Political selection

Davide Cipullo
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Università Cattolica del Sacro Cuore

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▶ We now turn to studying the individual characteristics of political leaders that matter for their selection into office; their alignment with the voters' preferences; and their survival in power

▶ We leave aside elections as a tool in the hand of voters to choose the policy set they prefer, and instead ask:

    ▶ How do elections help voters to select the *best* individuals into a political office?

    ▶ How do elections induce politicians to well behave during their period in office?

Do better paid politicians perform better? Disentangling incentives from selection (Gagliarducci and Nannicini – 2013, JEEA)

Introduction

- ▶ We might expect that raising politicians' wage might increase their performance once in office through an **incentive effect** and a **selection effect**
  - ▶ Selection effect: the political career becomes more attractive to better quality individuals
  - ▶ Incentive effect: the cost of losing the next election increases and the incumbent politician exerts more effort to avoid being unseated

Do better paid politicians perform better? Disentangling incentives from selection (Gagliarducci and Nannicini – 2013, JEEA)

Introduction

- ▶ Several empirical challenges
  - (1) The decision to raise/reduce wage is endogenous to the incumbent politician's quality and expectation about future election results
  - (2) Separating the selection and the incentive components of a wage increase is often **unfeasible in practice** and researchers are forced to limit themselves to suggestive evidence
- ▶ Solutions
  - (1) Exploit an exogenous **wage increase due to a population threshold**
  - (2) Exploit the presence of **term limits** (incumbents cannot run for a third consecutive term)

Do better paid politicians perform better? Disentangling incentives from selection (Gagliarducci and Nannicini – 2013, JEEA)

Background

TABLE 1. Legislative thresholds for Italian municipalities.

Population	Wage Mayor	Wage Ex. Com.	Fee Council	Ex. Com. Size	Council Size	Electoral Rule	Neighbor. Councils	Hospital/ Health
Below 1,000	1,291	15%	18	4	12	single	no	no/no
1,000–3,000	1,446	20%	18	4	12	single	no	no/no
3,000–5,000	2,169	20%	18	4	16	single	no	no/no
5,000–10,000	2,789	50%	18	4	16	single	no	no/no
10,000–15,000	3,099	55%	22	6	20	single	no	no/no
15,000–20,000	3,099	55%	22	6	20	runoff	no	no/no
20,000–30,000	3,099	55%	22	6	20	runoff	no	yes/no
30,000–50,000	3,460	55%	36	6	30	runoff	allowed	yes/no
50,000–60,000	4,132	75%	36	6	30	runoff	allowed	yes/no
60,000–100,000	4,132	75%	36	6	30	runoff	allowed	yes/yes
100,000–250,000	5,010	75%	36	10	40	runoff	yes	yes/yes
250,000–500,000	5,784	75%	36	12	46	runoff	yes	yes/yes
Above 500,000	7,798	75%	36	14-16	50-60	runoff	yes	yes/yes

Do better paid politicians perform better? Disentangling incentives from selection (Gagliarducci and Nannicini – 2013, JEEA)

RD effect on selection of crossing 5,000 residents

TABLE 3. Candidates and mayor selection, RDD estimates.

Population	Female	Age	Years school	Not employed	Entrepreneurs	White collar	Blue collar
				All candidates			
Effect	0.005	−0.903	0.905***	−0.025	−0.037	0.082**	−0.018
	(0.018)	(0.587)	(0.279)	(0.025)	(0.028)	(0.039)	(0.025)
Δ	1,300	1,700	900	900	1,700	1,300	1,400
Obs.	4,805	6,405	3,295	3,295	6,405	4,805	5,191
				Mayors			
Effect	−0.014	−0.847	0.879**	−0.007	−0.023	0.074	−0.035
	(0.022)	(0.822)	(0.346)	(0.033)	(0.046)	(0.046)	(0.035)
Δ	1,700	1,700	1,100	1,000	1,400	1,700	1,400
Obs.	2,971	2,971	1,905	1,738	2,396	2,971	2,396

Do better paid politicians perform better? Disentangling incentives from selection (Gagliarducci and Nannicini – 2013, JEEA)

RD effect on fiscal policy

TABLE 4. Budget components per capita, RDD estimates.

