

# Political Economics II, Spring 2020

## Part III, Political Selection

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# 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 studies with different co-authors

"Who becomes a politician?"

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

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

- ▶ Mimeo, 2020
- ▶ who become politicians in populist parties,  
*and* who vote for these 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

"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 $\geq 5$ )

- ▶ 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

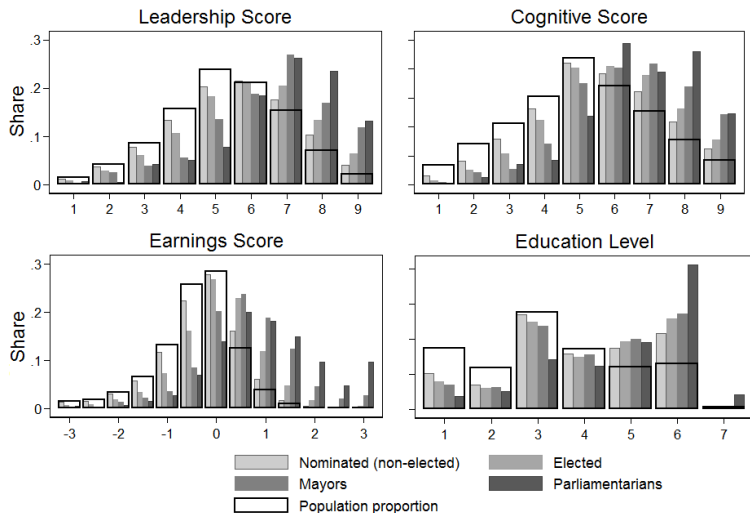
## Parental occupation classification

- ▶ social class (EGP scheme) of parents

# Roadmap

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# 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

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# Selection meritocratic, or byproduct of elitism?

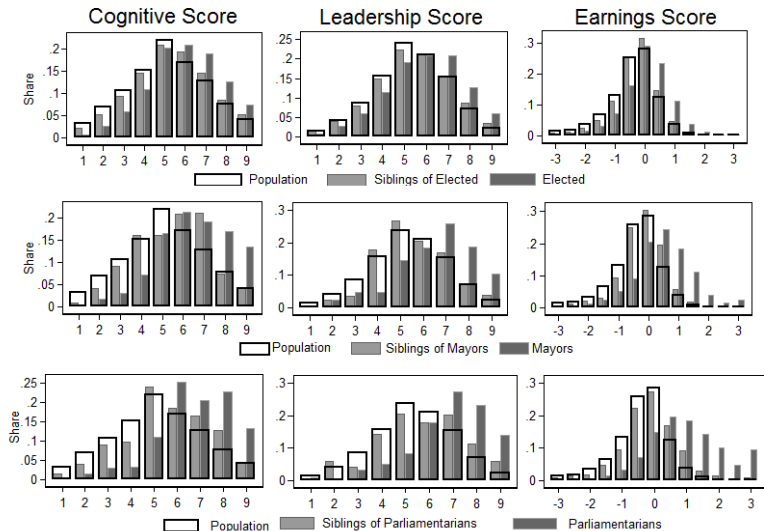
Given family background, do individual traits matter?

- ▶ check politicians vs. their own siblings

Does socioeconomic background drive selection?

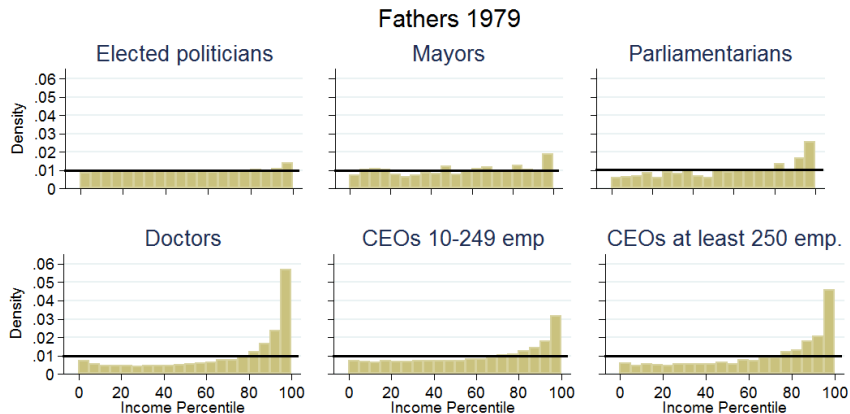
- ▶ check background of parents to politicians

