower competence and representation of women

Who Becomes a Politician?

Ernesto Dal Bo, Fred Finan, Olle Folke,
Torsten Persson och Johanna Rickne

Quarterly Journal of Economics, forthcoming

Selection of politicians key to democracy

Information aggregation and competence (ability)

- ▶ competent more likely achieve given objective

Preference aggregation and representation

- ▶ representative group can better balance different interests
- ▶ also a plus when aggregating information

Can competence and representation be combined?

- ▶ many hypotheses, but empirically under-researched
- ▶ important reason is lack of data

Some influential ideas

On ability and self-selection

- ▶ free riding (Olson 1965), adverse selection (Caselli-Morelli 2004, Key 1947), or both (Messner-Polborn 2004), may imply negative selection
- ▶ but intrinsic motivation may be a remedy (Benabou-Tirole 2003, Besley-Ghatak 2005, Francois 2000)

On selection by electoral systems

- ▶ may shape accountability vs. representation – PR favors latter (Myerson 1993, Persson-Tabellini 2004, Powell 2000, Taagepeera-Shugart 1989)

Empirical hurdles to study political selection

Three data constraints

1. many studies use elected only (e.g., Diermeier, Keane and Merlo 2005) – highly selected sample
2. most studies measure ability by proxies like education (Dal Bo et al. 2009, Ferraz and Finan 2010, Galasso and Nannicini 2011) – may reflect luck, or mix of ability and social class
3. no studies of politicians vs. full population, or other elite groups (Tillmann 2014 a few steps; Chetty et al. 2016 competence and family background of US innovators)

First broad empirical study

All Swedish municipal and parliamentary politicians

- all lists, all parties, all elections since 1982

Detailed measures of ability and social background

- compare to full population and specific elite professions

Main questions and answers

- selection on ability? – yes, and monotonic in power!
- elitism or meritocracy? – meritocracy!
- representative for full population? – yes!
- tradeoff ability-representation? – not really!
- drivers? – self-selection and party screening!

Roadmap

Swedish municipalities

Lowest level of political organization

- 290 units of different size
- legal social-service (day-care, K-12 schools, old-age care) and local-infrastructure provider
- 20 % of the economy (spending, employment, income tax rate)

Mini-parliamentary system

- council elected by PR from local party lists, every four years, 80-90% turnout
- majority coalition appoints council board, dominates committees, and proposes budget
- top politician in largest majority party becomes mayor

Municipal politicians

"Leisure" (part-time) politicians

- only reimbursed for direct costs and meetings – opportunity costs may be powerful disincentive
- council seat may be springboard for national career – 72% of 2010 national parliamentarians had been municipal councilors for same party

Mayor

- often one of two full-time salaried positions (plus vice mayor)
- top percentile of national income distribution, plus yields power over policy and local prestige

Data

Link together information from various sources

- all party candidate ballots, 1982-2010 (Election Authority)
- tax records and censuses – age, gender, education, occupation, earnings, ... – whole population, 1979-2012 (Statistics Sweden, various registers including Swedish Tax Authority)
- family relations (Multigenerational Register)
- individual mental-capacity scores for 18-year old men (Defense Recruitment Agency)

Large data sets

- altogether, about 14 Mill. unique individuals – 150,000 nominated and 53,000 elected politicians

Enlistment scores

Cognitive score

- 1-9 (stanine) scale from IQ-test of innate mental ability

Leadership score (if cognitive score ≥ 5)

- 1-9 scale from evaluation of four (big-five related) traits by trained psychologist – "help create group cohesion"

Earnings score

Gauge earnings power, given observables

- ▶ if full-time paid position in politics, use only prior earnings
- ▶ estimate fully saturated Mincer regression on panel data for whole population, based on Besley, Folke, Persson, and Rickne (forthcoming)
- ▶ compute individual average residual – conditional on cohort, employment sector, years of education, experience, municipality, gender and interactions of all of these – express as z-score
- ▶ validate by political success, and municipal service delivery

Measure different ability dimensions

	Leadership score	Cognitive score	Years of education
Leadership score	1		
Cognitive score	0.338	1	
Years of education	0.300	0.511	1
Earnings Score	0.201	0.167	0.076

Social background

Parental income classification

- income percentile in 1979 of parents to politicians (or other groups) observed in 2011

Parental occupation classification

- social class (EGP scheme) of parents

Roadmap

Strong positive selection – by all measures
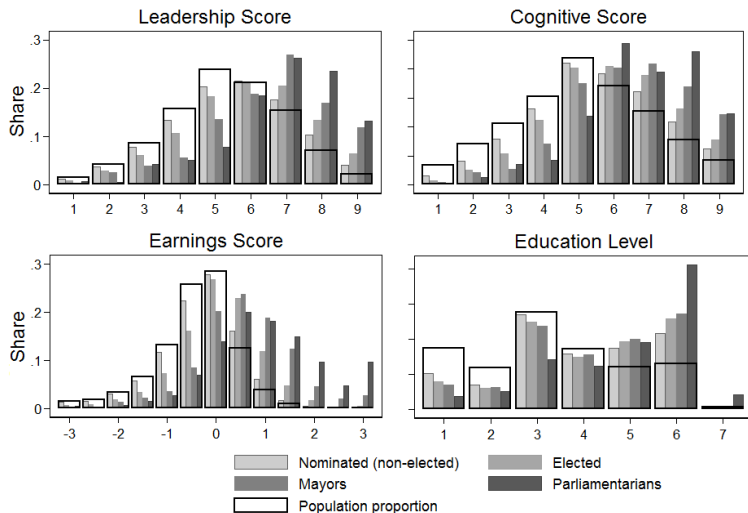
Perspective on ability (in 2011)

