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Do Institutions Affect Citizens' Selection into Politics?*

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Abstract

Traditional political economy has paid primary attention to the structuring of the principal-agent relationship between citizens and politicians and the role of competition and institutions in disciplining political agents. However, as the electoral control of politicians and the credibility of policy commitments are limited, this perspective needs to be complemented with an economics of political selection that takes into account the quality of those elected to political office. We review the emerging literature which investigates institutional conditions that impact the selection of politicians. We discuss pay in politics, electoral rules, institutions enhancing transparency in politics, and institutions which govern dual office holding in different branches of government. We argue that further comparative analyses are essential in order to gain an improved understanding of the impact that institutions have on political outcomes, not only via the channel of accountability, but also via the channel of selection.

Keywords: political selection, electoral rules, incompatibility, citizen candidate model

JEL classification: D72, D73, H11

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1 Introduction

In order to achieve policy choices that are closer to citizens' preferences, research in political economy has paid primary attention to the structuring of the principal-agent relationship between citizens and politicians and the role of political competition in disciplining political agents. In particular, (re-)electoral incentives and thus the competition for votes are argued to discipline politicians either while forming their policy platforms (pre-electoral politics) or while they are instated in office (post-electoral politics). This mechanism has been extensively studied in models following the traditions of Downs (1957) and Barro (1973). However, as political control and the credibility of policy commitments are limited, policy choice is also influenced by the identity and quality of the individuals who hold political office. Accordingly, two crucial questions emerge: How does the selection of politicians of different quality influence the political process and policy choice? And secondly, what determines the selection of heterogeneous politicians in the first place?

These questions are inspired by a new perspective in political economics, theoretically introduced in the citizen candidate model. This model, proposed by Osborne and Slivinski (1996) and Besley and Coate (1997), endogenizes who becomes a politician and overcomes the distinction between citizens and politicians as employed in models of pre-electoral and post-electoral competition. In his article in the *Journal of Economic Perspectives*, Besley (2005) presents a rich set of ideas on the importance of selection in politics and offers a structure on how to think about the economics of political selection.

In the meantime, this complementary perspective has provoked considerable scholarly attention in political economics. One line of research investigates whether the identity and the quality of the citizens elected to political office have an effect on political outcomes. For example, Jones and Olken (2005) find that unexpected deaths of national leaders influence economic growth. This relationship is observed to be prevalent in political systems that lean towards autocracy. Besley et al. (2011) offer evidence that the education of national leaders positively affects economic performance. Chattopadhyay and Duflo (2004) study the impact of political reservation for women in India on local public goods provision. They find that political decision-makers invest more in public goods relevant to the demand of their own genders.

If the composition of the pool of politicians impacts political outcomes, then, indeed, a better understanding of how politicians are selected is essential. From a political economics perspective, the central question is whether institutional conditions can be identified that systematically affect the attractiveness of a political office for candidates of different quality.

In this paper, we provide a survey on recent developments in the economic analysis of political selection. In particular, we ask whether institutions impact the selection of politicians of dif-

ferent quality. In the empirical contributions, the focus is on the (ex-ante) quality dimensions education, previous income and profession as well as political experience. We take a closer look at the contributions that study the pay that politicians receive and the role of parties under alternative electoral rules. We then turn our attention to the political selection of people with different professional backgrounds. This quality dimension is important for determining the personal socio-economic conditions that influence an individual's decision to run for office. Moreover, it shapes the private economic interests that affect the behavior once elected. We study two salient groups: businessmen and public servants. We again focus on the institutional conditions impacting the attractiveness of a political mandate for these two groups.

To set the stage, Section 2 emphasizes the complementary devices of sanctioning and selection for the economic analysis of politics. In Sections 3 and 4, we review the emerging literature that analyzes major political institutions, such as pay in politics, electoral rules, institutions enhancing transparency in politics, and institutions governing dual office holding in different branches of government. Section 5 concludes and identifies a variety of avenues for further research.

2 Two complementary views: sanctioning and selection

2.1 Political sanctioning

How can political agents be induced to act in the interest of their principals or, put differently, how can discipline and accountability of decision-makers be accomplished? In order to address this major concern, political economists have paid most attention to the structuring of the principal-agent relationship between citizens and politicians and the appropriate design of political institutions. In particular, elections and the corresponding design of the electoral system are considered to be the major means for providing the proper incentives to politicians.

