

Political Economics III, Spring 2018

Political Selection in Sweden

Facts, Causes, and Consequences

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Lecture 1, May 3

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

Different papers with different co-authors

"Who becomes a politician?"

- ▶ *Quarterly Journal of Economics*, 2017
- ▶ selection on competence and social background

"Economic winners and political losers: Sweden's radical right

- ▶ Mimeo, 2018
- ▶ who become politicians in populist parties

Different papers with different co-authors (cont.)

"The primary effect: Preference votes and political promotion"

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

"Dynastic political rents"

- ▶ *Economic Journal*, 2017
- ▶ incomes of close relatives to newly selected leaders

"Gender quotas and the crisis of the mediocre man"

- ▶ *American Economic Review*, 2017
- ▶ 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, 2017

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

1. **Background and data**
2. Selection on ability?
3. Meritocracy or elitism?
4. Tradeoff ability–representation?
5. Drivers?

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

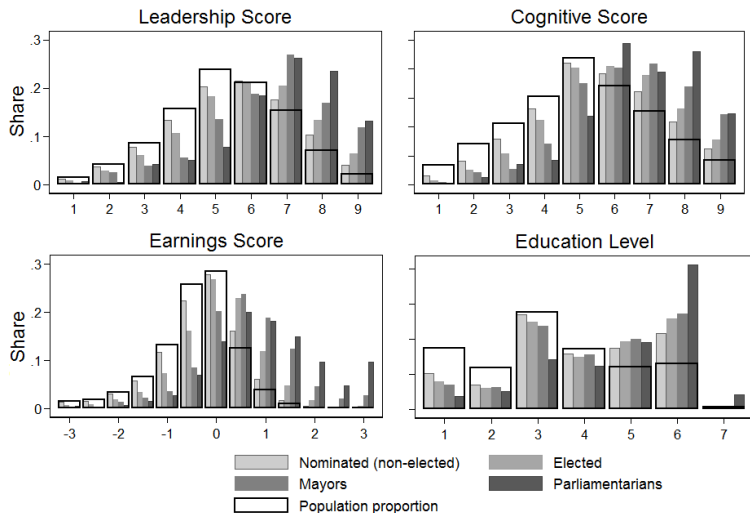
Parental occupation classification

- ▶ social class (EGP scheme) of parents

Roadmap

1. Background and data
2. **Selection on ability?**
3. Meritocracy or elitism?
4. Tradeoff ability–representation?
5. Drivers?

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

1. Background and data
2. Selection on ability?
3. **Meritocracy or elitism?**
4. Tradeoff ability–representation?
5. Drivers?

Selection meritocratic, or byproduct of elitism?

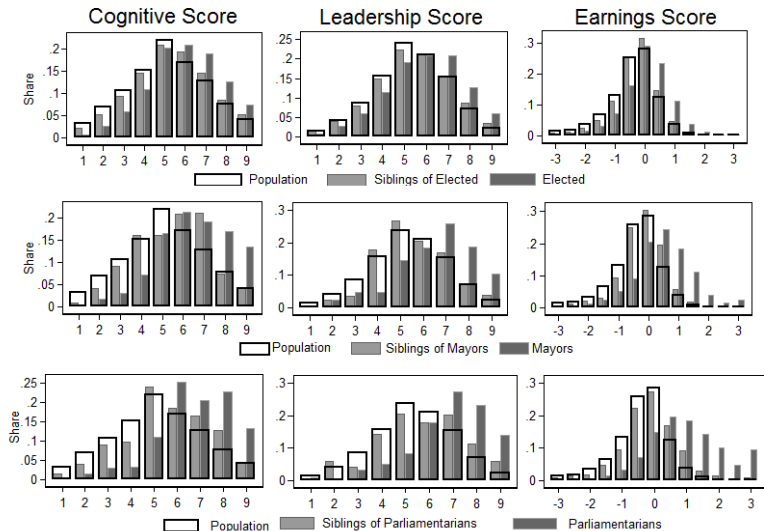
Given family background, do individual traits matter?

- ▶ check politicians vs. their own siblings

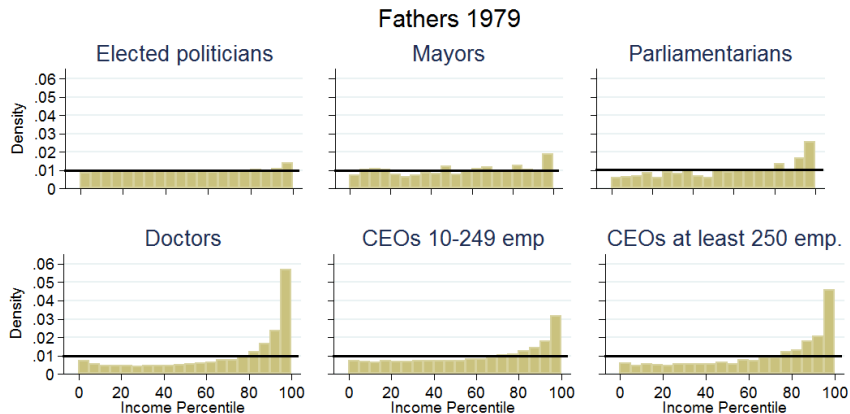
Does socioeconomic background drive selection?