# Politicians and their siblings





# Representativeness of parents



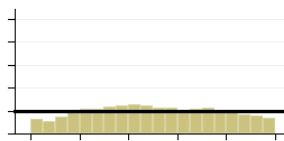
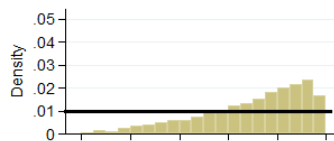
- ▶ similar results for measures of social class

# Disaggregate by party

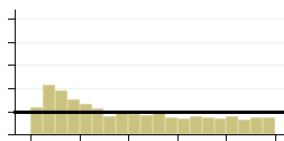
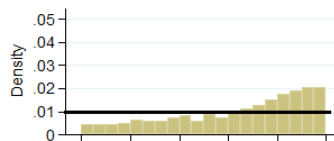
Elected Politicians

Elected Politicians' Fathers, 1979

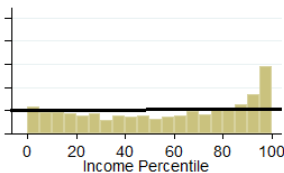
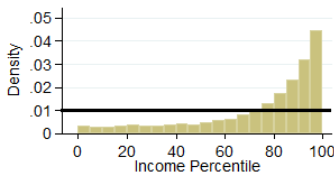
Social Democrats



Center Party



Conservatives



# Roadmap

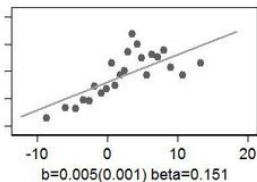
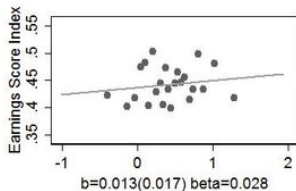
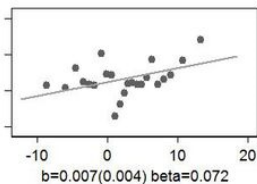
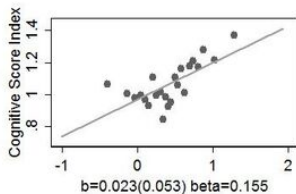
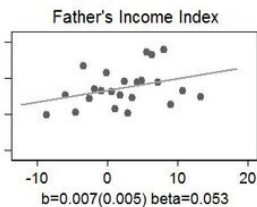
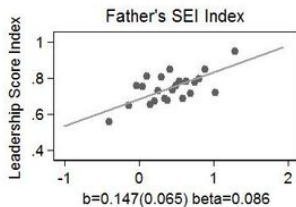
1. Background and data
2. Selection on ability?
3. Meritocracy or elitism?
4. **Tradeoff ability–representation?**
5. Drivers?

# Study different municipalities

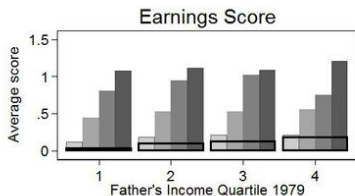
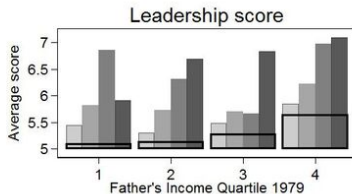
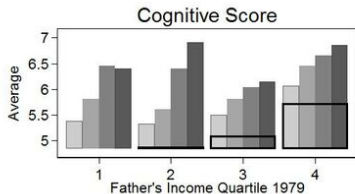
Ability and representation of politicians vs municipality population

- ▶ 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?
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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  $\gamma y$  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  $\pi$  to earn *municipality-specific* political wage  $w$

