



# Outside earnings, absence, and activity: Evidence from German parliamentarians

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## ABSTRACT

We examine moonlighting by politicians in Germany. In July 2007, the German Supreme Court adjudicated that members of parliament (MPs) have to publish details of their outside earnings. Using panel data models, we investigate how outside earnings are correlated with absence rates and speeches; but they do suggest that outside earnings are somewhat negatively correlated with oral contributions, interpellations, and group initiatives. We propose that the results for Germany do not corroborate evidence on other countries such as Italy because party discipline, institutions, and political cultures differ across countries.

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## 1. Introduction

Some politicians acquire experience in private business before, during, and after being active in politics. Members of parliament (MPs) in Germany, for instance, are allowed to continue with the business activities that they were engaged in before entering politics. It is also conceivable that politicians use their prominence and networks to earn money by, for example, giving speeches. Politicians have to split their efforts between their obligations as an MP and their outside activities, generating a time trade-off. Earning outside income may thus influence how MPs fulfill their parliamentary responsibilities (which include, for example, attending plenary sessions in parliament, committee meetings, giving speeches in parliament, and offering consultation sessions for citizens).<sup>3</sup>

Outside earnings and parliamentary activity were a hot issue during the German election campaign of 2013. The Social Democrat Peer Steinbrück accumulated substantial outside earnings by giving speeches at corporate events, and commentators conjectured that such outside activities would negatively affect parliamentary effort. Steinbrück ran as a candidate for chancellor in the 2013 federal

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<sup>3</sup> Soule and Clarke (1970) and Hitlin and Jackson III (1977) examine amateurs and professionals in the 1968 Democratic national convention and the 1974 Democratic mid-term conference. Jones et al. (2002) describe how electoral rules in Argentina influence political careers. Mattozzi and Merlo (2008) investigate why career politicians and political careers exist.

election against the conservative incumbent Angela Merkel. Commentators agreed that Steinbrück's outside earnings were one of the reasons why the Social Democrats lost the election.

We investigate how outside earnings of German federal parliament (Bundestag) members were associated with absence and parliamentary activity over the 17th legislative period, 2009–2013. We focus on the 17th legislative period because the German Supreme Court adjudicated in 2007 that MPs have to publish their outside activities. There is no study that examines the nexus between outside earnings and parliamentary activity in Germany. In contrast to studies for other countries (e.g. [Gagliarducci et al., 2010](#) for Italy), we also use measures of parliamentary activity that go beyond the absence rate, namely speeches, oral contributions, interpellations, and group initiatives. We use a panel data set to control for MPs' unobserved ability. The results do not indicate that outside earnings are correlated with absence rates and speeches; but they do suggest that outside earnings are somewhat negatively correlated with oral contributions, interpellations, and group initiatives. We propose that the results for Germany do not corroborate evidence on other countries such as Italy because party discipline, institutions, and political cultures differ across countries.

## 2. Related studies

Moonlighting is expected to influence politicians' activities in parliament: when MPs pursue outside activities, they have less time to spend on pure parliamentary activities.<sup>4</sup> In Italy, outside earnings have been shown to increase absence from parliament using the pre-parliament incomes of freshmen politicians as an instrumental variable for outside earnings. High-ability citizens are, however, more likely to run for office when they are allowed to keep their outside earnings ([Gagliarducci et al., 2010](#)).<sup>5</sup> Allowing moonlighting may hence influence the selection of (high-ability) candidates into politics.

Two issues are likely to influence the quality of politicians: differences in opportunity costs induce low-quality candidates to run with higher probability than high-quality candidates (selection effect), and higher salaries for politicians improve politicians' performance due to an incentive effect ([Besley, 2004](#); [Caselli and Morelli, 2004](#); [Messner and Polborn, 2004](#)).<sup>6</sup> In Italy, higher wages have attracted more educated candidates ([Gagliarducci and Nannicini, 2013](#)). In Finland, higher salaries for politicians have increased the quality of female candidates, but not the quality of male candidates ([Kotakorpi and Poutvaara, 2011](#)).

