

# The Elusive Quest for Good Politicians

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The crucial role of politics for economic outcomes has long been acknowledged by economists (e.g., Smith, Ricardo, Marx).

But: the neoclassical school developed institution-free economic theories.

This has been the mainstream until the 1990s, with important exceptions as *Public Choice*, constitutional economics, and social choice theory.

According to both *Public Choice* and *Political Economics*, economic policy shouldn't be viewed as the choice of a social planner, but as the result of the interplay between rational voters and self-seeking politicians.

Politicians maximize self-interest in a narrowly defined sense.

As **James Buchanan** (1989) once wrote:

*“To improve politics, it is necessary to improve or reform rules. There is no suggestion that improvement lies in the selection of morally superior agents who will use their powers in some public interest.”*

As a result, government is like a Leviathan willing to expropriate private resources in the form of taxes, rents, and bribes.

## The traditional view (2): political economics

Self-seeking hypothesis is shared by standard models in political economics.

Politicians' motivations:

- opportunistic,
  - office-seeking,
  - rent-seeking;
- partisan.

Early example: Downs' (1957) model of electoral competition.

Both approaches view politicians and voters as separate entities responding to different incentives. And the former are assumed to be homogeneous.

## A new focus: the importance of political selection

Selection of heterogeneous politicians remains in the shadow. But as **James Madison** (1788) once wrote:

*“The aim of every 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 society; and in the next place, to take the most effectual precautions for keeping them virtuous.”*

Osborne and Slivinsky (1996) and Besley and Coate (1997) develop an alternative to the Downsian paradigm: the citizen-candidate framework, where (self-)selection into politics is endogenous.

Here, heterogeneity involves policy preferences. But the basic structure can be extended to encompass additional dimensions.

## A new focus: the importance of political selection

How can politicians differ? Two main dimensions:

- ① competence (correlated with market skills?);
- ② honesty (Buchanan's disclaimer!).

Competence matters as long as:

- rent-seeking faces upper bound;
- neutral policy issues complement partisan choices.

Honesty matters as long as intrinsic values make up for external norms in restraining rent-seeking behaviors.

*Technical note:* this new focus means a shift from moral hazard to adverse selection models.

## Empirical evidence: does political selection matter?

## The importance of being leader:

- Jones and Olken (2005) exploit (exogenous) deaths of national leaders to estimate the effect of leadership on growth rates. They find evidence that leaders matter (especially in autocracy).
- Dreher et al. (2006) estimate the policy impact of the educational and job background of heads of government. They find that scientists, entrepreneurs, and economists are more liberalization oriented.
- Zhang and Congleton (2008) estimate the effect of US Presidents' human capital on growth. They find that, after 1870, economic performance is enhanced by congressional experience and education.

## Gender differences in politics:

- Chattopadhyay and Duflo (2004) exploit random assignment of Indian village councils to gender quota and find that women invest more in infrastructure such as water and roads, while men in education.
- Gagliarducci and Paserman (2012) find that in Italian municipalities the probability of early termination of the legislature is higher for female than male mayors (especially in the South).



Incentives for entering politics come from different sources:

- psychological returns, such as
  - prestige,
  - power consciousness,
  - ideology,
  - public service;
- economic returns, such as
  - wage,
  - lawful rents (perks, staff),
  - unlawful rents (bribes),
  - outside income,
  - post-politics returns.

## The elusive quest for good politicians

Besley (2005) assumes that good politicians are attracted by public service motivations and wages, while bad politicians care about rents and wages.

As a result, the fraction of bad politicians *increases* with:

- ① attractiveness ratio =  $(\text{rents} + \text{wages}) / (\text{public service} + \text{wages})$
- ② opportunity ratio =  $(\text{outside options of good}) / (\text{outside opt. of bad})$
- ③ success ratio =  $(\text{election probability of bad}) / (\text{election prob. of good})$
- ④ accountability ratio =  $(\text{reelection prob. of bad}) / (\text{reele. prob. of good})$

Ambiguous effect of the wage. Important interactions with institutions (political parties, electoral rule, etc.).

## Notation:

- $R$  = ego rents from entering politics, made up of:
  - $R_1$  = ego rents from *being* a politician
  - $R_2$  = ego rents from *doing* politics
- $M$  = market income (if not elected)
- $W$  = politicians' wage
- $P$  = outside income (if elected)
- $a \sim U[0, \bar{a}]$  = ability/skills valued by the market
- $e \in \{0, 1\}$  = effort in political life

## Adverse selection of "bad" politicians

Now assume that:

- $R$  and  $W$  constant (no incentive schemes)
- $M = M(a)$  with  $M'(\cdot) \geq 0$ ,  $M''(\cdot) \leq 0$
- $P=0$

The payoff of becoming a politician is equal to its opportunity cost if:

$$R + W = M(a).$$

Only citizens with  $a < a_1 = M^{-1}(R + W)$  decide to enter politics.

Adverse selection of bad politicians is the main prediction (Caselli and Morelli, 2004; Besley, 2004).

Moral hazard is not an issue here, except for  $W$  (Besley, 2004).