# Cost-benefit calculus and comparative statics

Self-select into politics if

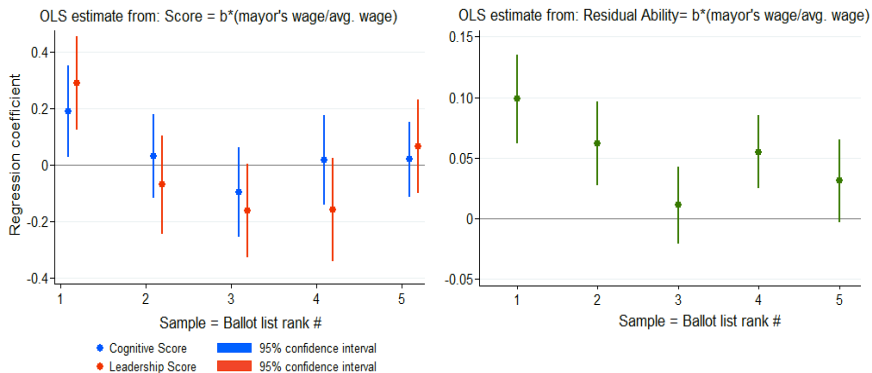
$$\begin{aligned}(1 + \gamma)y &\leq (1 - q(y))(1 + \gamma)y \\ &+ q(y)((1 + (1 - \pi))(1 - \delta)\gamma)y + \pi w) + q(y)p \\ \Rightarrow p &\geq p^* = \delta\gamma y - \pi(w - (1 - \delta)\gamma y)\end{aligned}$$

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

Comparative statics suggest correlations to study

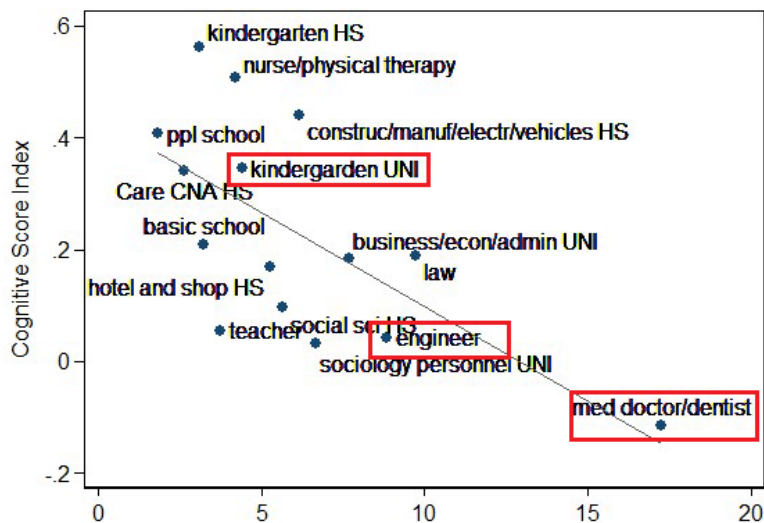
**Prediction** *if  $(p, y)$  drawn from joint distribution, higher  $w$ ,  $\pi$ , and lower  $\gamma$ , raise ability of those self-selecting into politics – with positive party screening, this also applies in equilibrium*

# 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  $\gamma$ , as in model

## Party-specific promotion probabilities

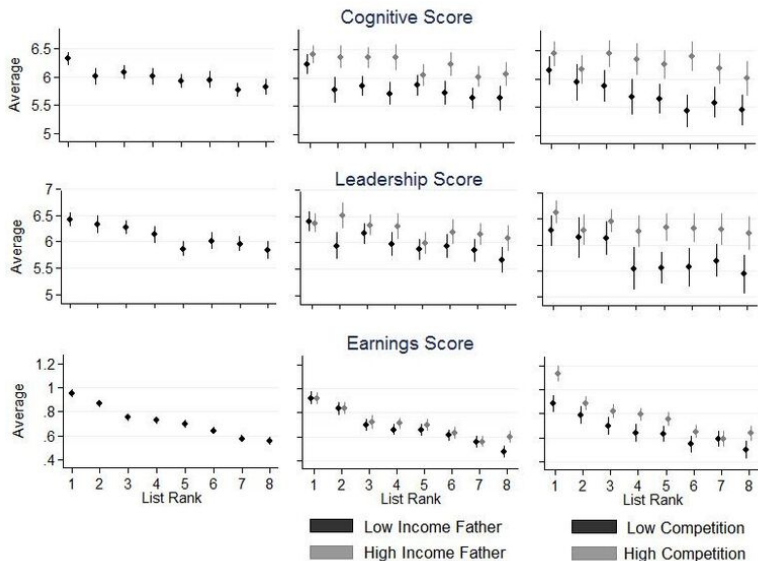
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	Probability that the politician's party appoints the mayor							
	0%		1-50%		51-99%		100%	
	Elected	Top	Elected	Top	Elected	Top	Elected	Top
Leadership Score	0.75	0.95	0.94	1.25	0.79	1.11	0.65	1.52
Cognitive Score	1.29	1.42	1.15	1.37	1.03	1.41	0.90	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	