- ▶ check background of parents to politicians

Politicians and their siblings



Representativeness of parents



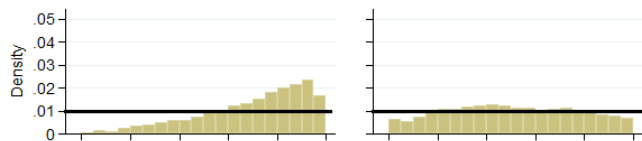
- ▶ similar results for measures of social class

Disaggregate by party

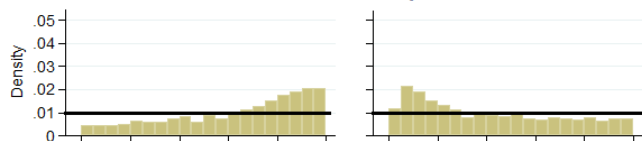
Elected Politicians

Elected Politicians' Fathers, 1979

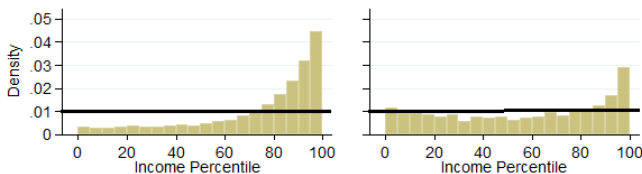
Social Democrats



Center Party



Conservatives



Roadmap

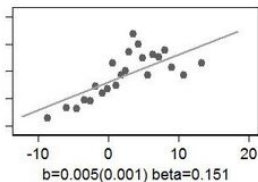
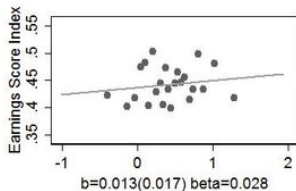
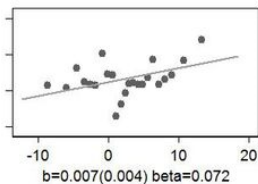
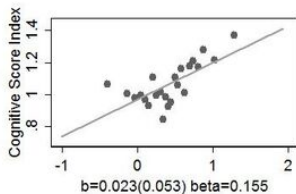
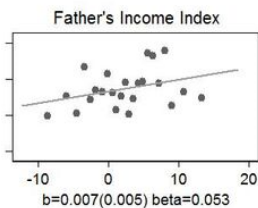
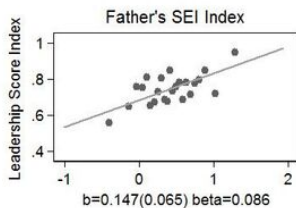
1. Background and data
2. Selection on ability?
3. Meritocracy or elitism?
4. **Tradeoff ability– representation?**
5. Drivers?

Study different municipalities

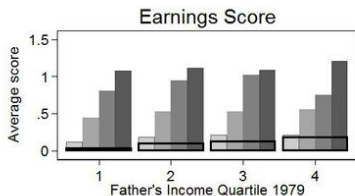
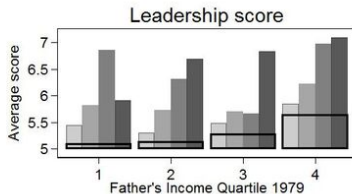
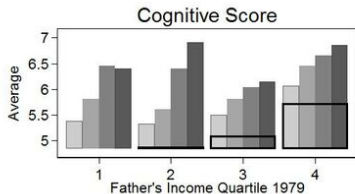
Ability and representation of politicians vs municipality population

- ▶ 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

1. Background and data
2. Selection on ability?
3. Meritocracy or elitism?
4. Tradeoff ability–representation?
5. **Drivers?**

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

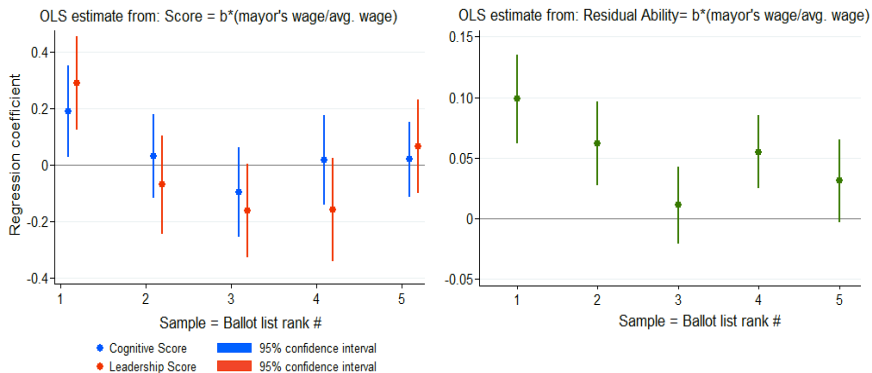
$$\begin{aligned}(1 + \gamma)y &\leq (1 - q(y))(1 + \gamma)y \\ &+ q(y)((1 + (1 - \pi))(1 - \delta)\gamma)y + \pi w) + q(y)p \\ \Rightarrow p &\geq p^* = \delta\gamma y - \pi(w - (1 - \delta)\gamma y)\end{aligned}$$