Similar to the market for goods and services, an electoral system which aims at enhancing competition among politicians should result in policy choices which are closer to citizens' preferences. (Re-)electoral incentives and, thus, the competition for votes discipline the behavior of political agents either while forming their policy platforms (pre-electoral competition) or while installed in office (post-electoral competition). The motivation of political agents is traditionally modeled as being opportunistic including office- and rent-seeking and as being partisan.

In models of pre-electoral competition, first developed by Downs (1957), electoral promises are considered binding and enforceable.[1] The candidates and the parties, respectively, adjust

[1]Basic models of pre-electoral competition have further restrictive assumptions, such as an unidimensional policy space, single-peaked preferences and a two-party competition.

their policy platforms in order to maximize their chances of winning elections. Once elected, the political agent implements his announced policy. The formation of the policy platform is central to the choice of policy. Elections function to select policies which are dominated by the preferences of the median voter. The more competitive elections are, the stronger is the incentive to adopt a "middle ground policy platform" to please voters. In models of pre-electoral competition without partisan considerations, the selection of heterogeneous candidates does not matter at all.[2]

In models of post-electoral competition, electoral promises are considered as non-binding. Politicians are elected without a clear and enforceable mandate, and political constitutions are considered incomplete contracts. Rather than selecting policies, elections serve to select politicians based on their ideology and their past behavior in office. Disciplining the politicians while in office is achieved if there are re-electoral incentives and voters who vote retrospectively. Post-electoral politics are analyzed in political agency models following the tradition of Barro (1973) and Ferejohn (1986).

In both pre-electoral and post-electoral approaches to the analysis of political competition, politicians and voters are separate entities and the existence of the former group is exogenously given. Moreover, in each class of model politicians are assumed to be a homogeneous group. The selection process and the identity of politicians do not matter.[3]

On the basis of both analytical frameworks, further institutions are analyzed as to how they shape the incentives for behavior and structure political competition. This can be briefly illustrated when comparing a majoritarian electoral system to a proportional electoral system and a media system which differs in its political independence. For example, in pre-electoral politics, a majoritarian electoral system and an independent media system make the commitment and the positioning of candidates within the policy space easier. In post-electoral politics, majority voting and more transparency in politics through independent media facilitate the control of politicians and thus also electoral sanctioning since policy choices can be attributed to individual politicians more easily.

[2]In models of pre-electoral competition, partisan considerations are introduced with the help of probabilistic voting. When choosing the policy platforms, the candidates make a trade-off between their partisan policy preferences and their desire to win the election. In contrast to the median voter model, in which policy convergence is the result of (strong) electoral competition, policy divergence can occur in models with partisan loyalties. The partisan motivation is pioneered by Wittman (1977, 1983) and Alesina (1988).

[3]Standard models of post-electoral competition focus on moral hazard problems. However, extensions also include adverse selection. For example, Besley and Case (1995) and Fearon (1999) model different types of politicians with respect to motivation. For an excellent discussion of political agency models, see Chapters 3 and 4 in Besley (2006).

2.2 Political selection

The traditional perspective on competitive elections (within a properly designed electoral system) studied as instruments to discipline and sanction politicians has recently been challenged. The complementary perspective places emphasis on elections as devices for selecting politicians of different quality.
Firstly, every political process in representative or (semi-)direct democracies inherently involves the delegation of decision-making power to elected representatives. One might expect decisions to be taken differently depending on the individual competence and background of the representative. Secondly, the degree to which politicians can credibly commit to policy platforms is limited. The existence of non-binding electoral promises suggests the crucial importance of selecting political agents who will credibly represent and implement a certain policy. Thirdly, the instruments available for controlling politicians through elections and other institutional provisions are limited. The use or (ab-)use of the discretion gained in political office will therefore depend on the identity and quality of politicians (see Besley 2005).

The complementary perspective comes along with a new theoretical approach focusing on the supply of politicians. This is addressed in the citizen candidate model proposed by Osborne and Slivinsky (1996) and Besley and Coate (1997), where self-selection into politics is modeled. In this approach, the distinction between citizens and political agents is lifted, as politicians are selected from citizens who decide to enter the political market in the first place. The decision to enter politics depends on the individual costs and benefits accruing to the political office. Electoral promises become credible because appropriate candidates are found in the electoral process for whom policy preferences and personal preferences are aligned. Once elected, the politician accordingly implements his preferred policy.[4]

Obviously, the selection of high-quality or "good" candidates is desirable and becomes a major concern. Besley (2005) argues that political quality comprises essentially two aspects; i.e., competence and honesty.[5] With ease, these two quality dimensions can be further disaggregated.