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- ▶ better selection as mayorship more likely  $\pi$ , 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's Radical Right**

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



# World-wide rise of radical right

## Pronounced political phenomenon

- ▶ entry across countries and electoral systems
- ▶ numerous in Europe; ruling in (Austria), Brazil, Estonia, (Finland), Hungary, (Italy), Latvia, Poland, Philippines, Slovenia, Switzerland, US, ... ; resurging in Australia, Israel, Japan, ...

## Political programs

- ▶ glorify nation and past times: anti-immigration nativism, anti-establishment populism
- ▶ stress traditional values, law and order, hierarchies – some challenge liberal democracy

# Case study of Sweden Democrats

Who are Sweden Democrats (SD) *politicians* and *voters*?

- ▶ party grew from 1% in 1998 to 12.9% in 2014 (17.5% in 2018 election), with most rapid growth since 2006 election (2.9%)

Basic idea

- ▶ categorize population into (relative) “winners and losers”
- ▶ focus on labor-market outcomes: income and jobs
- ▶ to shed light on timing and trigger points, zoom in on losers in two most dramatic economic events during 2006-14: make-work-pay reforms and financial crisis
- ▶ also look at social success: *partnered* vs. *single*, *parents* vs. *not*

# Politicians

Who become radical-right (SD) politicians?

- ▶ little (nothing) systematic known about this issue

We compare individual politicians to population

- ▶ on average, SD over-represents losers, while other parties over-represent winners
- ▶ more so in groups that lost most during 2006-2014

Results extend

- ▶ stronger as disaggregate by subgroup or municipality

# Voters

Who are radical-right (SD) voters?

- ▶ many hundreds of such studies

We study places where SD attract many votes

- ▶ on average, precincts or municipalities with many losers
- ▶ SD vote grows most where losses largest 2006-2014

Results extend

- ▶ individual party sympathies in surveys tell same story

# Politicians and voters

Part of same "citizen-candidate movement"

- ▶ SD-politicians over-represent same groups as their voters
- ▶ not only descriptive but substantive representation

How does SD growth influence political selection?

- ▶ under-represented groups do get better represented
- ▶ but new SD representatives have lower abilities than other-party politicians

# Roadmap

1. **Data**
2. Politicians
3. Voters
4. Citizen candidates
5. Trigger points 2006-14
6. Implications

# Data sources

## Linked individual data in different registers

- ▶ all politicians, all ballots, all election results 1982-2014 (Election Authority)
- ▶ detailed income and socioeconomic information, whole 18+ population, 1979-2014 (Statistics Sweden, Tax Authority)
- ▶ “big data” – about 14 million unique individuals, out of which 150,000 nominated, 50,000+ elected politicians

## Individual survey data

- ▶ representative samples of voters from 1995, all local politicians 2017

# Insiders vs. outsiders

Who belongs to core labor force?

- ▶ use SELMA "Social Exclusion and Labour Market Attachment" (Kindlund and Biterman 2002)

Measure in register data

- ▶ yearly, all 18+ individuals 1993-2012
- ▶ incomes from: work, sickness insurance, unemployment insurance, early retirement, old-age, or supplementary pensions, military pay
- ▶ insider if labor income  $>$  certain level in each of last 3 years
- ▶ outsider otherwise – share around 0.35, also subgroups (later)



# Secure vs. vulnerable insiders

Who have the least risky jobs?

- ▶ define risk groups: some occupations more exposed to job loss (Autor et al 2013, Goos et al 2014)

Measure in register data

- ▶ use detailed occupational (ISCO codes) and "Routine Task Intensity" (RTI) among typical tasks
- ▶ vulnerable: insider occupations with high RTI
- ▶ secure: insider occupations with low RTI

# Family insiders and outsiders

Who belong to core (stereotypical) families?