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

Comparative statics suggest correlations to study

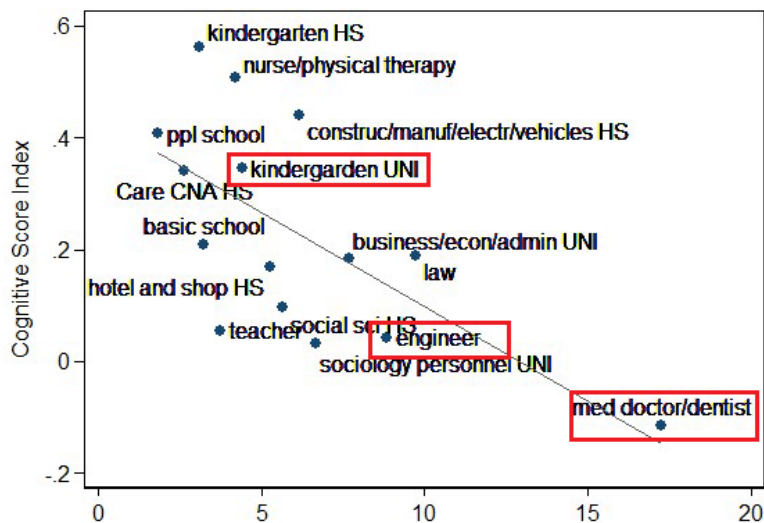
Prediction *if (p, y) drawn from joint distribution, higher w , π , and lower γ , raise ability of those self-selecting into politics – with positive party screening, this also applies in equilibrium*

Municipality-specific mayoral wages



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

Occupation-specific age-earnings growth



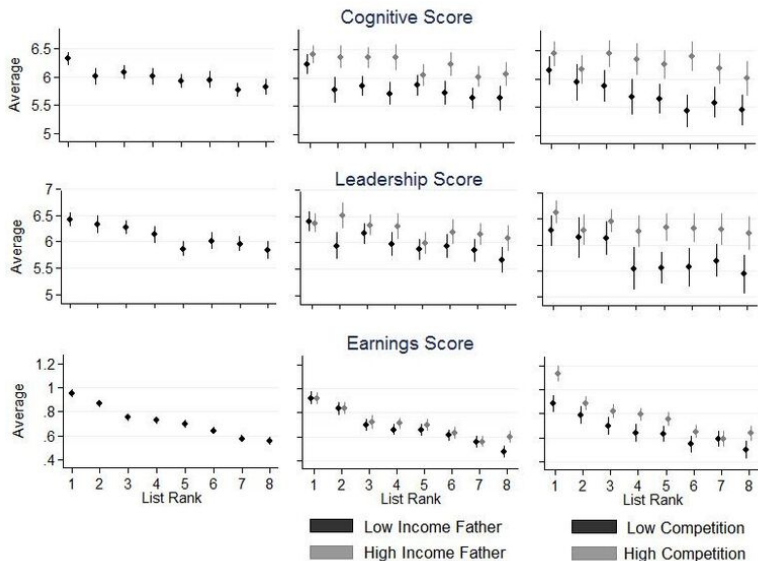
- ▶ worse selection at higher earnings growth γ , as in model

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

Economic Losers and Political Winners: Sweden' sRadical Right

Ernesto Dal Bo, Frederico Finan, Olle Folke
Torsten Persson, and Johanna Rickne

Mimeo, 2018

Rise of the Radical Right

One of the most salient political trends in recent decades

- ▶ across countries and electoral systems
- ▶ numerous in Europe, in government in Austria, Finland, Hungary, Poland, US, resurgence in Australia, Israel, Japan

Political programs

- ▶ typically nationalistic, glorifying past times – expressed in anti-immigration xenophobia and anti-establishment populism
- ▶ stress traditional family values, law and order, natural hierarchies
- ▶ often hostile to core values of liberal democracy

We study the drivers and consequences of RRP rise

This Paper: Drivers

What are the driving forces behind the RRP rise?

- ▶ offer a case study of Sweden's RRP, the Sweden Democrats
 - ▶ uncover two macro trends fuelling the rise of this party
1. "Make work pay" reforms 2006-2011 open up income gap between "outsiders" – loosely connected to labor market – relative to "insiders"
 2. Financial crises creates economic insecurity among "vulnerable" insiders – more routine jobs – larger job-loss risk than "secure" insiders
- ▶ strong correlations with voting patterns
 - ▶ indicates that increase in existential insecurity triggers mobilization

This Paper: Consequences

Study how political systems handle demands for change

- ▶ entry of parties and politicians from a micro-perspective
- ▶ find that SD politicians over-represent both losing groups;
- ▶ look like citizen candidates of their voters rather than established politicians

Impacts on the democratic system

- ▶ new party gives disgruntled voters representation
- ▶ more inclusionary political class, but trade-off with expertise, social trust etc.
- ▶ arguably, RRP representation indicates corrective to democracy, party ideology and representative characteristics may signal a threat

Road map

1. **Background: SD and economic losers**
2. Demand side (voters)
3. Supply side (politicians)

Sweden Democrats

Party founded 1988

- ▶ clear extreme-right roots
- ▶ ideology moderated to ethno-nationalist (Widfeldt 2008): nationalism \Rightarrow social conservatism, biological racism \Rightarrow cultural chauvinism
- ▶ radical-right party (Rydgren 2007, Rydgren 2017), in populist camp (van Kessel 2015)

Program

- ▶ nationalist frame: return to "people's homestead" (1920s Social Democratic construct)
- ▶ blame scarce public resources and employment threats on (non-white) immigration
- ▶ often vote center-right, sometimes left

Who votes Sweden Democrat?