## The selection effect of politicians' wage

If skilled individuals shy away from politics because of higher opportunities in the private sector, they may change their mind after a wage increase.

Average quality is increasing in politicians' remuneration:  $\uparrow W \Rightarrow \uparrow a_1$ .

Caveats:

- top guys never enter if  $\bar{W} = M(\bar{a}) - R$  unfeasible;
- honesty may be decreasing in remuneration if intrinsic motivations at work (Frey, 1997);
- if  $R_2$  increasing in  $a$  (and  $R'_2 > M'$ ), positive sorting and downside of higher  $W$ ;
- the same holds if other economic incentives (outside income or post-politics returns) are increasing in  $a$ , see below.

## The incentive effect of politicians' wage

Politicians' wage affects not only selection, but also performance.

If the reelection of incumbents depends on their in-office deeds, a higher remuneration may play an efficiency-wage role and enhance performance.

Disciplined incumbents increase effort and reduce rent-seeking.

Consider the political agency model of Lecture 5:

- an increase in the wage ( $E$ ) fosters the incentive of dissonant politicians to behave as congruent politicians in the first term (as the wage increase raises their utility from being reelected);
- there,  $\pi$  was exogenous but we now know that it may depend on  $E$ .

## Empirical evidence

Besley (2004) uses panel data about US governors.

- He finds a positive impact of the wage on indexes of congruence between voters and governors (controlling for state fixed effects).
- This is consistent with either a selection or discipline effect.
- He also detects a positive correlation between the wage and governor's characteristics: age, political experience, and being a lawyer.

Ferraz and Finan (2013) use data on Brazilian municipalities and apply a fuzzy RDD (councillors' wage has a cap that depends on population).

- They find that higher wages attract more educated candidates.
- Higher wages also improve productivity in terms of the no. of bills.
- The performance effect may be driven either by selection or incentives.

Gagliarducci and Nannicini (2013) use data on Italian municipalities and apply a sharp RDD (mayors' wage depends on population).

- They find that higher wages attract more educated politicians and less white/blue collars (as opposed to professionals and entrepreneurs).
- Better-paid mayors run lower deficits, cut per-capita taxation, and downsize the municipality personnel.
- They exploit the two-term limit to disentangle incentives from selection, and find that the latter drives the performance effect.



## Outside income of congressmen

In many countries, members of Parliament can work in the private sector after election. *Examples*: lawyers who still attend clients; entrepreneurs who manage their firms; lectures and books.

Gagliarducci, Nannicini, and Naticchioni (2010) study the effects of this enduring market attachment on:

- the decision to run for office;
- politicians' effort in parliamentary activity.

Let's look at our framework.

## What are the effects of politicians' outside income?

From a theoretical point of view, removing the mutual exclusiveness between politics and market activity produces a trade-off.

- 1 A problem of moral hazard shows up, as far as high-ability politicians have a higher incentive to shirk.
- 2 The problem of adverse selection is mitigated, as the opportunity cost of entering politics may no longer be greater for high-ability citizens.

## The public debate over politicians' outside income

**On one side**, there is the concern that, because of moonlighting, politicians might either work less in Parliament or respond to outside interests. As US Senator Bob Packwood (R) said in 1977:

*“One, it is we ought to be full time Senators and we should not do anything that takes time away from this job. That is the time argument. Two, it is a conflict. If we go out and speak, it is indeed a conflict.”*

**On the other side**, top guys would never enter Parliament without the opportunity of an income supplement. As an example, US Senator Edmund Muskie (D) replied:

*“(…) the only thing that has made it possible for me to stay in public life 22 years was my choice—and I think it was an honorable choice—of this source of income for all of that time.”*

The issue is not only debated in the US. Other examples:

- “Absent Galloway pockets £200K” (New Labour press release, 2005)
- “How can MPs properly represent us when they are earning up to 95% of their income from outside interests?” (The Guardian, 2005)
- “On. Bongiorno scelga: o fa il deputato o l'avvocato” (Corsera, 2006)

## A simple model

Consider again the previous **framework**. And assume that:

- $R_1$ ,  $R_2$ , and  $W$  constant
- $M = M(a)$  with  $M'(\cdot) \geq 0$ ,  $M''(\cdot) \leq 0$
- $P = P(a)$  with  $P'(\cdot) \geq 0$ ,  $P''(\cdot) \leq 0$
- members of Parliament get  $P$  iff  $e = 0$  and  $R_2$  iff  $e = 1$

The payoff of becoming a politician is equal to its opportunity cost if:

$$R_1 + eR_2 + W + (1 - e)P(a) = M(a).$$

Decisions take place in two stages.

- 1 Each citizen decides whether to enter politics or the private sector.
- 2 Those who entered politics decide the level of effort in political life.

## The second-stage decision

In the second stage, those who decided to enter politics compare the payoff from exerting effort 1 and 0:

$$\underbrace{R_1 + R_2 + W}_{\text{if } e=1} \Leftrightarrow \underbrace{R_1 + W + P(a)}_{\text{if } e=0}.$$

Only politicians with ability lower than  $a^* = P^{-1}(R_2)$  decide to put positive effort into parliamentary activity.