	Leadership score	Cognitive score	Earnings score	Years of schooling	Labor earnings	Obs
Nominated to mun. council	5.5	5.5	0.07	13.6	286.2	24535
Municipal councilors	5.8	5.9	0.38	13.8	379.0	8870
Mayors	6.4	6.2	0.79	13.9	679.4	247
Parliamentarians	6.6	6.4	0.98	14.8	802.2	320(*)
CEOs $(10 - 24$ employees$)$	6.1	5.8	0.81	13.6	675.6	6825
CEOs $(25 - 249$ employees$)$	6.4	6.2	1.12	14.2	1046.2	6885
CEOs $(\geq 250$ employees$)$	6.8	6.7	1.29	15.4	1926.0	1470
Medical Doctors	6.5	7.4	1.13	17.1	640.0	29514
Lawyers and Judges	6.5	6.8	0.69	17.0	568.0	5308
Economists	5.9	7.0	0.38	20.4	530	248
Political Scientists	5.8	6.8	0.61	20.4	513.3	306

Roadmap

Selection meritocratic, or byproduct of elitism?

Given family background, do individual traits matter?

- check politicians vs. their own siblings

Does socioeconomic background drive selection?

- check background of parents to politicians

Politicians and their siblings
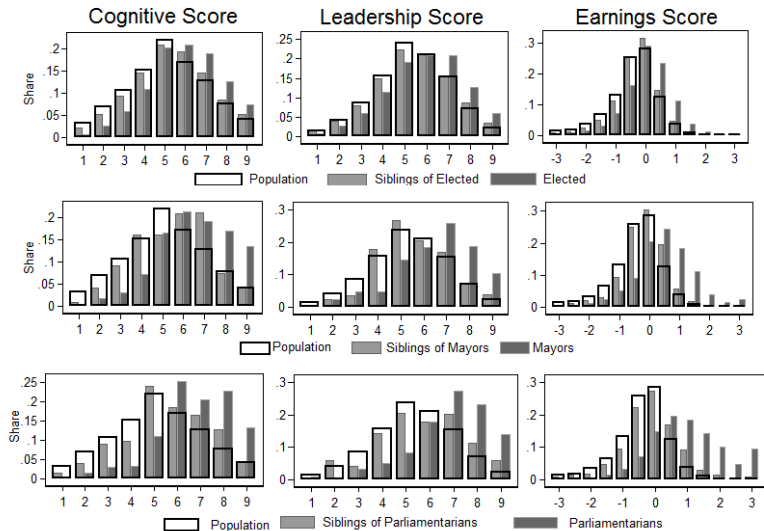
Representativeness of parents
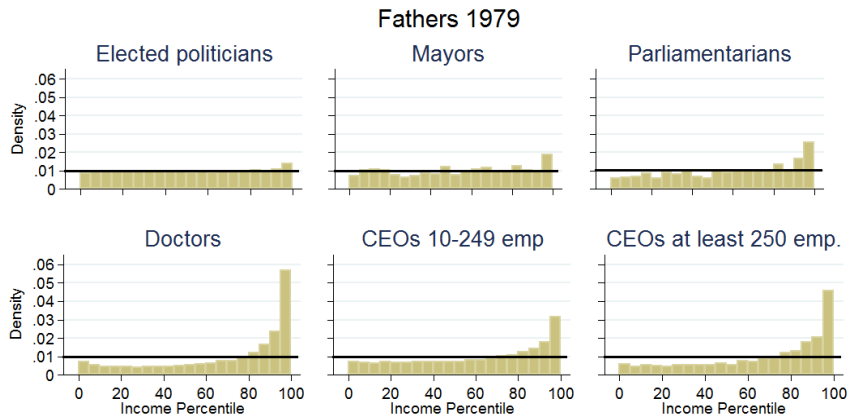
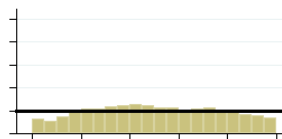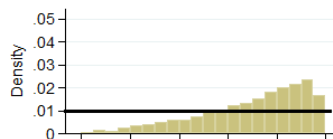Fathers 1979

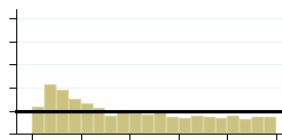► similar results for measures of social class
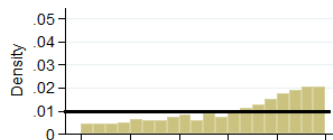
Disaggregate by party
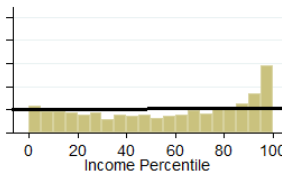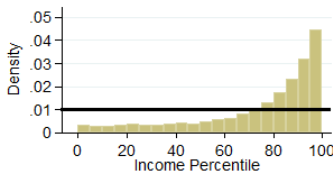
Roadmap

Study different municipalities

Ability and representation of politicians vs municipality population

- ▶ quite wide spread in both measures
- ▶ does more representation of lower social groups imply lower ability?