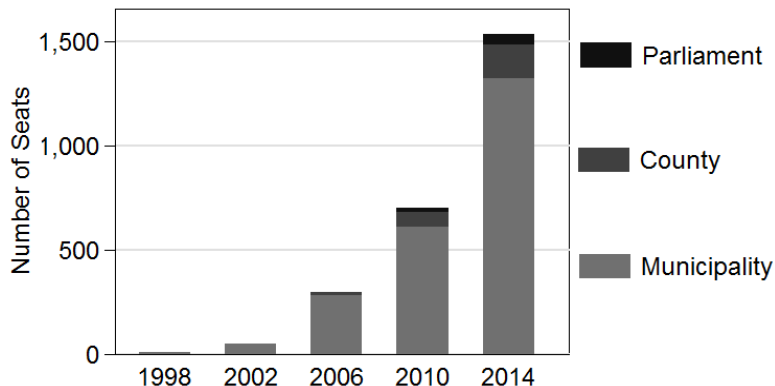
Existing research on SD-voters

- ▶ surveys: have lower education (Sannerstedt 2014), more often working-class (Oskarsson and Demker 2015)
- ▶ register data: have higher job-loss risk (Dehdari 2017)

Inglehart and Norris (2016, 2017) on populist voters

- ▶ international surveys: *latent* radical-right voters who think modernization went too far, turn *actual* voters when face large economic insecurity
- ▶ shed light on this idea, in register data for voters (and politicians)

Number of elected Sweden Democrats



- ▶ third largest party in 2014, but excluded from ruling national and local coalitions

Center-right "make work pay" reforms (2006-2014)

Income tax cuts – EITC

- ▶ five steps for labor income 2007-2011
- ▶ 10% increase of monthly median 2017 income
- ▶ compensating tax cuts for retirees, about 50% of EITC

Social insurance austerity

- ▶ fixed ceiling for unemployment benefits (from 2002), lower benefits and stricter rules in 2007: 8% drop out
- ▶ nominally constant sickness benefits (since 1990s), stricter limits in 2008
- ▶ lower early-retirement benefits

Intentional reduction of relative income from non-work (Edin et al. 2014, ISF 2014, MoF 2017)

Labor-market outsiders vs. insiders

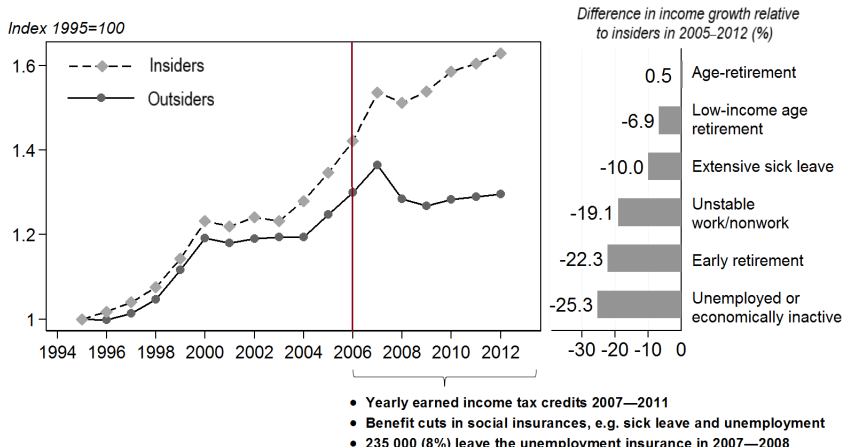
Losers from reforms by labor-market status

- ▶ define insiders and outsiders by SELMA "Social Exclusion and Labour Market Attachment" (Kindlund and Biterman 2002, Bäckman and Franzén 2007)

How measure at individual level?