## Proposition

*High-ability politicians ( $a \geq a^*$ ) exert lower effort in parliamentary activity than low-ability politicians ( $a < a^*$ ).*

Moral hazard problem due to the time conflict between political effort and market attachment.

## The first-stage decision

For citizens with  $a \in [0, a^*)$  the net payoff of entering politics is:

$$\pi_1(a) = R_1 + R_2 + W - M(a).$$

They become politicians only if  $a < a_1 = M^{-1}(R_1 + R_2 + W)$ .

For citizens with  $a \in [a^*, \bar{a}]$  the net payoff of entering politics is:

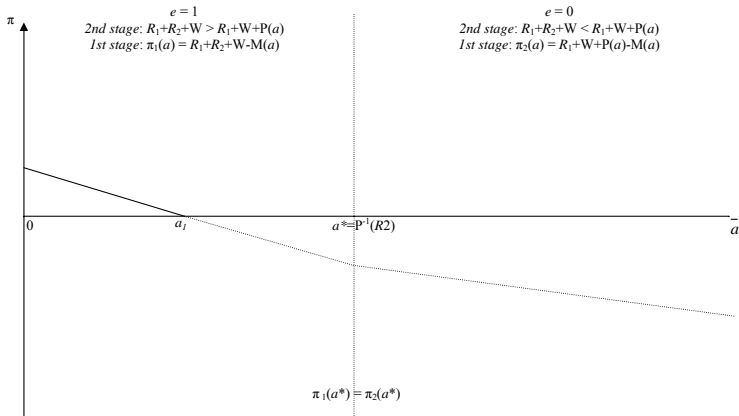
$$\pi_2(a) = R_1 + P(a) + W - M(a),$$

which is increasing [decreasing] as long as  $P'(a) > M'(a)$  [ $P'(a) < M'(a)$ ].  
 Since  $P(a^*) = R_2$ :  $\pi_2(a^*) = R_1 + R_2 + W - M(a^*) = \pi_1(a^*)$ .

Ruling out the trivial equilibria in which everybody becomes a politician or nobody does, we can observe four different outcomes.

## Graphical representation of the equilibria

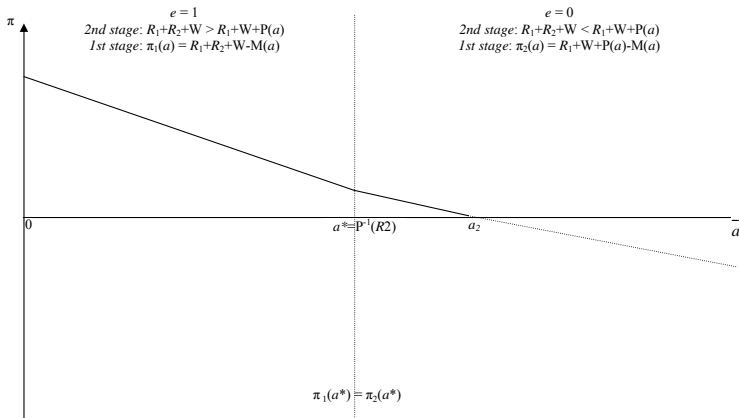
## Case A: Negative Hierarchical Sorting without Moral Hazard





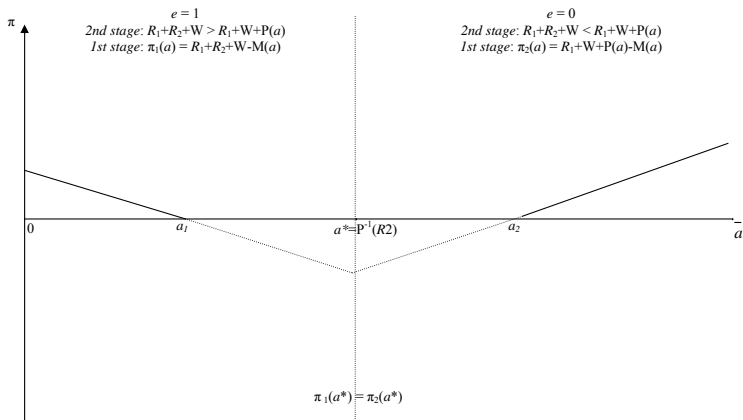
## Graphical representation of the equilibria

## Case B: Negative Hierarchical Sorting with Moral Hazard



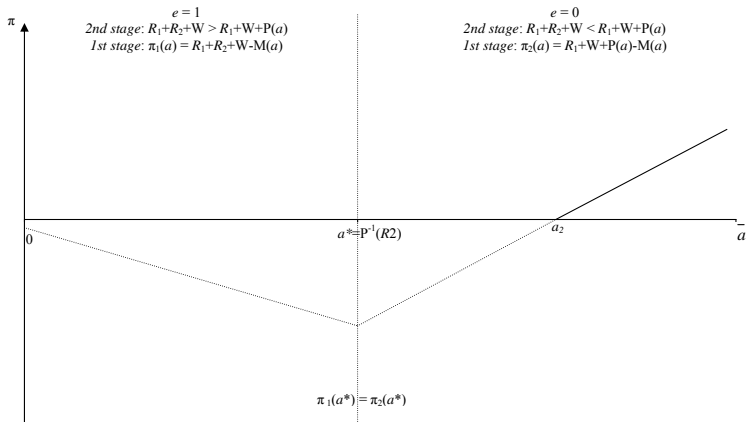
## Graphical representation of the equilibria

## Case C: Two-Tail Sorting



## Graphical representation of the equilibria

## Case D: Positive Hierarchical Sorting



## Summing up

At the end of the day, since elected politicians can still earn money from private activities, adverse selection (i.e., negative hierarchical sorting) is no longer the only possible outcome.