	Deficit	Expenditure				Revenues			
		Total	Investments	Personnel and debt	Goods and services	Total	Transfers	Taxes	Tariffs
A. *Overall* (no term limit)	−2.121	−165.318**	−65.748*	−14.011	−86.455***	−223.187***	−17.272	−23.355	−121.854***
	(8.041)	(65.940)	(38.315)	(14.502)	(25.596)	(67.977)	(65.748)	(15.722)	(42.225)
B. *Composition* (term limit)	4.635	−202.773***	−65.631	−23.398	−95.301***	−243.303***	−46.472	−47.406**	−116.855***
	(4.859)	(65.834)	(42.787)	(19.497)	(22.781)	(81.588)	(53.795)	(19.882)	(44.992)
C. *Re-election* (A − B)	−6.755	37.455	−0.117	9.388	8.846	20.116	29.200	7.155	−4.999
	(8.478)	(54.759)	(36.776)	(16.300)	(15.357)	(50.558)	(63.103)	(8.787)	(19.529)
Δ	1,300	1,500	1,700	1,400	1,500	1,000	1,400	1,700	1,100
Obs.	880	1,016	1,168	950	1,016	696	950	758	758

- ▶ Caveat: is a mayor in her second term in office equal to herself during the previous term, apart from re-election incentives?
- ▶ Caveat: is it really the case that a term-limited mayor does not have any stakes in the next election?

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

▶ Selection of politicians is key in democracy. In principle, it could be optimal to reward two alternative types of politicians

▶ Competent politicians are more likely to achieve

▶ Politicians selected as members of representative grups can better balance different interests and might have better information about the needs of one group

▶ Is it possible to combine competence and representation?

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

- ▶ This paper has revolutioned the amount of knowledge we have about politicians, at least for three reasons:
  - ▶ Previous studies were only focusing on elected politicians (selected sample)
  - ▶ Previous studies used to proxy for ability using education (educ. may reflect also luck or social class)
  - ▶ Previous studies never compared the population of politicians with the full population or other elite groups
- ▶ Solution: rely on data about Sweden, which are extremely rich. All swedish municipal and parliamentary politicians since 1982

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

▶ For the general SE population; for all candidates; all elected politicians at local and national level, the authors measure:
  ▶ Cognitive score (scale 1–9) from IQ-test of innate mental ability (for all the enlisted in the military)
  ▶ Leadership score (if enlisted & cognitive score ≥ 5) also on scale 1–9
  ▶ Earning power as estimated using a fully saturated Mincer equation
    ▶ Estimate income as function of cohort, industry, education, experience, town, gender plus interactions and take the residuals