- ▶ those who are partnered (not necessarily married), and those that have children (living with them or not)
- ▶ traditional measures of marginalization in sociology, also among the strongest predictors of happiness

Measure in register data

- ▶ use marriage register, birth register, and personal ID-codes
- ▶ approximate partnership: two adults of similar age sharing the same family-ID code and residing at same address

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# Who becomes an SD politician?

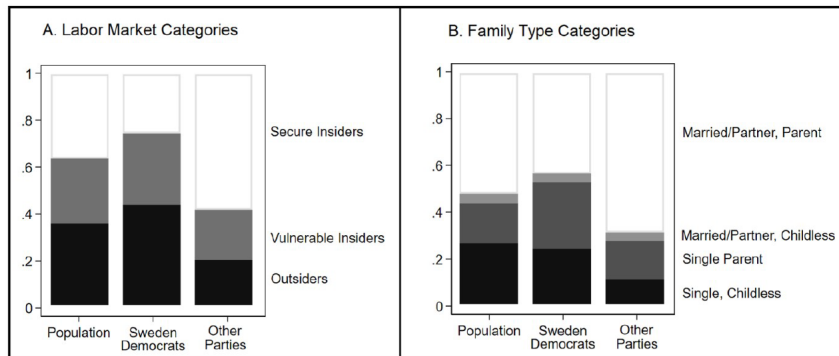
Study elected politicians in 290 municipalities

- ▶ “20% of the economy”
- ▶ spare-time mission on top of regular job
- ▶  $N = 51,162$ , for electoral periods 2002-2014
- ▶ party ballots list name, age, occupation, residence

Compare two party groups with population

- ▶ elected for SD, and (all) other parties

# Average representation, by party 2002-2014



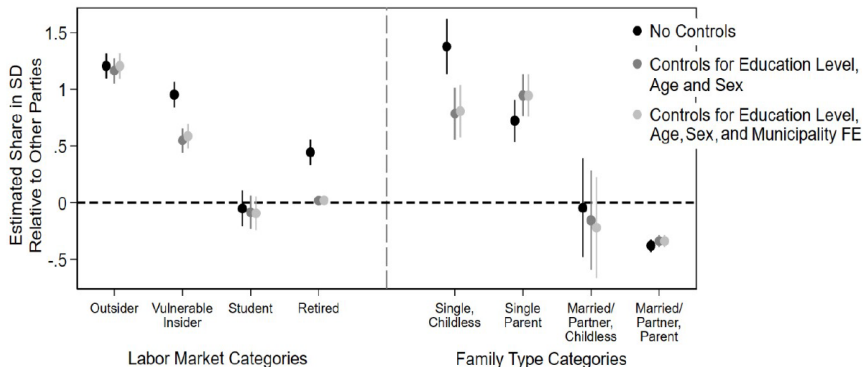
- ▶ SD over-represents outsiders, vulnerable insiders, singles
- ▶ other parties over-represent insiders, secure insiders, and partnered

# SD overrepresentation by group

Measure over-representation in SD vs. other parties

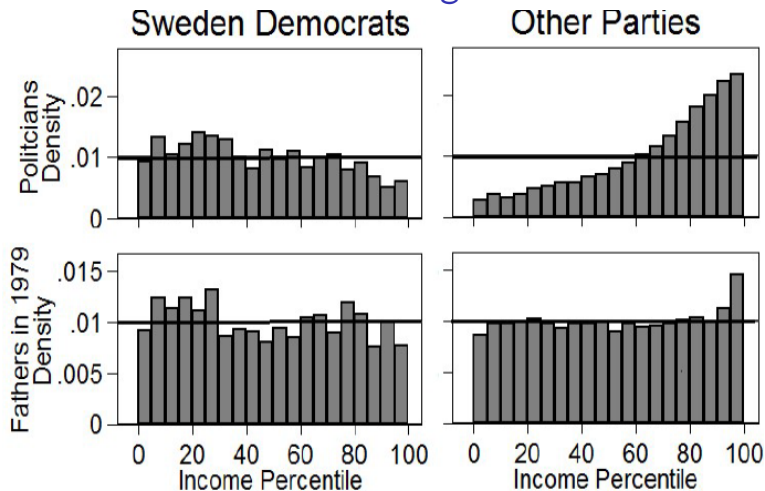
- ▶ consider different groups
- ▶ with or without holding constant age, gender, and education – i.e., how much is due to "middle-aged, low-educated men"
- ▶ positive (negative) number: SD over(under)-representation
- ▶ order by income loss (vs. secure insiders) 2006-2012