### Proposition

*A necessary condition for observing either positive or two-tail sorting is that marginal returns to ability increase after election:  $P'(a) > M'(a)$ .*

In other words: under certain conditions, also individuals in the very upper tail of the ability distribution may enter politics as they keep working in the market.

By the same token:

### Proposition

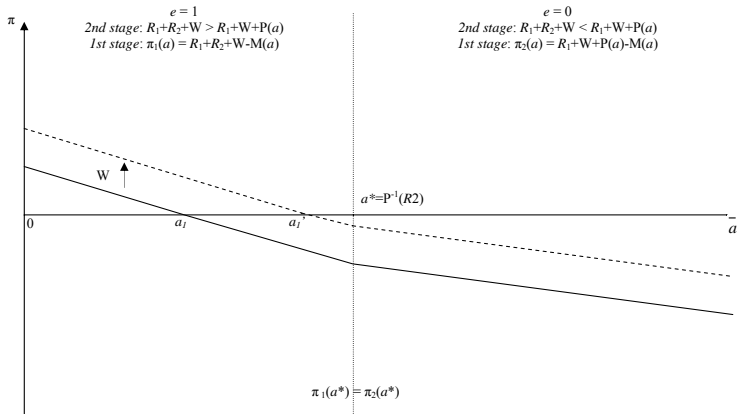
*A sufficient condition for observing negative sorting is that marginal returns to ability decrease after election:  $P'(a) < M'(a)$ .*

**Normative thoughts.** What's better: dedicated politicians or politicians with market skills? The choice depends on how ability and effort combine together in the production function of a politician.

**Comparative statics.** What's the effect of a wage increase in this new framework? It depends on the type of selection equilibrium we face.

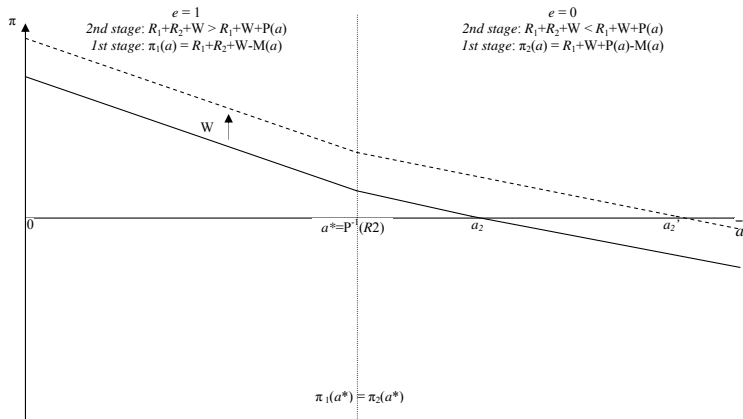
## Comparative statics

## Wage Increase in Case A



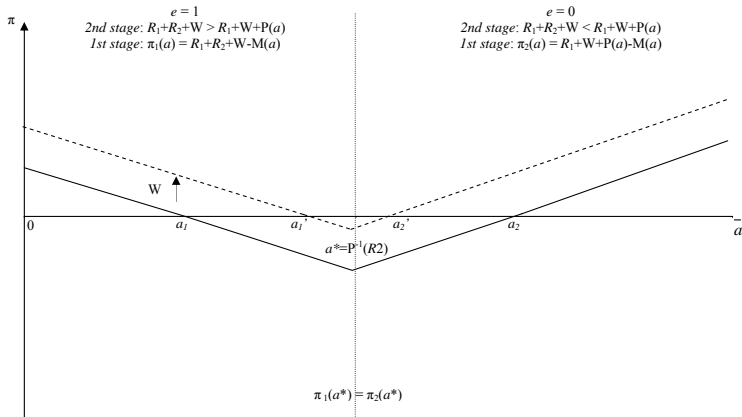
## Comparative statics

## Wage Increase in Case B



## Comparative statics

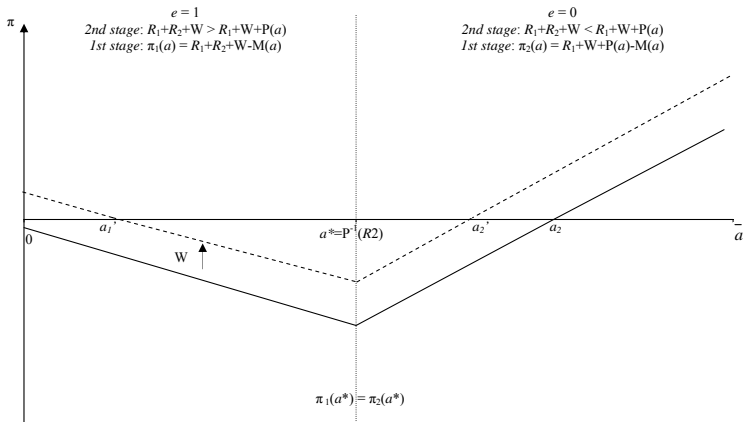
## Wage Increase in Case C





## Comparative statics

## Wage Increase in Case D



## Empirical evidence

Gagliarducci, Nannicini, and Naticchioni (2010) use a dataset on the Italian members of Parliament from 1996 to 2006 to provide evidence about these conflicting effects of outside income.