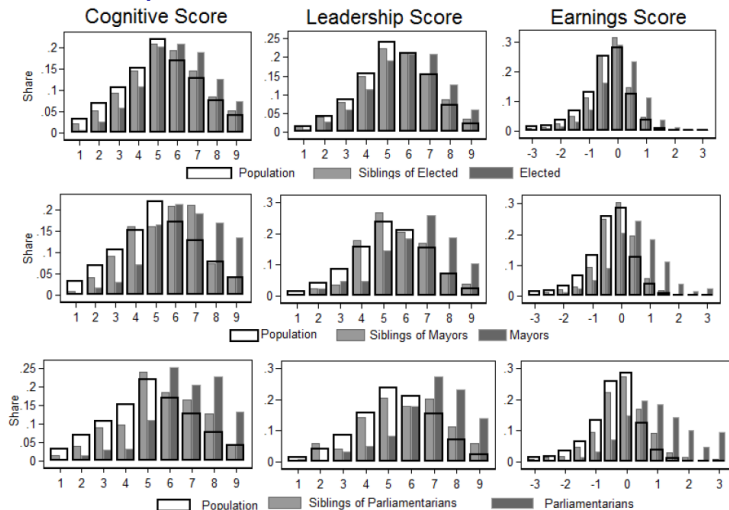# Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)
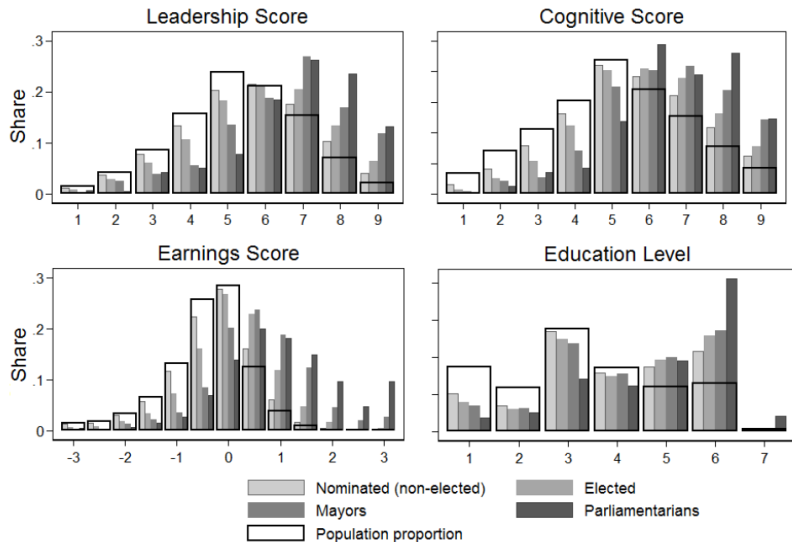
Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

	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

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

▶ The authors also ask whether the selection of individuals into politics appears to be merit-based or instead reflects "elitism"

▶ To do so, they compare the cognitive score, the leadership score, and the earnings score of elected politicians with those of their siblings (i.e., their brothers/sisters)

    ▶ Idea: social-family background is the same for siblings

▶ Selection of high-quality individuals into political office may reflect elitism if **both** politicians and their siblings are on average of better quality than the general population. It would instead reflect meritocracy if politicians are of better quality traits than their siblings
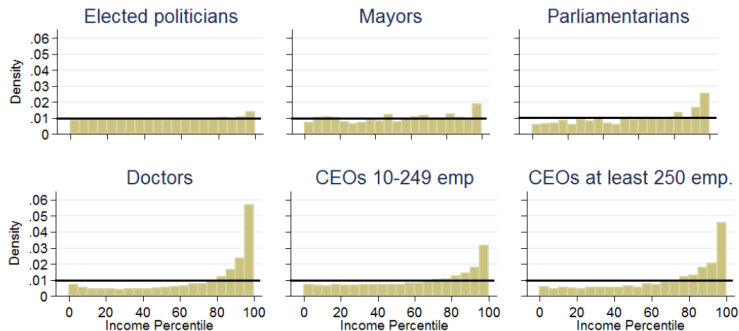
# Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

▶ Another way to look at this angle is to study to which extent parental background correlates with the probability of becoming an elected politician

▶ To do so, the authors look at the distribution of elected politicians by the income percentile of their father, and compare with how analogous distributions look for other high-income/high-prestige professions

Who becomes a politician? (Dal Bo, Finan, Folke, Persson, Rickne – 2017 QJE)

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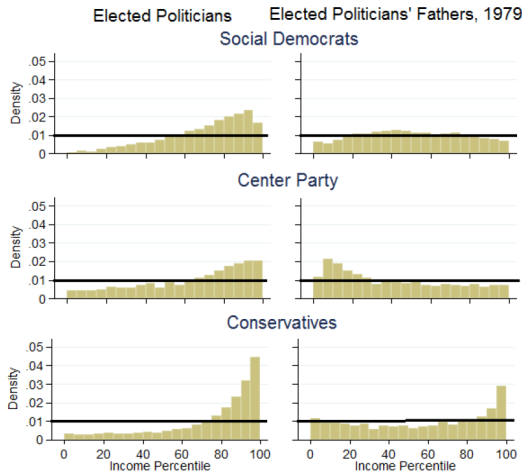
Political Fragmentation and Government Stability. Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