# Over-representation conditional on demography



- ▶ controls do not change finding that SD overrepresents outsiders, vulnerable insiders, and singles (whether childless or not)

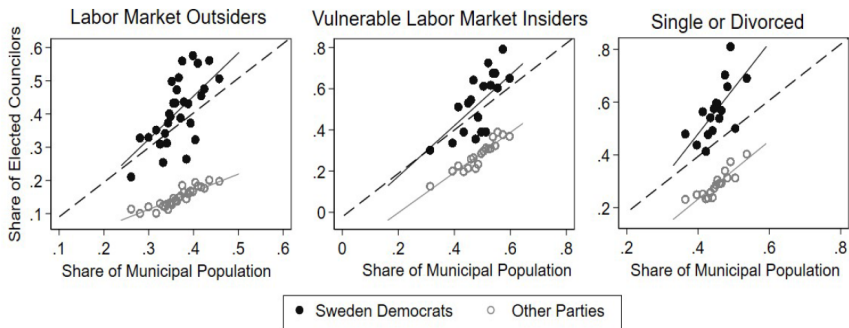
## To what extent is it social background?



- ▶ SD politicians not winners in terms of income, but SD-parents look similar to themselves, other-party parents (and population at large)



# SD over-representation follows *municipal* variation



- ▶ *shares* for municipality (x-axis) and politicians (y-axis)
- ▶ again SD overrepresentation in all losing groups, which responds more to municipality population

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# Where were SD successful among voters?

Aggregate individual data to precinct or municipality

Results echo those for politicians

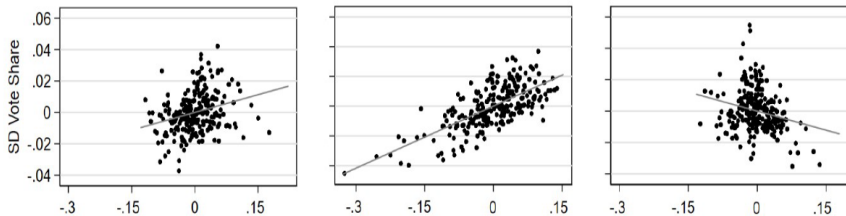
- ▶ SD *strong* in precincts and municipalities with many disadvantaged groups – possibly with the exception of singles

Omitted factors may drive these correlations

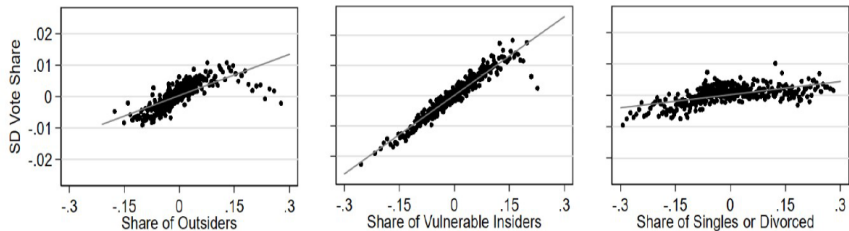
- ▶ but robust if control for known drivers of radical-right voting

# Cross-municipality, within-municipality SD votes

Variation across Municipalities, with Year Fixed Effects

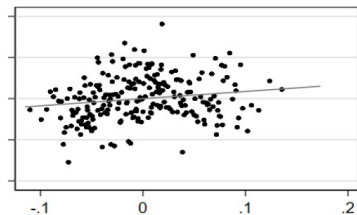
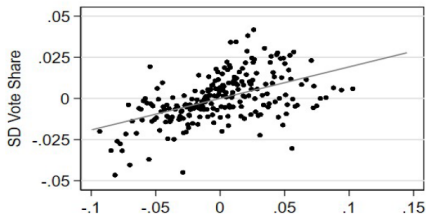