[4]Osborne and Slivinski (1996) as well as Besely and Coate (1997) model politics as a three-stage process. In the first stage, the focus is on what determines a candidate's entry decision. In the second stage, citizens decide for whom to vote for. In the last stage, the candidates who have won implement their most preferred policies. See also Serna (1995) for an excellent and very early discussion of the supply and demand-side considerations in the market for politicians from a public choice perspective. A related model of political recruitment taking into account supply and demand-side considerations is presented by the political scientists Norris and Lovenduski (1995). For closely related ideas on the function of elections as sanctioning and selection devices, see Fearon (1999), Patzelt (1999), Brennan and Hamlin (2000) and Mansbridge (2009).

[5]These qualities are considered "valence issues"; i.e., voters always demand these qualities in greater quantities, independent of the actual policy choice. This term is more commonly used

Political competence involves, for instance, (certain) leadership skills, the ability to understand politics and reach consensus - skills that are innate or acquired through education, professional life and previous political engagement. Regarding honesty in politics, one might think of characteristics such as trustworthiness, integrity and loyalty or the related idea that politicians should possess public service motivation (see Besely 2005).[6] Evidently, this concept of political quality concentrates on ex-ante quality and is far from conclusive, as research is evolving. Earlier conceptions and especially agency-theoretic frameworks focus on ex-post quality; i.e., behavior in office. Thereby, being re-elected is often used as a proxy for ex-post quality. A related dimension is the congruence of the actual policy choice of politicians with citizens' preferences. Conceptually, one might think of a "good" politician as being one who implements the policy that would be preferred by the median voter or the policy that would be chosen behind a veil of uncertainty.[7]

3 Institutional determinants of political selection

Certainly, the regime type is a crucial factor in the comparative analysis of political selection. One might expect systematically different incentives to enter politics in a (semi-)direct democracy where politicians are subject to relatively strict citizen' control in contrast to autocratic systems, for example. One first piece of evidence is presented by Besley and Reynal-Querol (2011). They approximate heterogeneity in the competence of politicians by their formal level of education. In their extensive empirical investigation, better educated politicians are observed more frequently as leaders in democracies than in autocracies. Moreover, institutions generating transparency in the political market might affect who decides to become a politician. One can consider selection effects as resulting from increased public attention being focused on politicians' behavior due to independent media as well as due to stricter disclosure rules for politicians.[8] Further institutional features that vary across jurisdictions and which are likely to be relevant to an improved understanding of political selection include the remuneration of politicians, parties, electoral rules, primaries, (gender) quotas, term limits, incompatibility rules, and even immu-

in political science.

[6]Besley (2006) proposes a model of fiduciary duty as a means of approximating honesty in politics. Closely related considerations, such as the concept of civic virtue and the role of moral dispositions in politics are discussed in Brennan and Hamlin (2000).

[7]See Brennan and Buchanan (1985) for the latter concept.

[8]As to disclosure in politics, Djankov et al. (2010) present a unique data set on the de jure and de facto disclosure by politicians covering more than 100 countries. This data set invites further comparative analyses regarding accountability and selection in politics.

nity rules.[9] Many of these institutions have been analyzed by political economists with regard to political accountability. However, the complementary view of these institutions in providing incentives for selection has received much less attention.

3.1 Pay for politicians

In this section, we focus on politicians' pay as an important determinant of the decision to enter politics. In addition, we discuss further monetary returns to political office; i.e., outside and post-office earnings which might affect the attractiveness of entering politics.

Following the traditional perspective in political economics, the effect that a salary has on a politician's discipline and performance, respectively, has been analyzed in political agency models. For example, in a model by Besley (2004) with the possibility of re-election, politicians are more likely to abstain from rent-seeking activities and behave more in line with citizens' preferences as the value of office holding increases. He also presents empirical evidence supporting the positive incentive effect of a higher salary. How changes in salary influence the incentive to run for political office has only recently been addressed by political economists. According to Besley (2005), the attractiveness of holding a political office stems primarily from three sources: pay, public service motivation and extractable rents.[10] While low-quality politicians ("bad politicians") are motivated by pay and extractable rents, high-quality politicians ("good politicians") are induced by pay and public service motivation. In order to evaluate how various factors change the composition of the pool of candidates and politicians, Besley (2005) proposes an attractiveness ratio defined as (rents + wages)/(public service motivation + wages). The smaller the attractiveness ratio is, the more high-quality candidates will enter politics. In this framework, the effect of an increase in pay on the selection of high-quality politicians ("good politicians") depends on the relative strength of rents and public service motivation in attracting candidates. If public service motivation is more important than rents for many citizens, an increase in pay will lead to a lower average quality of politicians. If rents are more relevant than public service motivation for many citizens, then, an increase in pay will lead to a situation in which holding a political office becomes more attractive to high-quality candidates.