Consistently with the above arguments, we find that:

- ① One standard deviation of outside income (212 thousand euros) increases absenteeism by 4.5 percentage points (14% w.r.t. the mean) and reduces the no. of bills by 0.64 (8% w.r.t. the mean).
- ② There is a relevant fraction of politicians who belonged to the upper tail of the income distribution. They are those who gain relatively more from election in terms of outside income (1.2 elasticity).

Let's have a look at some descriptive evidence.

Political selection

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Economic incentives: wage

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Economic incentives: outside income

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Institutions and social norms

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## Outside income by previous job

	Obs.	Mean	St. Dev.	Min.	Max.
Lawyer	240	113.5	179.1	0	1,183.5
Professor	161	109.3	393.4	0	3,804.5
Entrepreneur	161	106.6	452.7	0	5,419.1
Army Officer	9	82.8	36.0	0	124.2
Magistrate	42	60.6	74.0	0	296.3
Manager	141	58.1	181.8	0	1,508.4
Bureaucrat	111	49.5	121.0	0	1,058.2
Self Employed	151	44.4	90.5	0	930.5
Physician	126	41.5	55.9	0	445.3
Journalist	127	37.6	63.5	0	401.7
Union Representative	38	17.8	20.1	0	73.1
Teacher	148	17.2	22.2	0	147.7
White Collar	71	14.9	27.2	0	127.6
Political Party Official	118	12.5	21.9	0	142.9
Blue Collar	6	2.1	3.2	0	7.8
Student	2	0.0	0.0	0	0.0
Total	1,652	61.4	215.1	0	5,419.1

Political selection

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Economic incentives: wage

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Economic incentives: outside income

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Institutions and social norms

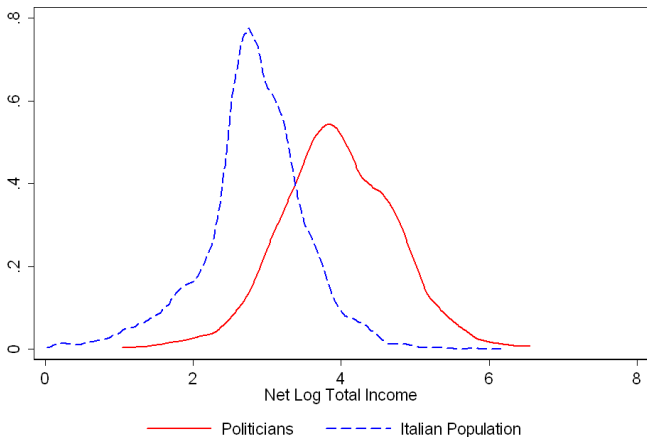
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## Absenteeism rate by previous job

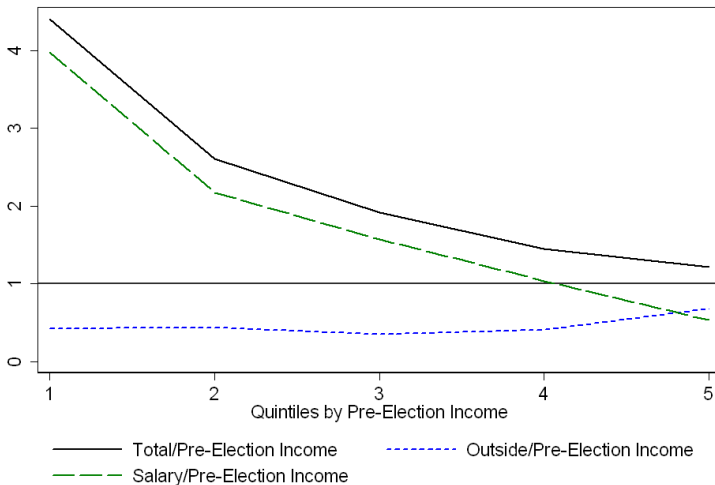
	Obs.	Mean	St. Dev.	Min.	Max.
Army Officer	10	0.39	0.30	0.02	0.83
Lawyer	230	0.37	0.27	0.00	0.99
Professor	157	0.37	0.29	0.01	0.91
Journalist	126	0.36	0.24	0.00	0.96
Magistrate	40	0.36	0.27	0.03	0.87
Bureaucrat	107	0.35	0.29	0.01	0.95
Entrepreneur	163	0.34	0.28	0.00	0.97
Manager	141	0.34	0.27	0.00	0.90
Union Representative	36	0.33	0.31	0.01	0.86
Self Employed	152	0.32	0.26	0.00	0.96
Physician	127	0.32	0.26	0.00	0.95
Political Party Official	114	0.27	0.26	0.00	0.98
White Collar	70	0.27	0.24	0.00	0.86
Teacher	147	0.27	0.26	0.01	0.99
Blue Collar	6	0.23	0.29	0.02	0.79
Student	1	0.23	0.00	0.23	0.23
Total	1,627	0.33	0.27	0.00	0.99

## Pre-election income: politicians vs. Italian population

Lawyers, managers, entrepreneurs, white collars, and self-employed only.  
Age 25-65. Italian pop. raised by 30% for under reporting.