Qualitatively, but not quantitatively
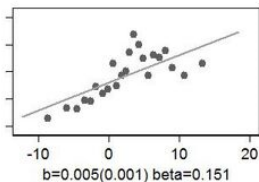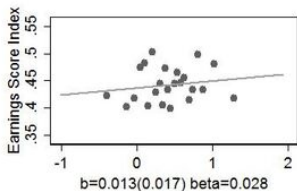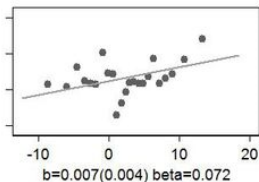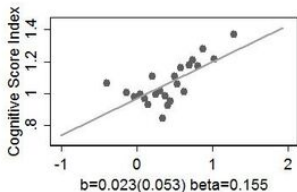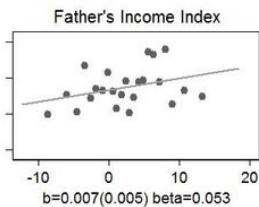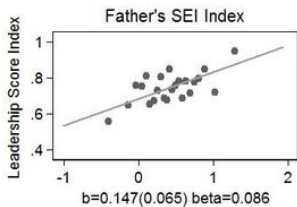
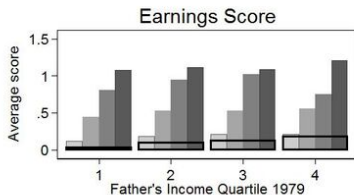# Why is tradeoff so flat?
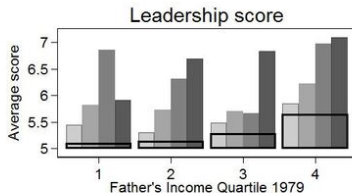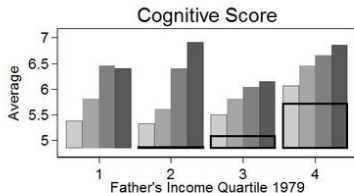
- better (relative) selection for worse family background

Roadmap

Mechanisms behind selection?

Supply: who self-selects into politics?

- material as well as prosocial motives

Demand: how do parties screen them?

- promotion by ability helps positive selection

Drivers of supply – self-selection

Simple Roy model: risk-neutral citizens may offer political service

- joint distribution over ability y, and pro-social motive p
- each citizen has two-period horizon

Outside politics

- earn y in period 1 and expect γy in period 2, where $\gamma \geq 1$
  occupation-specific age-earnings profile

Inside politics

- elected to council with probability $q(y)$, intrinsic benefit $\frac{p}{2}$ per period
- must give up some private career: earn y in period 1, but only $(1-\delta)\gamma y$ in period 2
- elected becomes mayor in period 2: *party-municipality-specific* probability π to earn *municipality-specific* political wage w

Cost-benefit calculus and comparative statics

Self-select into politics if

$$(1 + \gamma)y \leq (1 - q(y))(1 + \gamma)y$$

$$+q(y)((1 + (1 - \pi))(1 - \delta)\gamma)y + \pi w) + q(y)p$$

$$\Rightarrow p \geq p^* = \delta\gamma y - \pi(w - (1 - \delta)\gamma y)$$

- pro-social benefit (LHS) must outweigh expected material cost (RHS)

Comparative statics suggest correlations to study

Prediction *if (p, y) drawn from joint distribution, higher w, π, and lower γ, raise ability of those self-selecting into politics – with positive party screening, this also applies in equilibrium*

Municipality-specific mayoral wages
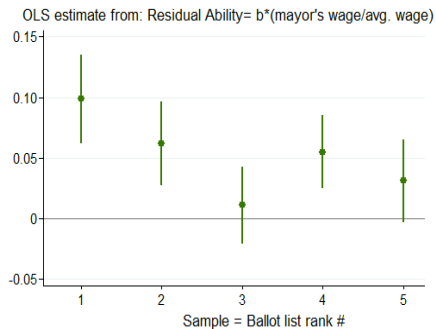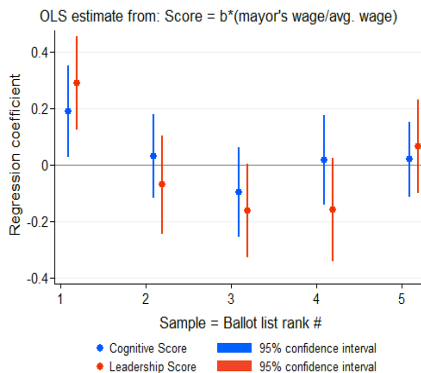
- ▶ higher-ability candidates at top of party lists when wages higher w, as in model

Occupation-specific age-earnings growth
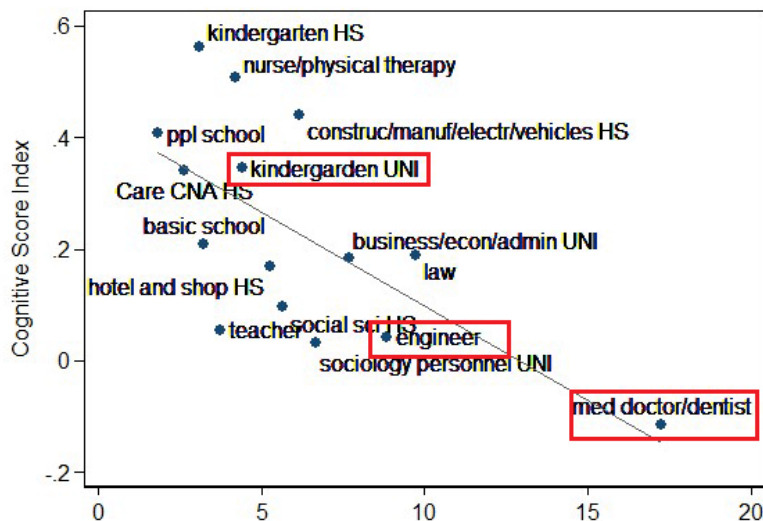
▶ worse selection at higher earnings growth γ, as in model