- ▶ yearly register data for all 18+ individuals 1993-2012
- ▶ labor income, sickness benefit, unemployment benefit, early-retirement benefit, military-enlistment compensation, student allowance, and age-related pension
- ▶ insider: labor income $>$ 3.5 base amounts (SEK 156 800), each of last three years – or, above basic pension
- ▶ outsider: otherwise

Aggregate disposable income loss



- ▶ relative outsider income loss: 20% in 2005-2012
- ▶ national outsider share constant around 0.4

Vulnerable vs. secure insiders

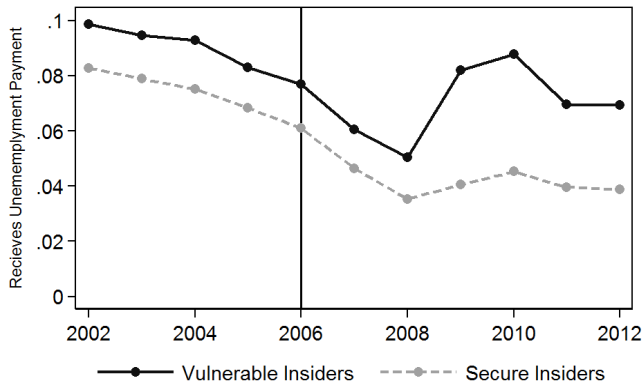
Losers from job-loss risk by occupation

- ▶ occupations with many routine tasks, vulnerable to technical change and foreign trade (Autor 2010, Autor et al 2013)

How measure at individual level?

- ▶ register data + 2-digit occupation indices, Goos et al (2014)
- ▶ Routine Task Intensity (RTI), based on ISCO codes – evaluate occupational tasks
- ▶ vulnerable insider: insider status and occupation with above median RTI
- ▶ secure insider: insider status and low RTI

Aggregate risk of job loss



- ▶ restrict sample to insiders in 2006
- ▶ vulnerable insiders face higher average job loss, especially after financial crisis
- ▶ SD voters think crisis is more severe and persistent (Uba 2018)

Road map

1. Background: SD and economic losers
2. **Demand side (voters)**
3. Supply side (politicians)

Sweden Democrat votes and losing groups

Local SD vote share in national elections

- ▶ link to local insider-outsider *inequality*

$$ineq_{m,t} = \frac{N_{m,t}^{out}}{N_{m,t}} \cdot \frac{I_{m,t}^{in}}{I_{m,t}^{out}}$$

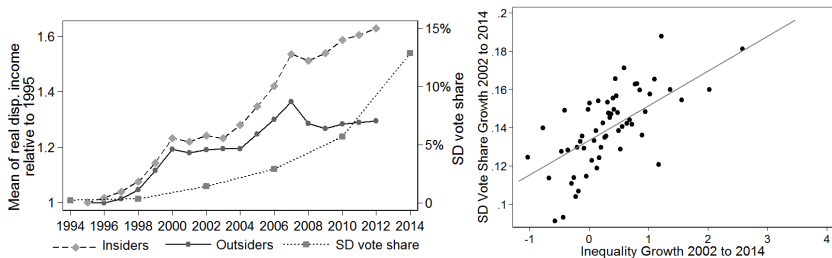
- ▶ and vulnerable insider *share*

$$share_{m,t} = \frac{N_{m,t}^{vul}}{N_{m,t}^{in}}$$

Two steps

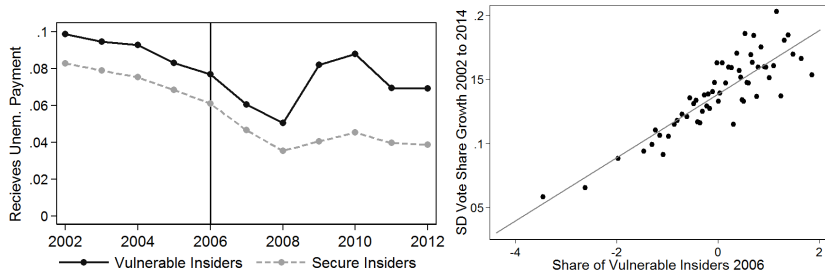
- ▶ graph correlations of SD vote share and these variables
- ▶ show (OLS) regression estimates

National and municipal inequality



- ▶ SD gained most where inequality grew most – i.e., outsiders lost most

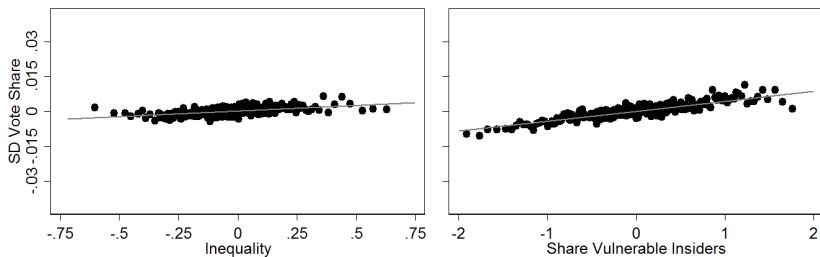
National and municipal vulnerable insiders



- ▶ SD gained most where insiders most exposed to job loss – i.e., vulnerable insider share highest

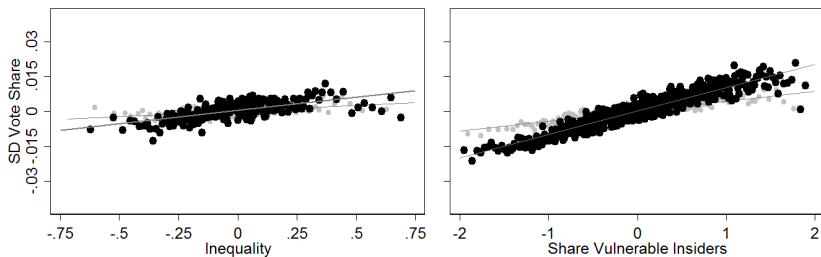
Precinct-level (within-municipality) variation