### Pecuniary-gain ratios by pre-election income quintiles



**Other outside opportunities: post-congressional returns**

Outside income (when in office) is not the only way market returns affect the decision to become (or remain) a politician.

In the previous model, if outside income were replaced by (discounted) post-congressional earnings, the same propositions on selection would hold.

That on shirking, however, would vanish (or it would be inverted, if future private earnings depended on the visibility when in office).

Diermeier, Keane, and Merlo (2005) estimate a dynamic structural model of the career decisions of US congressmen. They find that congressional experience significantly increases post-congressional wages in the market.

## The economic value of a seat in Parliament

Because of a data restriction (no information on losing candidates), Diermeier, Keane, and Merlo (2005) only estimate the economic value of serving for additional terms (conditional on being elected for a first term).

Eggers and Hainmueller (2009) estimate the wealth value (at death) of serving in Parliament.

- They use matching and RDD with data on British politicians.
- Serving in Parliament roughly doubled the wealth of Conservatives.
- They argue that Conservatives used their political positions to obtain outside work as directors, consultants, and lobbyists, both while in office and after retirement.



## The role of institutions

Of course, politicians' remuneration or the regulation of outside income are not the only policy choices that influence political selection.

Institutions are crucial in shaping the average quality of politicians:

- political parties,
- electoral rule,
- government structure,
- size of government,
- degree of political competition.

## The electoral rule (1)

So far, focus has been on the impact of electoral rules on politicians' incentives and behaviors. This topic will be our next focus...

Hypotheses (just to get preliminary idea):

- ① The majoritarian system (MS) produces more targeted redistribution and less public goods (Persson and Tabellini, 1999; Lizzeri and Persico, 2001; Milesi-Ferretti, Perotti, and Rostagno, 2002).
- ② And it is associated with lower politicians' rents (Persson and Tabellini, 1999; 2000).

Gagliarducci, Nannicini, and Naticchioni (2011) use micro data on dual candidates in the Italian two-tier system and find that the MS increases geographically targeted policies and shirking.

## The electoral rule (2)

The last results compare majoritarian with proportional elections controlling for self-selection. But what is the effect of the electoral rule on political selection?

From a theoretical point of view, Iaryczower and Mattozzi (2008) show that the quality of candidates is always at least as high in majoritarian electoral systems as in proportional electoral systems.

Lack of empirical evidence on this issue. Galasso and Nannicini (2013) compare politicians elected in the majoritarian vs. proportional tier of a mixed system.

## Patterns of selection in the Italian two-tier system

	Proportional	Majoritarian	Difference	-diff95%	+diff95%
Male	0.756	0.914	-0.158	-0.194	-0.122
Married	0.652	0.756	-0.104	-0.154	-0.054
Age	48.566	48.248	0.318	-0.769	1.405
Schooling	16.102	15.976	0.125	-0.143	0.393
Different Residency	0.094	0.033	0.061	0.037	0.085
Local Govt. Exp.	0.431	0.564	-0.133	-0.188	-0.077
National Politician	0.274	0.207	0.067	0.020	0.114
Freshman	0.776	0.728	-0.048	-0.096	0.000
Incumbent	0.400	0.365	-0.034	-0.090	0.020
Switching	0.299	0.101	0.198	0.160	0.237
Center-Right	0.383	0.405	-0.021	-0.077	0.034
Parl. Appointments	0.089	0.074	0.015	-0.015	0.045
White Collar	0.051	0.051	0.000	-0.025	0.025
Lawyer	0.119	0.135	-0.016	-0.054	0.023
Manager	0.145	0.137	0.008	-0.032	0.047
Politician	0.201	0.162	0.039	-0.004	0.081
Entrepreneur	0.086	0.100	-0.013	-0.047	0.020
Teacher	0.109	0.090	0.019	-0.014	0.052
Self Employed	0.071	0.111	-0.040	-0.074	-0.006
Physician	0.053	0.090	-0.036	-0.067	-0.006