Party-specific promotion probabilities

| | Probability that the politician's party appoints the mayor | | | | | | | |
| | 0% | | 1-50% | | 51-99% | | 100% | |
	Elected	Top	Elected	Top	Elected	Top	Elected	Top
Leadership Score	0.75	0.95	0.94	1.25	0.79	1.11	0.65	1.52
Cognitive Score	1.29	1.42	1.15	1.37	1.03	1.41	0.90	1.92
Earnings Score	0.35	0.51	0.51	0.79	0.58	0.88	0.60	1.13
Observations*	5,394		1,584		1,032		456	

- ▶ better selection as mayorship more likely π, as in model
- ▶ but ability high also in other parties – p must be high enough

Parties screen by ability
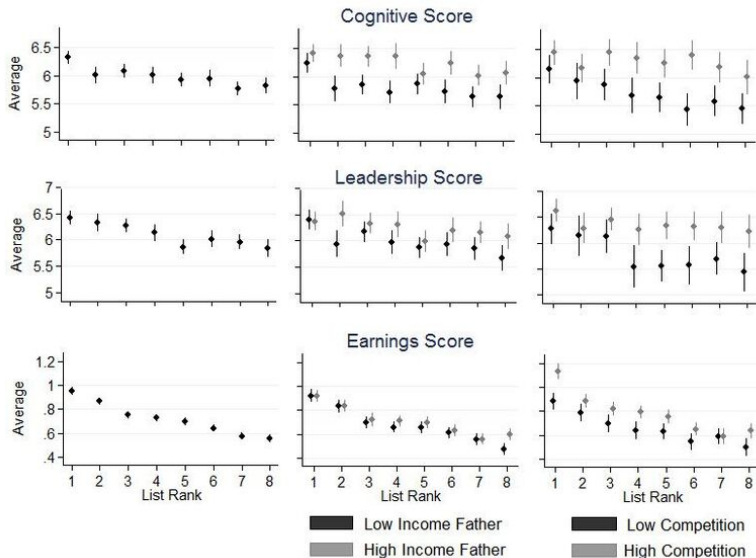
Final remarks

Swedish politicians

- positively selected by different ability measures, more so at higher political power
- representative for all socioeconomic groups
- even social representation not very costly in terms of lower ability – "inclusive meritocracy"

Deepen the analysis

- more about mechanisms
- effect of competence and representativeness on policy

Compare to other countries

- similar and different political systems
- but data an important constraint

The Primary Effect:
Preference Votes and Political Promotions

Olle Folke, Torsten Persson, and Johanna Rickne

Lessons so far

Selection appears to work is some dimensions

- able people from diverse social backgrounds
- competence increases in political power
- party screening plays an important role

One of many remaining questions

- do parties select leaders who are popular with voters?
- broadly, what this paper is about

Elections and accountability

Two functions of elections

- ▶ to select representatives, and hold them accountable

Political competition can make election outcomes more efficient

- ▶ competition not only between parties, but within parties
- ▶ e.g., primary elections raise within-party competition and accountability in plurality systems

Common idea: PR good for representation but bad for accountability

- ▶ half of all democracies have some form of such system
- ▶ little research on within-party competition and accountability in PR
- ▶ especially true for closed-list, rather than open-list, PR

Preference voting

Electoral reform to raise accountability in closed-list PR

- ▶ voters can express preference for specific candidates on a given ballot: enough support move to top of list
- ▶ at least ten countries have pursued such reform

Commonly seen as failure – by researchers and reformers

- ▶ evaluations have focused on representation
- ▶ few "new" politicians elected: votes concentrated to top of ballot
- ▶ "closed lists in disguise" (e.g., Farrell, 2001, Müller, 2005)

This paper

Proposes and confirms new hypothesis

- ▶ preference vote may have a *primary effect*: may work like stand-in primary election for position as party leader
- ▶ test via within-party distributions of municipal-elections preference votes

No formal modeling

- ▶ hard nut to crack: strategic voting with downstream effects (Piketty, 2000, Razin, 2003, Meirowitz and Shotts, 2009) interacts with strategic decisions by parties in electoral competition

Why primary-effect hypothesis interesting?

- ▶ in PR systems, party leaders key – draw votes (Bittner, 2011), help determine policy (Wilson, 1994), and form coalitions (Laver and Schofield, 1990)

Roadmap

1. **Background and predictions**
2. Empirical strategy and results
3. Final remarks

Preference voting in Sweden

Debated since 1909, when plurality rule abandoned

- reform introduced only in 1998
- *one* preference vote per person – cf illustration
- "catapulted" to top of list if pass threshold of 50 votes *and* 5% of party's votes – about 20% of elected politicians clear it

Party ballot with preference vote boxes

VAL TILL KOMMUNFULLMÄKTIGE

Moderata Samlingspartiet

Du får bara markera en av dessa **anmälda** kandidater.