▶ Political fragmentation has historically been widely associated with government (in)stability

▶ Examples abound: think of the Weimar Republic in Germany; the First Republic in Italy; the very recent years in IT, ES

▶ However, it is not necessarily the case that the relationship between fragmentation and stability is causal

  ▶ Other factors may drive both fragmentation and lack of stability

  ▶ Instability may itself cause fragmentation

Political Fragmentation and Government Stability. Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

- ▶ The key empirical challenge is related with finding a suitable instrument for political fragmentation
    - ▶ **Political fragmentation**: number of parties represented in Parliament
- ▶ Solution: a common feature of proportional-representation voting systems is the presence of a minimum vote share threshold which is required to enter parliament
    - ▶ For instance, parties need to receive at least 3% of the votes in IT national elections to be part of the seat allocation distribution
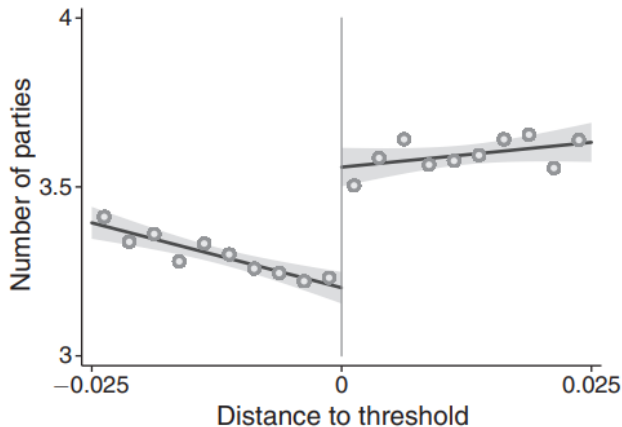
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- ▶ Another empirical issue is that instability events are common, but not enough for doing careful econometric analysis
- ▶ Solution: look at local-level politics. Out of several thousands of units, there should have been enough events of instability
- ▶ The focus of this paper is on municipalities in Spain (1979–2011)
  - ▶ PR system with 5% entry threshold
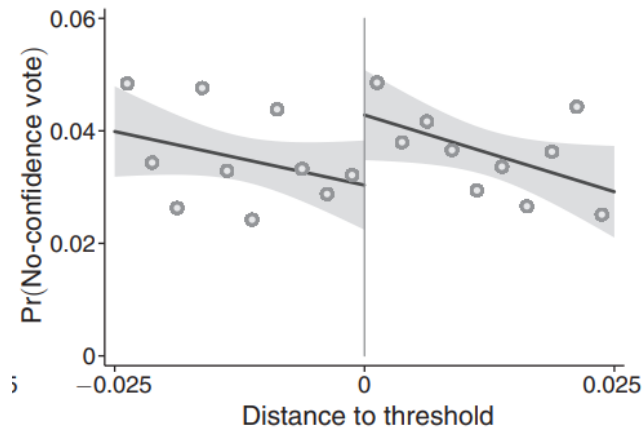 - ▶ ≈ 50,000 elections; 1,000 cases of no-confidence vote against the incumbent government

Political fragmentation and Government Stability: Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

- In each municipality, whether the party whose share of votes is closest to 5 percent scores just above or just below should be *as good as random*
  - Think of receiving 4.9% of the votes compared to receiving 5.1%
- The only difference is that if the party receives 4.9 percent, the party will remain out from the council; if it receives 5.1 it (may) enter the council
  - If the party crosses the threshold and receives a seat, the number of parties represented in the municipality council increases by one unit
- This is a fuzzy-regression discontinuity design since crossing the threshold does not necessarily imply that a party will have representation

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TABLE 2—REDUCED-FORM AND 2SLS ESTIMATES: FRAGMENTATION AND STABILITY