2002



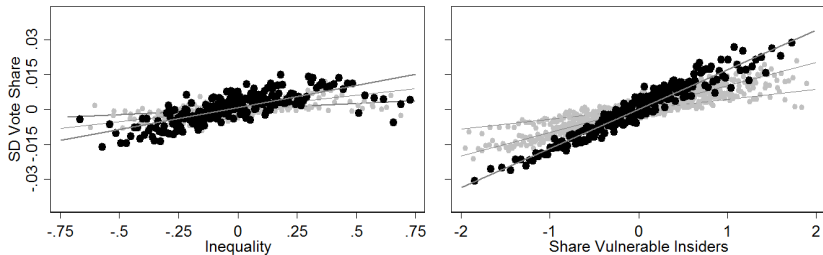
Precinct-level (within-municipality) variation

2006



Precinct-level (within-municipality) variation

2010



Vote-share regressions

Municipality-level OLS regressions

- ▶ SD vote share in municipality m and election t , $vs_{m,t}$, on inequality and vulnerable insider share

$$vs_{m,t} = \alpha \cdot ineq_{m,t} + \sum \beta_t \cdot \gamma_t share_{m,t} + \gamma_t + \mathbf{X}_{m,t} + \delta_m + \varepsilon_{m,t}$$

- ▶ always election-period FE, γ_t , sometimes municipality FE, δ_m , and/or controls, $\mathbf{X}_{m,t}$
 - ▶ controls: share with tertiary education, share foreign born and industrial sector composition (shares of 1 digit level SNI)
- ▶ $ineq_{m,t}$ and $share_{m,t}$ as z-scores (σ is 0.10 and 0.03)

Sweden Democrat winners among economic losers

| | | | | | |
|---------------------------|-------------------|-------------------|------------------|------------------|--------------------|
| Inequality | 0.49*** (0.14) | 1.25*** (0.26) | 0.46** (0.22) | 0.67** (0.27) | 0.46** (0.21) |
| Share vulnerable insiders | 0.88*** (0.10) | -0.31 (0.58) | 0.78** (0.31) | -0.18 (0.59) | -0.11 (0.48) |
| D2002*Share vul. ins. | | | | | -0.44*** (0.05) |
| D2010*Share vul. ins. | | | | | 0.37*** (0.07) |
| D2014*Share vul. ins. | | | | | 2.01*** (0.16) |
| Observations | 1,159 | 1,159 | 1,159 | 1,159 | 1,159 |
| Election period f.e. | x | x | x | x | x |
| Municipality f.e. | | x | | x | x |
| Municipal control | | | x | x | |

- ▶ SD gains more where larger losses or more losers
- ▶ share of immigrant estimate close to zero and insignificant

Road map

1. Background: SD and economic losers
2. Demand side (voters)
3. **Supply side (politicians)**

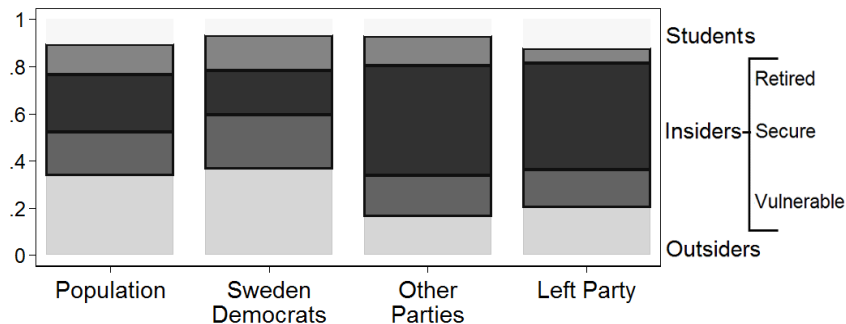
Study the consequences for political selection in 3 steps

1. Who are the Sweden Democrats?
 - ▶ citizen candidates of their voters?
2. Do other parties' selection respond to the rise of the Sweden Democrats?
 - ▶ development of political selection over time
 - ▶ cross sectional pattern of political selection
3. Is there a trade-off from selecting SD citizen candidates?
 - ▶ compare valance characteristic and outlook on the world

Data

- ▶ 4 groups
 - ▶ population
 - ▶ Sweden democrats
 - ▶ other parties (excluding Left Party)
 - ▶ Left Parties
- ▶ elected councilors in 290 municipalities (with 21-101 seats)
- ▶ omit parliamentarians and write-in candidates from "unprotected" ballots
- ▶ $N = 51,162$, in 2002-2014 period
- ▶ impute 2014 status with data from 2012

Elected candidates in aggregate 2002-2014



- ▶ SD over-represents outsiders and vulnerable insiders compared to other parties – including Left party
- ▶ SD share of outsiders and vulnerable insiders slightly higher than in population