- ☐ 1 Hans Jonsson, Lantbrukare, Ringarum
- ☐ 2 Anna Nilsson, Leg. Sjuksköterska, Fil.mag., Gryt
- ☐ 3 Karin Magnusson, Fritidspedagog, Valdemarsvik
- ☐ 4 Monica Stillnert, Fru, Ringarum
- ☐ 5 Hans Andersson, Key Account Manager, Valdemarsvik
- ☐ 6 Per Hollertz, Lantbrukare, Redovisningskonsult, Ringarum
- ☐ 7 Anita Esbjörnsson, Revisor, Valdemarsvik
- ☐ 8 Charlotta Hollertz, Agronom, Mäklarassistent, Ringarum
- ☐ 9 Jan Ekroth, Företagare, Östra Ed
- ☐ 10 Göran Österdahl, Projektledare, Ringarum
- ☐ 11 Lennart Andersson, Yrkesofficer, Valdemarsvik
- ☐ 12 Tord Andersson, Egen företagare, Valdemarsvik
- ☐ 13 Lars Ekblad, Konsult, Valdemarsvik
- ☐ 14 Torbjörn Stackling, Företagsekonom, Gryt
- ☐ 15 Rolf Swärd, F.d. officer, Gryt
- ☐ 16 Joel M. Hodt, Organisationskonsult, Valdemarsvik
- ☐ 17 Per Gunnarsson, Lantbrukare, Östra Ed

Valdemarsviks Kommun
0001—01416

System commonly viewed as failure

Wasted votes

- ▶ preference votes concentrated on top-ranked candidates, more so in small local parties – cf Figure 1
- ▶ only 5 % who clear threshold need it to get elected

Low participation

- ▶ on average, only 30% of voters cast preference vote: similar to other voters, bar greater political knowledge and stronger party identification
- ▶ most common response (about 50%) for abstention: don't know enough about candidates
- ▶ municipality-election distribution is skewed, top (bottom) outliers are rural (urban) – cf Figure 2

Preference votes by list rank
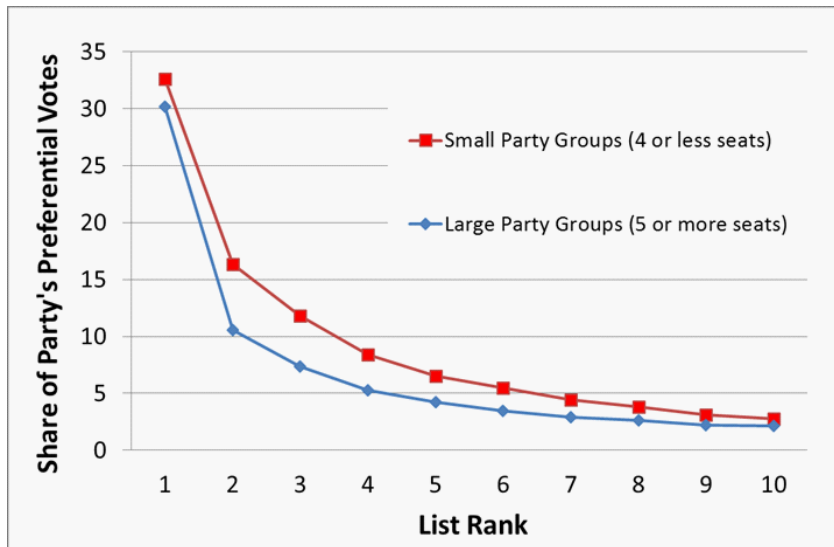
Distribution of preference vote by council-election
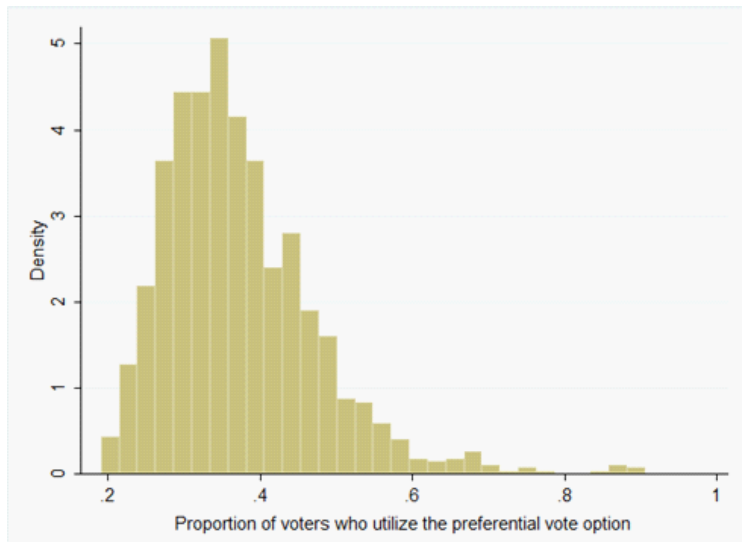
Anecdotally, preference votes do matter

Municipal elections low-information environments

- ▶ for voters and parties – rare opinion polls for party, not individual, popularity
- ▶ leading Social Democrat: "we would be stupid to ignore such information about individual candidates"

Media often report on preference voting

- ▶ who got many preference votes and how they fare in the party

Successful local politicians often get many preference votes

S. Henriksson (v), Fagersta

- ▶ illustrates prospective simultaneity problem

Prediction 1

Preference vote direct information on candidate popularity

- ▶ can use this in appointments, e.g., to local party leader or mayor
- ▶ "winning" the preference vote may be focal
- ▶ parallel to winning primary elections in plurality system
- ▶ test three predictions

P1 – The Primary Effect

Individuals who obtain most preference votes have greater probability of future political promotion

Prediction 2

Nominations may be limited to viable candidates

- analogy with primaries: restrictions on participation common – parties limit voter choices to "vetted" candidates to secure party cohesion
- parties in PR systems may restrict leader appointments to those already approved by local party elite

Tradeoffs in promotions

- if popularity not only criterion, popularity information most valuable for similar candidates
- competence important additional criterion