	Mayor unseated			
	(1)	(2)	(3)	(4)
Panel A. Reduced-form results				
Above threshold	0.013	0.013	0.013	0.013
	(0.006)	(0.006)	(0.006)	(0.006)
Mean of dependent variables	0.036	0.036	0.036	0.036
Bandwidth	0.017	0.017	0.017	0.017
Observations	11,293	11,109	11,293	11,109
Panel B. 2SLS results				
Number of parties	0.053	0.049	0.052	0.052
	(0.026)	(0.024)	(0.024)	(0.025)
Mean of dependable variable	0.036	0.036	0.036	0.036
Bandwidth	0.017	0.017	0.017	0.017
Observations	11,293	11,109	11,293	11,109
Fixed effects	No	No	Yes	Yes
Controls	No	Yes	No	Yes

Notes: Reduced-form and 2SLS estimates of the effect of the number of parties on the probability of unseating the mayor (equation (2)). The dependent variable is an indicator taking value 1 if the mayor was unseated by a no-confidence vote during the legislature. Controls and fixed effects are included as indicated in each column. Controls: surface area and population (in logs). Fixed effects: number of available seats and year fixed effects. The optimal bandwidth is calculated using the CCT method. Standard errors are clustered at the municipality level.

Political fragmentation and Government Stability: Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

▶ The entry of an additional party should affect the stability of the local government only when it modifies the **coalition formation game**
  ▶ The entry of an additional party reduces the probability that the most voted party has a single-party majority
  ▶ Buying the support of the smallest party is cheap, but it is risky because the party can join another coalition in the future

▶ Testing the first mechanism is easy. Testing the second is problematic
  ▶ One would need to document that there is an effect in the subsample of observations where the largest party does not have a single-party majority
  ▶ **Endogenous sample selection based on an outcome**

Political fragmentation and Government Stability: Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

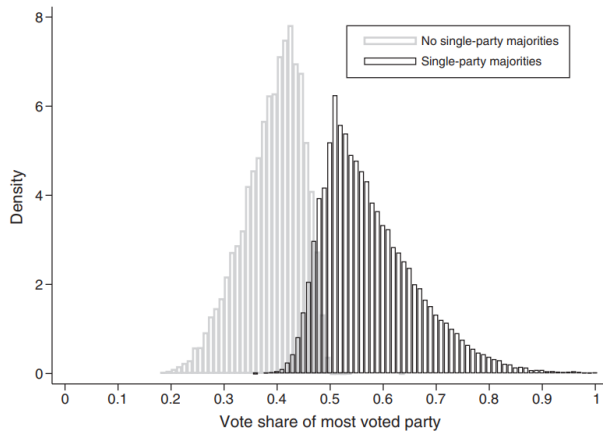**2SLS Estimates - Fragmentation and Single-Party Majorities**

	(1) P(Majority)	(2) P(Majority)	(3) P(Majority)	(4) P(Majority)
N. Parties	-0.092	-0.118	-0.101	-0.118
	(0.064)	(0.058)	(0.059)	(0.061)
Mean of dep.var	0.628	0.628	0.628	0.628
Bandwidth	0.018	0.018	0.018	0.018
Obs.	11540	11353	11540	11353
Fixed Effects	N	N	Y	Y
Controls	N	Y	N	Y

Notes: 2SLS estimates of the effect of number of parties on the probability that the largest party has the absolute majority of seats. The dependent variable is an indicator taking value 1 if one party has strictly more than half of the seats in the municipality council. Controls and FE are included as indicated in each column. Controls: surface and population (in logs). FE: number of available seats and year fixed effects. The optimal bandwidth is calculated using the CCT method. Standard errors are clustered at the municipality level.

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▶ To test the second mechanism, it is necessary to find a way to identify variation in whether a party has a Single-party majority or not that is independent on whether another party crosses the 5% threshold or not

▶ Solution: if the party that receives the largest number of votes is *sufficiently weak*, then it will never obtain a single-party majority

▶ If instead the party receiving the largest number of votes is very strong, then it will always obtain a single-party majority

▶ **Fragmentation can impact the probability of a single-party majority only when the support received by the largest party is *intermediate***

Political fragmentation and Government Stability: Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

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TABLE 3—REDUCED-FORM AND 2SLS ESTIMATES: ELECTIONS
WITH NO PARTY WITH MORE THAN 40 PERCENT OF VOTES