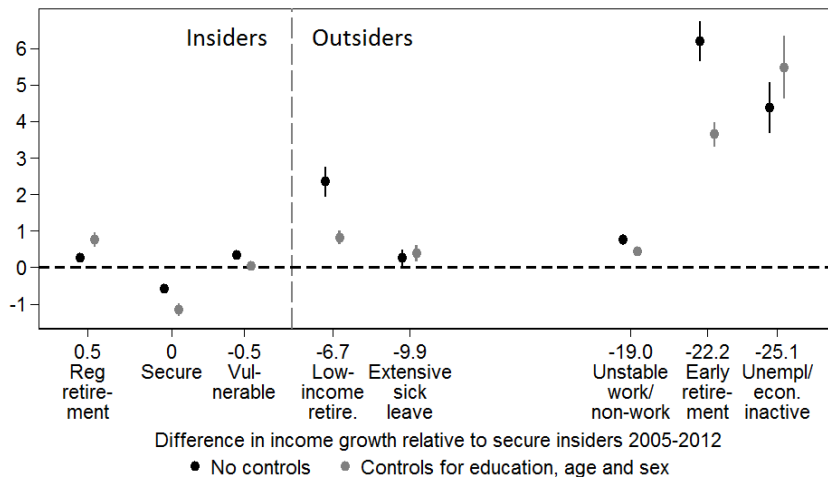
Compare politicians in SD and other parties

Estimate over- or under-representation of each sub-category g within insiders and outsiders

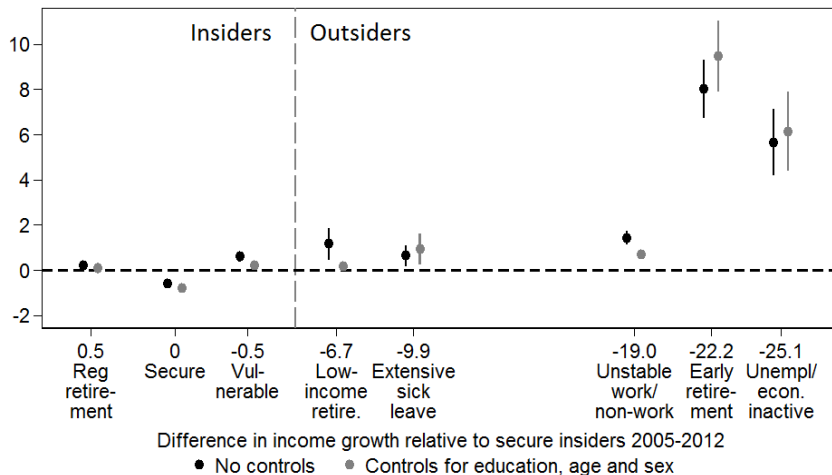
$$L_{i,t}^g = \beta^g SD_{i,t} + \mathbf{Y}_{i,t} + \varepsilon_{i,t}$$

- ▶ $L_{i,t}^g$ is a dummy for councilor i being in group g in election t
- ▶ $SD_{i,t}$ dummy for SD politicians
- ▶ add controls, $\mathbf{Y}_{i,t}$, for gender, age and education, as SD has less women (25.5% vs. 43.5% in other parties), more under-35 (23% vs. 13%), more retired (23% vs. 16%), and less tertiary educated (25% vs. 48%)
- ▶ compute relative supply as $\beta^g / (\text{mean of } L_{i,t}^g \text{ in other parties})$
- ▶ order estimates by insiders-outsiders and degree of economic loss relative to secure insiders

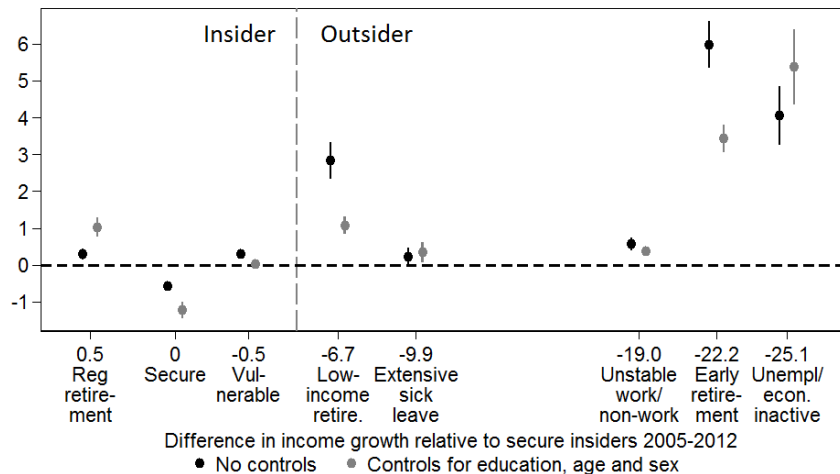
Over-representation larger for more disadvantaged