Variation across Electoral Precincts, with Municipality-Year Fixed Effects

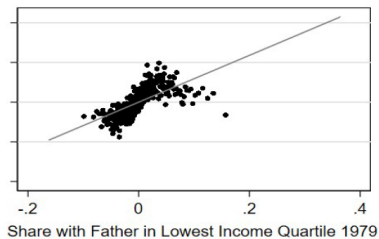
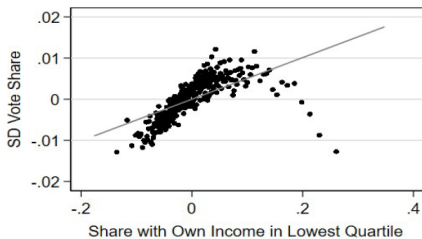


# Similar for lowest incomes, lowest parent incomes

Variation across Municipalities, with Year Fixed Effects



Variation across Precincts, with Municipality-Year Fixed Effects



# Roadmap

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# Interpretation

How think about findings for politicians and voters?

- ▶ SD-politicians look like “citizen candidates”

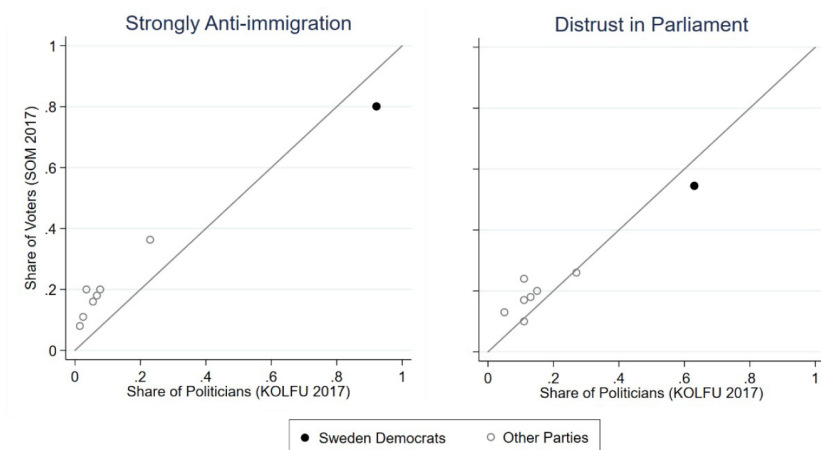
Arguments

- ▶ *new entrants*: of SD politicians, only 2% ever elected, and < 10% ever on ballot for another party – fewer than other parties
- ▶ *more credible* candidates: SD-politicians share labor-market (marriage-market) status with their voters

Natural question

- ▶ do SD-politicians and voters also share same views?

# Attitudes of politicians and voters by party



- ▶ not just *descriptive* but *substantive* representation of anti-establishment and anti-immigration attitudes



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6. Implications

# Timing of SD growth?

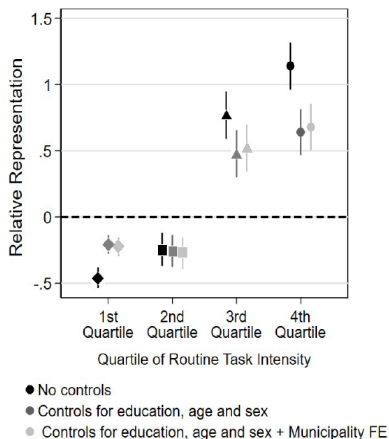
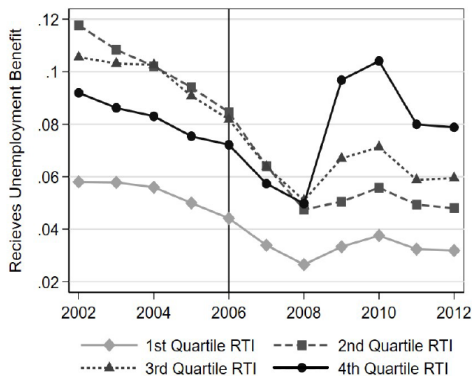
## Results so far

- ▶ on average, marginal groups in society more likely to join SD as politicians and more likely to support SD as voters
- ▶ does not speak to timing of rapid SD growth 2006-14