	Mayor unseated			
	(1)	(2)	(3)	(4)
Panel A. Reduced-form results (vote share of top party < 0.4)				
Above threshold	0.057	0.054	0.054	0.052
	(0.025)	(0.025)	(0.024)	(0.025)
Mean of dependent variable	0.098	0.098	0.098	0.098
Bandwidth	0.017	0.017	0.017	0.017
Observations	2,512	2,485	2,512	2,485
Panel B. 2SLS results (vote share of top party < 0.4)				
Number of parties	0.177	0.184	0.159	0.165
	(0.091)	(0.098)	(0.080)	(0.089)
Mean of dependent variable	0.098	0.098	0.098	0.098
Bandwidth	0.017	0.017	0.017	0.017
Observations	2,512	2,485	2,512	2,485
Fixed effects	No	No	Yes	Yes
Controls	No	Yes	No	Yes

Notes: Reduced-form and 2SLS estimates of the effect of the number of parties on the probability of unseating the mayor (equation (2)). Sample restricted to elections in which the largest party receives less than 40 percent of valid votes. The dependent variable is an indicator taking value 1 if the mayor was unseated by a no-confidence vote during the legislature. Controls and fixed effects are included as indicated in each column. Controls: surface and population (in logs). Fixed effects: number of available seats and election year fixed effects. The optimal bandwidth is calculated using the CCT method. Standard errors are clustered at the municipality level.

Political fragmentation and Government Stability: Evidence from Local Governments in Spain (Carozzi, Cipullo, Repetto – 2022 AEJ: Applied Econ)

- ▶ The results also inform on how voting systems can be adapted if we want to limit government instability

- ▶ For instance, moving the entry threshold from 5% to 6% would reduce the number of parties that are admitted to the council and, in turn, reduce the probability that the council unseats the local government

- ▶ Trade-off between stability and representation

- ▶ Of course, whether it is desirable to achieve more stability at the expenses of representation is an open question

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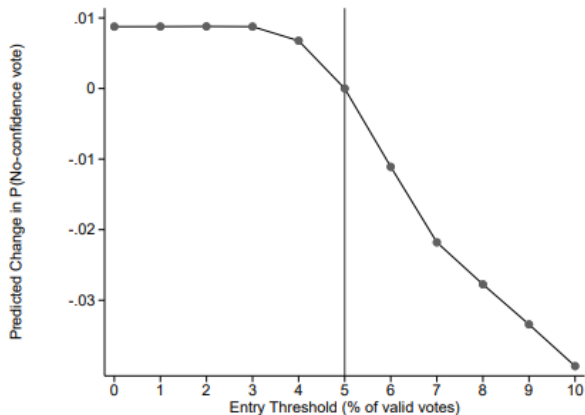
Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)

- ▶ In parliamentary democracies, the head of government is chosen by the legislature
- ▶ The most voted party proposes a coalition and if this coalition finds support, a government is formed
- ▶ The stability of the resulting government is linked to the fate of the majority that supports it
- ▶ However, governments do not act in isolation, and external factors affect their fate
  - ▶ Think of Italy: Savona was not nominated as ministry for the economy by Mattarella, who later appointed Draghi as the PM

Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)

- ▶ This paper studies whether political alignment affects i) government formation; ii) government stability; iii) future electoral outcomes
- ▶ Setting: Spanish local governments (analogous to Curto-Grau, Solé-Ollé, and Sorribas-Navarro (2018)
- ▶ Empirical strategy: close-election regression discontinuity design

Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)
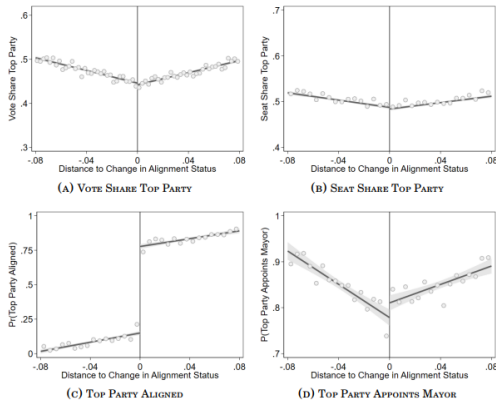
▶ Many features are common with the 2018 paper we studied in the previous set of slides