Experts examine which determinants influence MPs' attendance and activities in parliament. In Italy, for example, MPs who have no political experience prior to entering parliament have been shown to attend votes less often when outside opportunities increase. MPs who do have political experience prior to entering parliament have not, by contrast, been found to attend votes less often when outside opportunities increase ([Fedele and Naticchioni, 2013](#)). MPs from governing parties were absent less often in parliament compared to MPs from opposition parties ([Gagliarducci et al., 2010](#); [Galasso and Nannicini, 2011](#)). MPs elected into parliament via the majoritarian tier were absent less often than MPs elected into parliament via the proportional tier ([Gagliarducci et al., 2011](#)). MPs who won the mandate in contestable districts were absent from parliament less often because parties allocated their best politicians to contestable districts (selection effect, see [Galasso and Nannicini, 2011](#)). German MPs who won the mandate in the 2009 election in contestable districts were also absent from parliament less often ([Bernecker, 2014](#)).<sup>7</sup> In the European parliament, increasing salaries have been shown to increase absence rates and to decrease the number of questions ([Mocan and Altindag, 2013](#)). [Fisman et al. \(2013\)](#), by contrast, do not find that salaries influenced attendance in the European parliament; legislative output, however, increased when MPs attended parliamentary meetings more frequently.<sup>8</sup>

How outside earnings influence absence from and activity in parliament remains as an empirical question.

## 3. Institutional background

### 3.1. Absence from recorded votes and activity in parliament

There are various voting procedures in the German Bundestag. We rely on the only voting procedure that reveals the voting behavior of each MP, namely recorded votes. 218 recorded votes took place between the beginning of the legislative period in 2009 and the end of the legislative period in 2013. We thus use absence rates in these recorded votes for each MP in each year of the legislative period.<sup>9</sup>

<sup>4</sup> For a survey on moonlighting by politicians, see [Geys and Mause \(2013\)](#). [Bender and Lott \(1996\)](#) review the literature on legislator voting and shirking.

<sup>5</sup> [Merlo et al. \(2009\)](#) also use the pre-parliament incomes of politicians as an instrumental variable for outside earnings. See [Nannicini et al. \(2013\)](#) on how Italian voters punish shirkers.

<sup>6</sup> [Peichl et al. \(2013\)](#) find that German MPs earn 35–65% more than private sector executives, but not more than top-level private sector executives. See [Kotakorpi et al. \(2013\)](#) on the returns of political office in Finland. See also [Bordignon et al. \(2013\)](#) on the self-selection of politicians and [Evrenk et al. \(2013\)](#) on the quality of politicians in party primaries.

<sup>7</sup> German MPs who won the mandate in the 2005 election in contestable districts had lower outside earnings ([Becker et al., 2009](#)). Female MPs had fewer additional jobs, particularly in the private sector ([Geys and Mause, in press](#)). Physically attractive female MPs had, however, more additional jobs ([Geys, in press](#)). MPs from right-wing parties had more outside activities than MPs from left-wing parties ([Mause, 2009](#)). [Geys and Mause \(2012\)](#) portray the nexus between outside earnings and electoral control. [Geys \(2013\)](#) discusses how electoral cycles influence outside activities of MPs in the United Kingdom.

<sup>8</sup> In the United States' congress, MPs were found to exhibit lower voting participation in their last term ([Lott, 1990](#)). In the United Kingdom, politicians' expense claims and parliamentary activity were positively correlated, indicating that politicians are intrinsically motivated ([Besley and Larcinese, 2011](#)).

<sup>9</sup> The federal parliament also publishes information on MPs' excused absences. MPs are, however, allowed to excuse themselves for being absent without any reason. We therefore cannot distinguish between excuses with and without good reason and do not distinguish between excused and unexcused absences in the empirical analysis. When MPs are absent, they have to incur wage cuts of up to 100 euros per day.

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