... this is true for party leaders

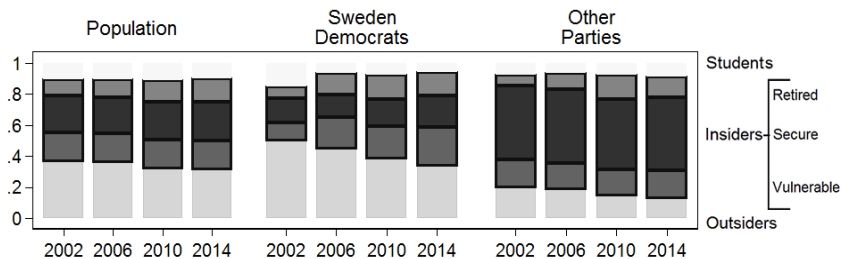


... as well as followers



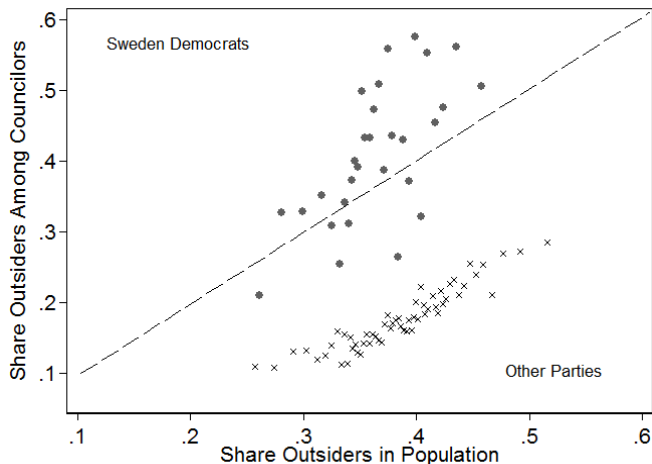
Change in composition over time

Did other parties adjust their selection of candidates in response to the rise of the SD?



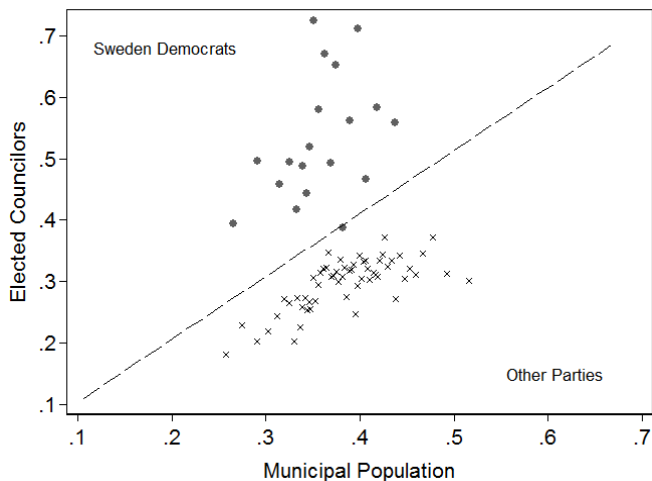
Does candidate supply reflect local population shares?

Plot cross-sectional pattern in the *share of outsiders* in municipality (x-axis), and among elected councilors from the SD and other parties (y-axis)



Does candidate supply reflect local population shares?

... and in the *share of vulnerable among insiders*



Trade-offs in representation?

Sweden Democrats offer representation to losing groups

- ▶ candidates share labor-market status with groups that give electoral support – look like citizen candidates

Is there a trade-off?

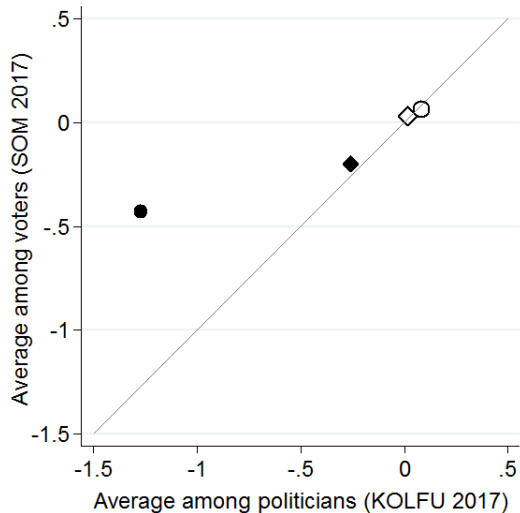
- ▶ how do SD councilors score on other (valence) characteristics?
 - ▶ policy experience – political experience, public sector experience, tertiary education
 - ▶ public interest motivation and honesty-humility
 - ▶ humanism – normativism
- ▶ compare to other-party councilors, based on register data and survey to universe of local politicians (KOLFU 2017)

Sweden Democrats vs. other party politicians



- ▶ Sweden Democrat councilors significantly "underperform" in other dimensions, especially trust

Further reflection of citizen candidacy?



Honesty-Humility



Other
Parties



Sweden
Democrats

Generalized Trust



Other
Parties



Sweden
Democrats

Final remarks

Sweden Democrats win where high losses of income and jobs

- ▶ complement research on how occupations and job loss affect populist vote (Kitschelt 1994, Autor et al. 2016, Guiso et al. 2017, Dehdari 2017)
- ▶ show national policy reform is a driver, on top of labor-market and macroeconomic trends

Democracy at work or not?

- ▶ new party channels preferences of disgruntled economic losers into entry of citizen candidates
- ▶ SD success possible without elite politicians (cf. Art 2011)
- ▶ but new politicians lack experience and other, arguably, desirable traits