P2 – The Influence of Individual Characteristics
The primary effect is stronger for candidates
(a) *in top portion on the list*
(b) *with similar competence*

Prediction 3

Electoral competition

- parties behave more efficiently when neck-to-neck with other parties
- stiffer competition fosters larger response to preference votes that reveal candidate popularity

Majority vs minority

- analog with primaries: more transparent nomination to combat party divisions more valuable for majority parties that control important appointments than for minority parties

P3 – The Influence of Political Context
The primary effect is stronger for parties
(a) *facing strong external competition*
(b) *in political majority*

Roadmap

1. Background and predictions
2. **Empirical strategy and results**
3. Final remarks

Empirical Strategy

Main goal

- ▶ estimate effect on leadership selection of obtaining the most preference votes in a party group
- ▶ but looming simultaneity problems
- ▶ reverse causation: party rank affects list votes
- ▶ omitted variables: many variables – like unobserved ambition or ability – could affect both preference votes and party ranking

Regression Discontinuity Design

Essentially random who wins most preference votes when top-two candidates are neck to neck

- ▶ can treat as a lottery

If no systematic difference between winners and losers

- ▶ can estimate a causal effect
- ▶ specification includes both winner and first runner up from each party

Forcing variable

- ▶ in each election t, for each party, in each municipality, measure win/loss margin between top-two candidates
- ▶ divide by their total vote to get relative win margin

Outcome variables and sample restrictions

Local party leader in $t+1$

- ▶ proxy by top name on party's list
- ▶ validate for 2006 and 2010 elections: mayor (chair of council board) at t top-ranked in $t+1$ in 9/10 cases, vice mayor top ranked in 8/10 cases
- ▶ also use these powerful (full-time paid) positions as alternative outcome

Sample restrictions

- ▶ win/loss margin less than 50%
- ▶ third-ranked candidate far from threshold
- ▶ at least three elected representatives
- ▶ both top-two ranked in preference vote have "safe seats"

Results for main prediction **P1**

Graphical analysis

- ▶ standard RDD graphs – cf Figure 3
- ▶ bin averages of 50 observations (left)
- ▶ bin 1-percent intervals of forcing variable (right)

Size of estimate

- ▶ winning preference vote raises chance of promotion to party leader by 15-20 percentage points – about 60%

Primary effect of list victory

Dependent variable: 1st on party list at $t+1$
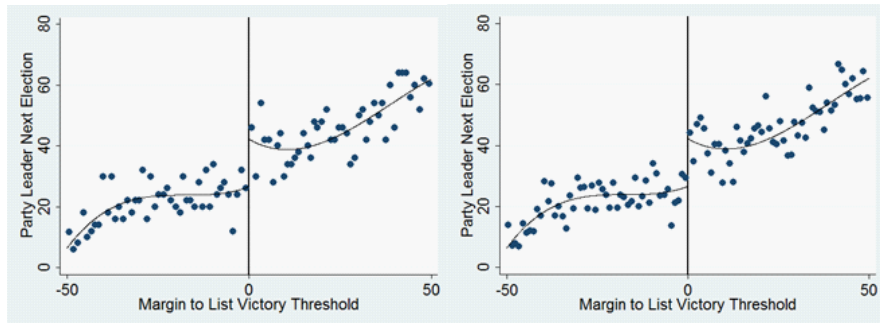
Regression analysis

Four different specifications – cf Table 1 (only boldface here)

- **OLS**
- **2nd** and 3rd **order polynomial** control function
- close local linear control functions (**Imbens Kalyanaraman optimal** bandwidth, 20%, **10%**, and 5%)
- narrow estimation windows (10%, **5%**, and 2.5%)

Other robustness checks

- with and without a host of relevant control variables – cf Table 1
- graphic illustration of estimates with different bandwidths – narrow elections, and linear control functions – cf Figure 4

Win in t boosts chance of party leadership in $t{+}1$

Without Controls	OLS	quadratic polynomial	Linear I-K optimal	Linear 10% window	5% Window
Treatment Effect	24.74***	15.94***	11.97**	19.55***	19.90***
	(1.64)	(5.10)	(5.37)	(8.00)	(5.52)
Observations	4,486	4,486	1,988	898	406
With Controls					
Treatment Effect	11.79***	14.14**	9.87**	17.40**	18.81***
	(1.79)	(4.90)	(5.01)	(7.77)	(5.44)
Observations	4,485	4,485	1,980	890	402

Estimates of primary effect by bandwidth
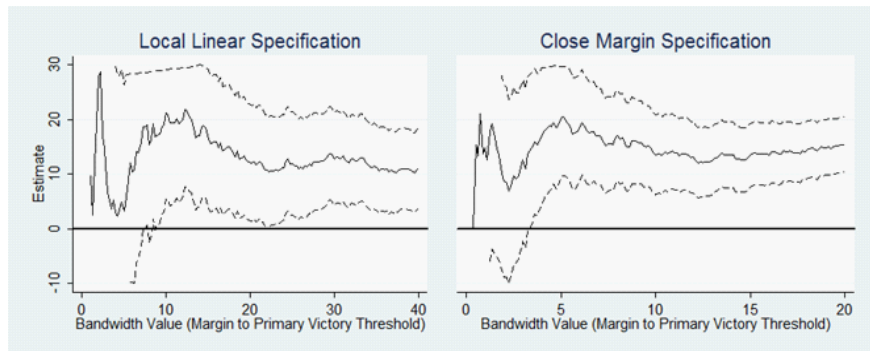
Appointments to mayor positions