## Political parties and competition

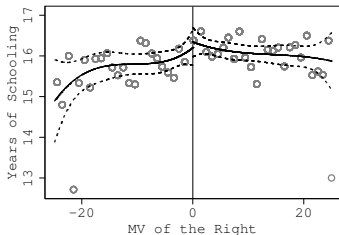
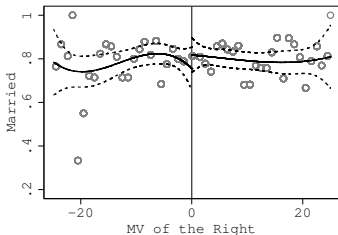
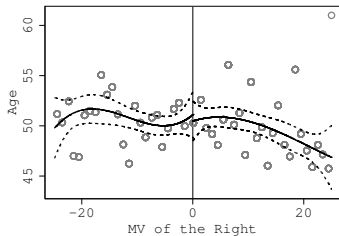
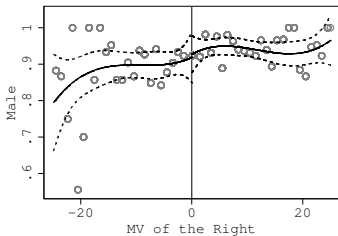
The impact of the electoral rule on political selection, however, is not independent of other factors, such as the party system or the degree of political competition.

If voters care about competence but parties want to elect loyalists, the average quality depends on competitive constraints (*swing voters*).

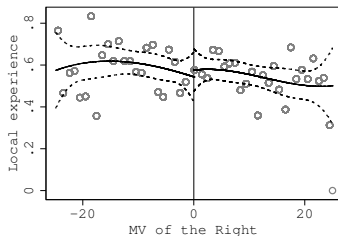
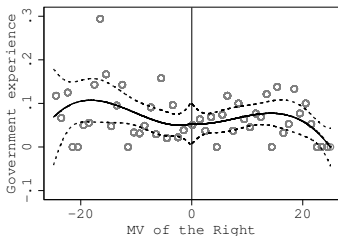
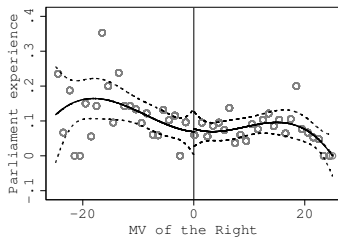
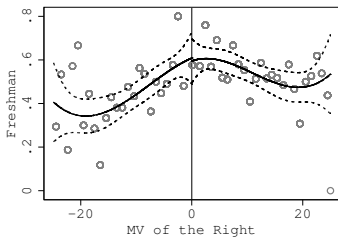
Galasso and Nannicini (2011) find that Italian parties choose as candidates in swing districts:

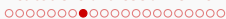
- more educated individuals,
- politicians with higher pre-election income,
- politicians with greater experience in local governments,
- less party employees.

## Convergence of demographic characteristics

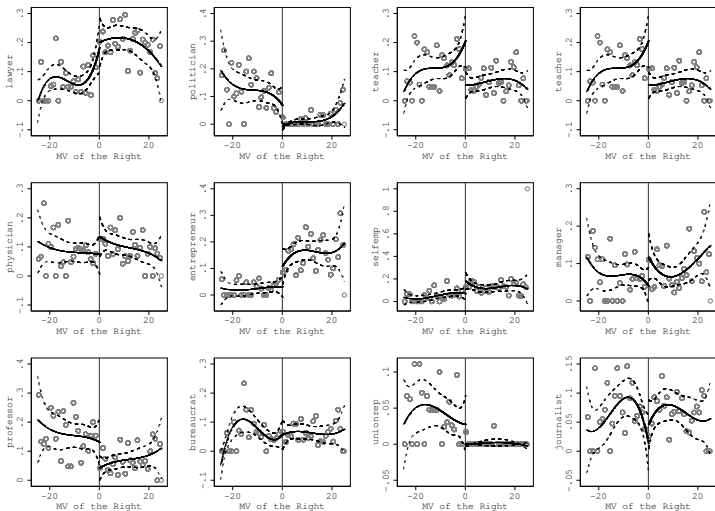


## Convergence of political experience





## Convergence of professional experience





Cooter (2003) interprets elections as “filters” to screen high-quality politicians.

From this perspective, voters can filter politicians better for character in a federal system with majoritarian elections than in a unitary system with proportional representation.

Assumption: political elites do not know better than voters.

## Social norms

As pointed out by **Edward Banfield** (1958):

*“In a society of amoral familists there will be few checks on officials, for checking on officials will be the business of other officials only.”*

*“The amoral familist who is an office-holder will take bribes when he can get away with it. But whether he takes bribes or not, it will be assumed by the society of amoral familists that he does.”*

Nannicini, Stella, Tabellini, and Troiano (2013) show that Italian electoral districts with higher social capital (blood donations) are more likely to punish misbehaving politicians in the next election. Misbehaviors:

- criminal prosecution;
- absenteeism rate.

