



ELSEVIER

Contents lists available at ScienceDirect

European Economic Review

journal homepage: www.elsevier.com/locate/eer

Distributional consequences of political representation

Nicola Maaser^{a,*}, Thomas Stratmann^b^a SOCIUM Economics Department, University of Bremen, Mary-Somerville-Str. 5, 28359 Bremen, Germany^b Department of Economics, George Mason University, 1D3 Carow Hall, Fairfax, VA 22030, USA

ARTICLE INFO

Article history:

Received 11 June 2014

Accepted 14 November 2015

Available online 25 December 2015

Keywords:

Representation

Redistribution

Vote-buying

Transfers

Comparative political economy

ABSTRACT

We investigate, both theoretically and empirically, the effect of the geographic concentration of representatives on the geographic distribution of fiscal transfers. Our theoretical model predicts that more representatives residing in a geographic area leads to higher government funds to that area. Our empirical analysis uses the fact that in Germany, due to Germany's electoral rules in state elections, the number of representatives varies across electoral districts. Controlling for various socio-economic, demographic, and political variables and using a variety of estimation methods, we find that districts with a greater number of representatives receive more government funds.

© 2015 Elsevier B.V. All rights reserved.

1. Introduction

Does asymmetric legislative representation of citizens translate into an asymmetric allocation of government funds? The concern not to get their “fair share” of public resources motivates many struggles for greater representation, for example, by minority groups, groups challenging legislatures' apportionment, and the heads of governments of the European Union's member states when they decide on voting rules. The consequences of asymmetric legislative representation also feature prominently in recent work on the political economy of fiscal policy (e.g., Gibson et al., 2004; Knight, 2008; Rodden and Dragu, 2011).

An unanswered question in the literature is whether only the groups whose interests a legislator represents benefit from additional government funds or whether the specific area where the legislator resides can expect additional government funds. In the latter case, distribution of funds is divorced from representation, suggesting that legislators have more discretion in allocating funds than is traditionally modeled in voting models. In these models, legislators allocate funds to voters based on whether they are swing voters or supporters, but not based on the legislator's residency.

In this paper, we analyze the relationship between the geographical concentration of representatives and the distribution of funds in the context of a basically proportional electoral system that is used in German states. Our results demonstrate that geographic areas in which a greater number of legislators reside receive larger discretionary transfers. We also examine the importance of the governing party in distributive politics. Here, we find evidence that areas with more government party representatives receive larger state transfers.

Previous empirical evidence for the relevance of representational asymmetries for distributional outcomes has come exclusively from legislative bodies, which represent member states in federal structures, or from plurality rule systems with single-member districts. In contrast, this paper challenges the widespread assumption that proportional rule in unitary

* Corresponding author. Tel.: +49 421 218 58555; fax: +49 421 218 58624.

E-mail address: maaser@uni-bremen.de (N. Maaser).

states is inherently exclusive to geographically concentrated spending (Carey and Shugart, 1995; Milesi-Ferretti et al., 2002; Crisp et al., 2004; Ashworth and Bueno de Mesquita, 2006). This study thus contributes to an improved understanding of proportional representation, which is an important electoral mechanism in western continental Europe and beyond.

We develop a simple theoretical model of a legislative assembly whose leaders use their discretion over the geographical distribution of local public goods to build legislative coalitions. The model first assumes that legislative leaders introduce legislative proposals and second, that votes in the legislature are cast predominantly on ideological issues rather than on the geographical allocation of benefits. One of the model's contributions is that it demonstrates a link between the number of representatives from a geographic area and the amount of funds that area receives.

We then use the model to analyze the political economy of state transfers to distinct geographical areas, specifically to electoral districts, in German federal states ("Länder"). We study German states because their electoral system generates plausibly exogenous variation in the number of representatives from an electoral district. They thus provide a useful opportunity to identify the impact of differential geographical representation.

While the eventual strength of the parties in a German state parliament ("Landtag") is determined at-large according to the principle of party-list proportional representation, electoral districts serve to personalize the vote by allowing voters in each district to elect one candidate directly by plurality rule.¹ State constitutions and rulings by state constitutional courts stipulate that electoral districts be of roughly equal population size, and limit tolerable deviations from equal population size.² For example, in Bavaria, a district's population shall not deviate by more than 15% from the population in the average district.³

Yet, a district's representation in a state legislature is often not limited to its directly elected representative, but reinforced by party-list representatives who live in the electoral district and have an office where citizens can contact them. These representatives thus have ties to the district where they reside. Some of them are losers of the direct race in that district. However, they entered the legislature via the party list. They are often as well informed about the conditions and problems in their district as are directly elected legislators. District representation in this sense is considerably more variable than district representation by the directly elected members of the legislature.

We first analyze the cross-sectional relationship between the geographical distribution of representatives and the allocation of government transfer spending. Identification comes from the variations in the number of representatives with residency in the district. A concern with this empirical method might still be that common unobserved factors might result in a district having both a larger number of representatives and receiving more funds. To address this potential problem, we present an instrumental variable (IV) strategy, which is based on the institutional feature of leveling seats ("Ausgleichsmandate") in Germany's electoral system. This institutional feature implies that sometimes persons who are ranked low on a party list become member of parliament with the goal of restoring proportionality in the legislature according to the election vote totals. The allocation of these seats is unanticipated, and thus the presence of "surprise" representatives provides a plausible instrument for an electoral district having increased political representation. In addition, to address other concerns regarding omitted variable biases, we also use panel data methods. Together, these empirical strategies allow us to identify a causal link from political representation to the distribution of government funds.

The next section briefly summarizes the relevant literature. Section 3 contains information about fiscal transfers and the electoral system in German states. Section 4 introduces our theoretical model. We describe the data and our empirical models in Section 5 and present estimation results in Section 6. A final section concludes the paper.

2. Related literature

Various legislative bargaining models demonstrate a link between representation and redistribution (for example, Baron and Ferejohn, 1987, 1989; Snyder et al., 2005; Knight, 2008). These models show that a larger than proportional legislative representation increases a region's proposal power and that over-representation makes a region a more attractive coalitional partner for other regions.

Another approach is to model the distribution of discretionary government expenditures across districts as "legislative targeting". In these models the leaders in the legislature or party allocate funds to legislators with a view to optimizing legislative outcomes. We follow this modeling approach. Examples for such studies can be divided into those that emphasize pivotal legislators as the primary determinants of legislative outcomes (e.g., Krehbiel, 1998; King and Zeckhauser, 2003), and those that emphasize the importance of senior majority-party legislators (e.g., Cox and McCubbins, 2005).

Empirical studies on representation differences and redistribution have mostly considered democracies that are structured as federal unions (e.g., U.S. Senate, German Bundesrat, Council of the European Union), focusing on the

¹ We provide more details on electoral systems in German states in Section 3.2.

² District boundaries are drawn based on population size. Population size includes persons not entitled to vote, such as minors. Recent judicial decisions (2 BvC 3/11, January 31, 2012), however, require that close attention be paid to the number of eligible voters.

³ Population differences across electoral districts in our sample states are very similar to those of US congressional districts both in terms of the coefficient of variation – 0.09 in the US, and 0.11 on average in our sample – and the ratio between the smallest and the largest district – 2.22 in the US, and 1.68 on average in our sample. These numbers come from our own calculations and we base them on comparing the American Community Survey data with the most recent electoral period in our dataset.

Download English Version:

<https://daneshyari.com/en/article/5066609>

Download Persian Version:

<https://daneshyari.com/article/5066609>

[Daneshyari.com](https://daneshyari.com)