Examine appointments to position that matters the most

- ▶ mayor and vice mayor
- ▶ typically the only full-time politicians
- ▶ appointments right after election at t

Examine effect graphically (and econometrically)

- ▶ smaller sample, so only 10 observations per bin
- ▶ probability of appointment doubles for winners of the preference vote – cf Figure 6 (and Table 2)

Primary effect on top positions

Dependent variable: Position of power at t
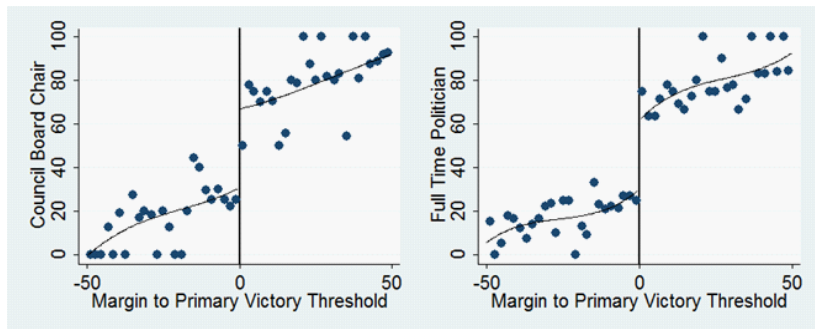
Validation tests of RDD

Different density on two sides of threshold?

- ▶ no – cf Figure A3

Placebo tests on pre-determined outcomes

- ▶ are (predetermined) current party leader, current list rank, years of education, and gender balanced around threshold
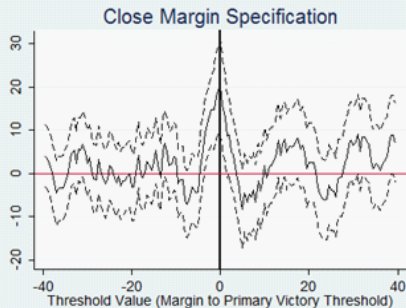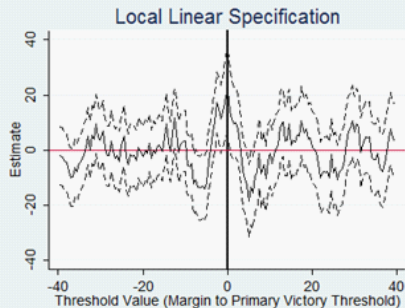- ▶ precisely estimated zeroes (Figure A4 and Table A1)

Test for placebo thresholds

- ▶ only significant effect at the true threshold – cf Figure A5

McCrary test rejects bunching across threshold
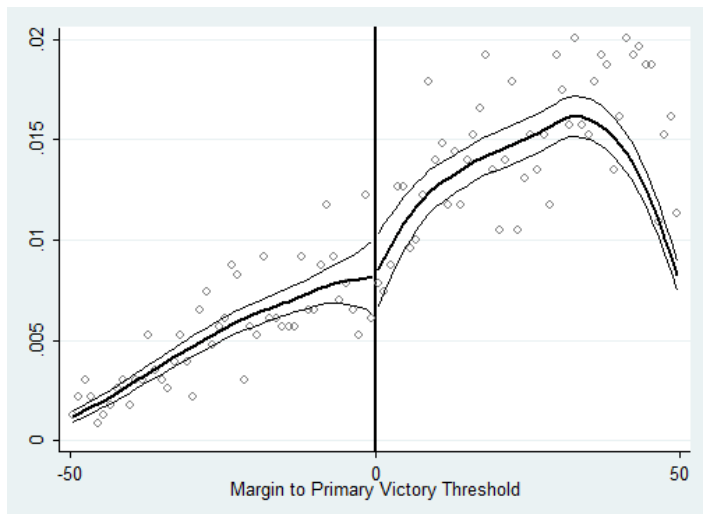
Significant effect only at true threshold

Results for **P2** and **P3**

Recall auxiliary predictions

- ▶ heterogenous primary effect by personal characteristics: stronger for candidates on top of list, and of similar competence?

- ▶ heterogenous primary effect by political context: stronger for parties in stiff political competition and majority parties?

Measure trust of party elite by list position

- estimate primary effect separately for different candidate ranks
- find positive significant effect only for top-three candidates on list (Figure A7 and Table A3)
- RDD estimates for top-three vs lower ranks – cf graphical analysis in Figure 6 (regression estimates in Table 3)

Primary effect by list rank
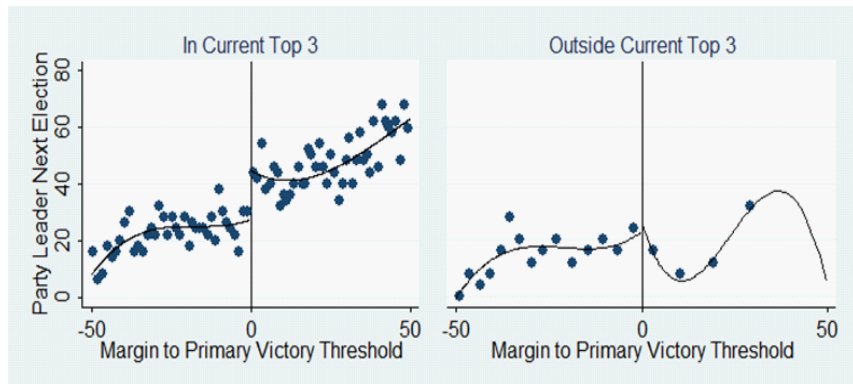
How measure competence?