## First Republic: The impact of voters' social capital on (broad) malfeasance

Dependent variable: RAP		
	(1)	(2)
<b>Social capital of election</b>	-0.017*** [0.006]	-0.010** [0.005]
<b>Newspapers</b>		-0.008*** [0.000]
<i>Obs.</i>	5,849	5,849

- ⇒ Probit estimations, marginal effects
- ⇒ We also control for individual characteristics
- ⇒ And for district-specific income & education plus fixed effects for macro-regions

## First Republic: The impact of voters' social capital on (serious) malfeasance

	Dependent variable: Serious RAP	
	(1)	(2)
<b>Social capital of election</b>	-0.004*** [0.001]	-0.001 [0.001]
<b>Newspapers</b>		-0.003*** [0.001]
<i>Obs.</i>	5,849	5,849

- ⇒ Probit estimations, marginal effects
- ⇒ We also control for individual characteristics
- ⇒ And for district-specific income & education plus fixed effects for macro-regions

## Second Republic: The impact of social capital on shirking (majoritarian MPs)

	Dependent variable: absenteeism	
	(1)	(2)
<b>Social capital of election</b>	-0.022*** [0.005]	-0.024*** [0.004]
<b>Newspapers</b>		-0.008*** [0.003]
<i>Obs.</i>	1,214	1,214

- ⇒ OLS estimations
- ⇒ We also control for individual characteristics
- ⇒ And for district-specific income & education plus fixed effects for macro-regions

## To get an idea

From lowest to *average* social capital ⇒

- -20% RAP
- -9% serious RAP
- -17% absenteeism

From lowest to *highest* social capital ⇒

- -75% RAP
- -35% serious RAP
- -64% absenteeism

## Second Republic: The impact of social capital on shirking (proportional MPs)

	Dependent variable: absenteeism	
	(1)	(2)
<b>Social capital of election</b>	-0.007 [0.006]	-0.010 [0.006]
<b>Newspapers</b>		-0.003 [0.004]
<i>Obs.</i>	595	595

- ⇒ OLS estimations
- ⇒ We also control for individual characteristics
- ⇒ And for district-specific income & education plus fixed effects for macro-regions

## First Republic: The impact of social capital on the electoral punishment of (broad) malfeasance

Dependent variable: difference in log votes				
	Above mean SC (1)	Below mean SC (2)	Above mean SC (3)	Below mean SC (4)
<b>RAP</b>	-0.108**	-0.019	-0.116*	-0.035
	[0.037]	[0.025]	[0.060]	[0.044]
<b>Individual FE</b>	No	No	Yes	Yes
<b>District FE</b>	Yes	Yes	Yes	Yes
<i>Wald test p-value</i>	<i>0.025</i>		<i>0.226</i>	
<i>Obs.</i>	1,645	2,268	1,645	2,268

⇒ OLS estimations

⇒ We also control for individual characteristics



## First Republic: The impact of social capital on the punishment of (serious) malfeasance

Dependent variable: difference in log votes				
	Above mean SC (1)	Below mean SC (2)	Above mean SC (3)	Below mean SC (4)
<b>Serious RAP</b>	-0.139** [0.056]	0.042 [0.035]	-0.247** [0.072]	-0.005 [0.052]
<b>Individual FE</b>	No	No	Yes	Yes
<b>District FE</b>	Yes	Yes	Yes	Yes
<i>Wald test p-value</i>	<i>0.003</i>		<i>0.004</i>	
<i>Obs.</i>	1,645	2,268	1,645	1,268

⇒ OLS estimations

⇒ We also control for individual and district characteristics

## Second Republic: The impact of social capital on the electoral punishment of shirking (majoritarian MPs)

	Dependent variable: reelected same district			
	Above mean SC (1)	Below mean SC (2)	Above mean SC (3)	Below mean SC (4)
<b>Absenteeism</b>	-0.558***	0.131	-0.410	-0.669*
	[0.123]	[0.098]	[0.588]	[0.383]
<b>Individual FE</b>	No	No	Yes	Yes
<b>Province of election FE</b>	Yes	Yes	Yes	Yes
<i>Wald test p-value</i>	0.014		0.205	
<i>Obs.</i>	616	598	616	598

⇒ Probit estimations

⇒ We also control for individual characteristics

## To get an idea

*Marginal* electoral punishment for receiving a RAP:

- Average social capital  $\Rightarrow$  -21%
- Highest social capital  $\Rightarrow$  -28%

*Marginal* electoral punishment for receiving a serious RAP:

- Average social capital  $\Rightarrow$  -9%
- Highest social capital  $\Rightarrow$  -56%

*Marginal* electoral punishment for absenteeism (s.d.):

- Average social capital  $\Rightarrow$  -2%
- Highest social capital  $\Rightarrow$  -70%

## Second Republic: The impact of social capital on the electoral punishment of shirking (proportional MPs)

Dependent variable: reelected same district				
	Above mean SC (1)	Below mean SC (2)	Above mean SC (3)	Below mean SC (4)
<b>Absenteeism rate</b>	0.314*** [0.102]	0.428*** [0.104]	0.339 [0.361]	0.016 [0.597]
<b>Individual FE</b>	No	No	Yes	Yes
<b>Province of election FE</b>	Yes	Yes	Yes	Yes
<i>Wald test p-value</i>	0.958		0.690	
<i>Obs.</i>	310	285	310	285

⇒ Probit estimations

⇒ We also control for individual characteristics

Negative impact of social capital of voters on **misbehavior** by politicians and on **electoral punishment** for misbehavior

Possible *interaction* between **institutions** and social capital, as we find no effect under (closed-list) proportional representation

Robust to *alternative indicators* of social capital: referendum turnout, non-profit organizations

**Banfield and Tocqueville were right**: Social capital so helpful because it improves political accountability