▶ The main difference is that this paper does not use alignment of the council as the instrument for the alignment of the mayor, since one of the focus is exactly on the selection of the mayor

▶ We perform, instead, a sharp regression discontinuity design as interested in the behavior of aligned (as compared to not aligned) council majority

Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)

- ▶ A number of dependent variables of interest:
    - ▶ Prob. that the most voted party appoints the mayor
    - ▶ Prob. that the second-largest party appoints the mayor
    - ▶ Prob. that the mayor is unseated during the term
    - ▶ Vote share in next election
- ▶ Also leverage another important piece of information: alignment should only matter if none of the parties have a single-party majority. Otherwise, the most voted party always appoints one of its members as the mayor

Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)


FIGURE 1
ALIGNMENT AND GOVERNMENT FORMATION – REDUCED-FORM PLOTS

(A) VOTE SHARE TOP PARTY

(B) SEAT SHARE TOP PARTY

(C) TOP PARTY ALIGNED

(D) TOP PARTY APPOINTS MAYOR

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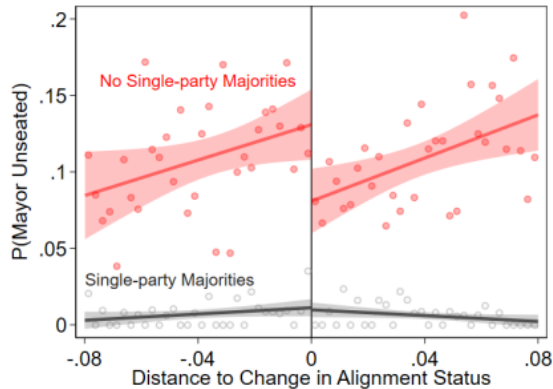
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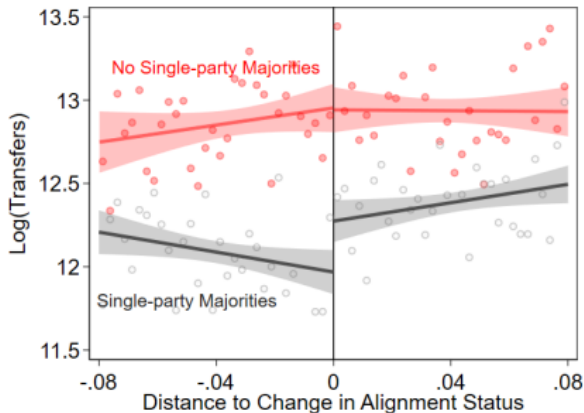
Powers that be? Political alignment, government formation, and government stability (Carozzi, Cipullo, Repetto – 2024 JPubE)

	(1)	(2)
Panel A. Full Sample		
	Top Party Vote Share (t+1)	Runner-up Party Vote Share(t+1)
Aligned Council	0.016***	-0.023***
	(0.005)	(0.005)
Robust 95% c.i.	[0.004; 0.026]	[-0.034; -0.011]
Bandwidth	0.077	0.080
Mean dep. var.	0.462	0.377
Observations	10627	10967
Panel B. No Single-party majority		
	Top Party Vote Share (t+1)	Runner-up Party Vote Share (t+1)
Aligned Council	0.012	-0.028***
	(0.008)	(0.009)
Robust 95% c.i.	[-0.007; 0.029]	[-0.048; -0.009]
Bandwidth	0.053	0.051
Mean dep. var.	0.457	0.384
Observations	3325	3269
Panel C. Single-party majority		
	Top Party Vote Share (t+1)	Runner-up Party Vote Share (t+1)
Aligned Council	0.020***	-0.019***
	(0.007)	(0.006)
Robust 95% c.i.	[0.003; 0.033]	[-0.033; -0.004]
Bandwidth	0.072	0.090
Mean dep. var.	0.461	0.374
Observations	5816	7449