- ▶ use Earnings score defined earlier

Compare close races of different kinds

- ▶ RDD estimates when top-two both competent (above median), both mediocre (below median), of mixed competence
- ▶ largest effects when both candidates have same competence – cf Figure 7 (regression estimates in Table 4)

Primary effect largest when competence equal
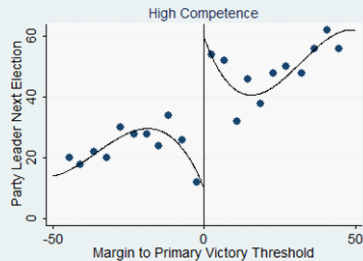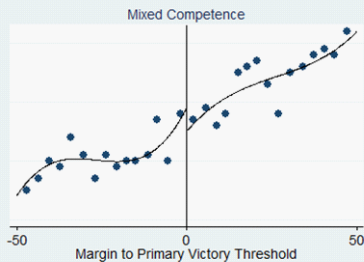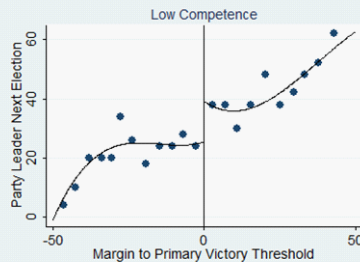
Heterogeneity by political context – **P3**

Measure external political competition

- ▶ Swedish politics follows block politics, despite many parties
- ▶ classify competition by vote differences in past election (above or below median)

Measure majority

- ▶ classify as majority or minority, depending on whether party belongs to municipality's governing coalition or not
  RDD estimates
- ▶ primary effect strongest for majority parties and stiff political competition – cf Figure 8 (regression estimates in Table 5)

Primary effect by political context
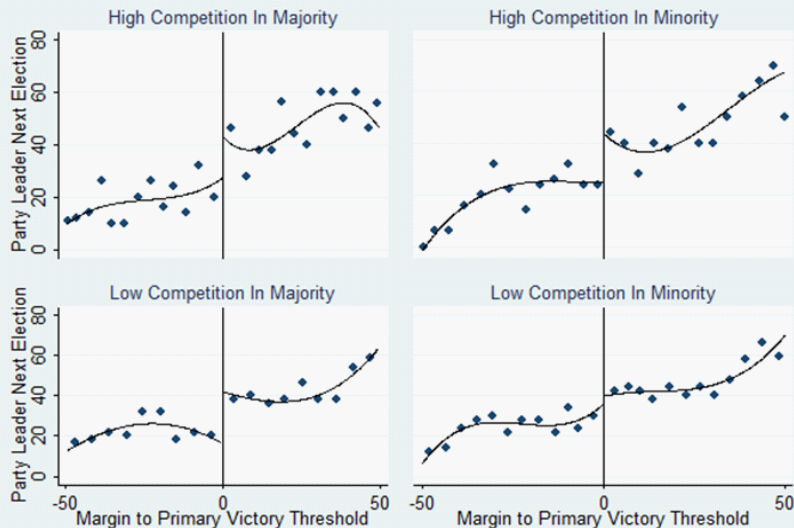
Brief discussion – Brazil

Open lists – no ordered ballots – in local council elections

- ▶ data from all parties in 2000-2012 elections to 5000 councils
- ▶ preference votes concentrated to few candidates, even though parties do not rank candidates
- ▶ most powerful municipality politician is directly elected mayor – local politics "presidential" rather than "parliamentary"
- ▶ each party can field candidate in mayoral election

Paper tests and finds another "primary effect"

- ▶ of winning party-specific open-list council vote on being candidate in the next mayor election
- ▶ effect on the order of 60-80% – same magnitude as in Sweden

Primary effect in Brazil
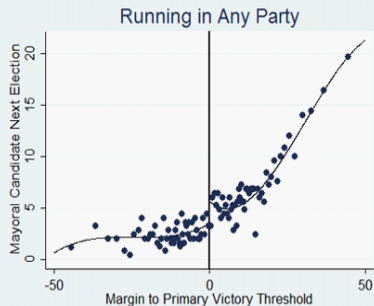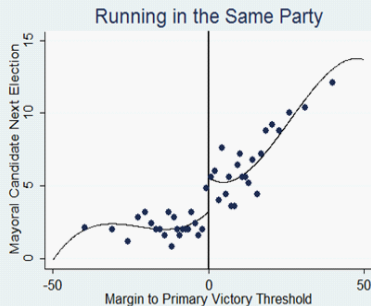
Roadmap

1. Background and predictions
2. Empirical strategy and results
3. **Final remarks**

Findings

Discover a new phenomenon – the primary effect

- ▶ causal – and large – effect of winning the most preference vote on chance of promotion to local party leader
- ▶ magnitude similar in Sweden's semi-open list system and Brazil's open-list system
- ▶ primary effect, and its heterogeneity in Sweden, suggests that preference voting works as internal-party primary

Earlier critique misses the target

- ▶ previous research had too narrow focus
- ▶ reform affects leadership promotion rather than representation
- ▶ has intended effect to raise within-party competition, but in unintended way

Future work

Theory

- ▶ better understand voting with downstream effects – as in theory of strategic voting (Piketty, 2000, Razin, 2003, Meirowitz and Shotts, 2009)

Empirics

- ▶ external validity – primary effect also in other countries?
- ▶ do party leaders appointed via primary effect select different – better or worse – policies than other leaders?
- ▶ answer needed before jumping to normative conclusions
- ▶ current design can perhaps serve as a "first stage"