## Consider main events in this period

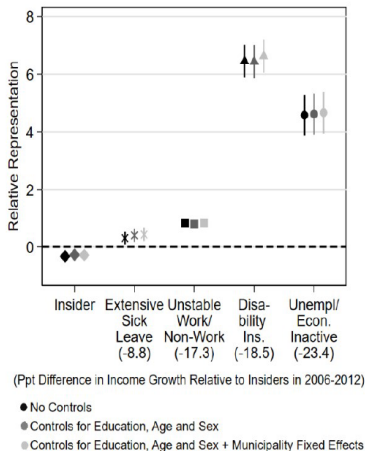
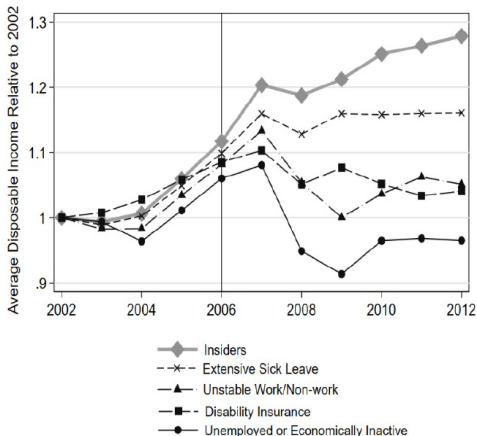
- ▶ no major events with obvious effects on singles and childless
- ▶ two events that differentially hit economic winners and losers
- ▶ financial crisis 2008-2012: unemployment risk likely struck differently against secure and vulnerable insiders
- ▶ make-work-pay reforms 2007-2011: designed to benefit insiders and hurt outsiders: former gain from earned-income tax-credit hikes (five steps), latter lose from social-insurance cuts (unemployment, sickness, early-retirement benefits)

# Job insecurity, SD-overrepresentation, by subgroup



- ▶ more dramatic job loss risk in financial crisis among vulnerable – 3rd and 4th RTI quartiles – insiders
- ▶ large SD-politician overrepresentation of those groups

# Disposable incomes, SD-overrepresentation, by subgroup



- ▶ gaps to insiders grew by 9-23 percent along 2007-11 reforms
- ▶ SD-politician overrepresentation follows same pattern

# Why may events trigger SD support in this period?

Likely fall in perceived social status among losers

- ▶ may trigger distrust in existing political elite
- ▶ may socially identify with in-groups – charge out-groups: "establishment" or "immigrants"
- ▶ may be attracted as SD blames losses on establishment and immigrants
- ▶ likely mix of economic and social causes – conspicuous timing of economic shocks and SD growth

# Roadmap

1. Data
2. Politicians
3. Voters
4. Citizen candidates
5. Trigger points 2006-14
6. **Implications**

# Does democracy do its job?

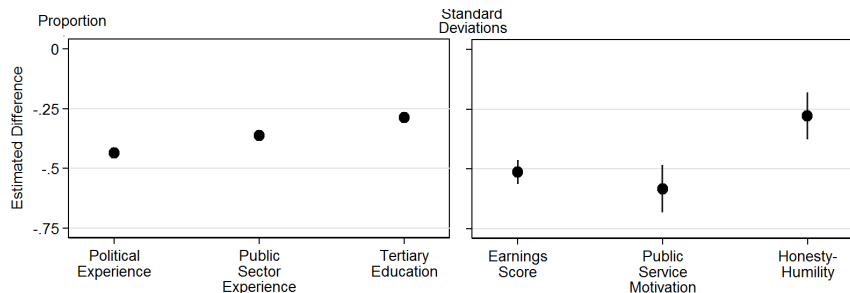
SD gives voice to politically under-represented groups

- ▶ makes democracy more inclusive

But how do politicians in SD and other parties compare?

- ▶ check auxiliary traits among politicians

# Compare politician characteristics



- ▶ SD politicians have lower experience, ability, public-service motivation, and morality

A representation-valence trade-off?

- ▶ growth of SD raised representation of losing groups
- ▶ but weakened political selection on high ability – highlighted in earlier research (Dal Bó et al 2017)



# Summary

## Study Sweden-Democrats politicians and voters

- ▶ uncover how radical right overrepresents economically and socially marginal groups among politicians, as well as voters
- ▶ add to findings how job losses (Kitschelt 1994, Autor et al. 2016, Dehdari 2019), and austerity reforms (Fetzer 2019), help shape populist, radical-right support
- ▶ interpret as citizen-candidate response, where economic losses, falling trust, and social identification may interact

## Bottom line?

- ▶ populist rise looks like representation-ability trade-off