Caselli and Morelli (2004) present a citizen candidate model and assume there is a positive relationship between political competence and competence in the private market. In their model,

[9] See Dal Bó et al. (2006) for an excellent theoretical discussion of how threat and violence can affect self-selection into politics and how the existence of immunity rules positively impacts the cost-benefit calculus of running for political office.

[10] Politicians with a public service motivation can be understood as agents who derive more utility from serving in political office than other politicians. They are intrinsically motivated to serve the public interest and enjoy carrying out their task (Frey 1997).

low-quality politicians ("bad politicians") have a comparative advantage in holding political office, since they face worse opportunities in the private sector. One central result of this study is that a higher relative pay in politics increases the average quality of politicians, as candidates with higher opportunity costs self-select into politics.[11] In the same analytical framework, Messner and Pohlborn (2004) come to a different comparative static result. For intermediate levels of pay (as long as the political office is relatively unattractive), an increase in pay will lead to a higher probability that candidates of low quality run which in turn gives high quality candidates a stronger incentive to free ride on low-quality candidates (with lower opportunity costs) by not running for political office.

Mattozzi and Merlo (2008) show in a dynamic equilibrium overlapping generations model of politicians' careers that an increase in the salary paid to politicians will have a different selection effect depending on whether the individual is a "career politician" (politician until retirement) or an individual with a "political career" (politician who stays in politics only for a while in order to signal his quality to the private sector). An increase in pay in the political market renders this market more attractive to candidates of all quality levels. This lowers the quality of the worst citizen who becomes a politician (entry effect). Since the political pay has become more attractive, high-quality incumbent politicians have, however, a stronger incentive to remain in politics (retention effect). The effect on the average quality of individuals with "political careers" is negative. The effect on the average quality of "career politicians" is ambiguous and depends on the relative strength of the retention and the entry effect.

Shifting the focus towards empirical contributions, Ferraz and Finan (2009) analyze an exogenous variation in the pay of local politicians across Brazilian municipalities for elections held in 2000 and 2004. They implement a fuzzy regression discontinuity design to use the discontinuities in pay depending on municipality population thresholds to identify the causal effect of pay on selection. Intuitively, if the pay of politicians is smoothly associated with other characteristics at the population cut-offs, the effect of pay is estimated by comparing the selection of politicians in municipalities with population levels just below and above these thresholds.[12] As pay is not

[11] Another very interesting result of Caselli and Morelli (2004) is the following: Low-quality politicians generate a negative externality for high-quality politicians since the reputation of individual politicians is affected by the perceived overall quality of the pool of politicians. Due to this externality, there can be multiple equilibria. For example, in low-quality ("bad") equilibria with a large fraction of low-quality politicians, high-quality candidates face weak incentives to enter politics. A further interesting idea is the one of path dependence in quality. In endogenizing the rewards from political office, politicians can influence or manipulate (in the case of low-quality politicians) the rewards of political office for prospective politicians. This leads to the persistence of equilibria with either low-quality or high-quality politicians.

[12] For a discussion of the regression discontinuity design (RDD) see Imbens and Lemieux (2008).

completely explained by the cut-offs, the fuzzy regression discontinuity design applies a two-stage least squares estimator using the indicators for the population cut-offs as first-stage instruments for the increases in pay. Their results indicate that higher pay improves the quality of candidates and elected politicians as approximated by education (average years of school attendance and the share with at least a high-school degree) and previous profession (a larger fraction of politicians with high opportunity costs; i.e., more lawyers and businessmen are attracted). Moreover, higher pay increases political competition which is indicated by more citizens who run for political office.

Gagliarducci and Nannicini (2013) provide consistent evidence in a similar empirical setting for Italian mayors for the period 1993 – 2001. They implement a sharp regression discontinuity design and compare the observations lying closely on either side of the sharp population cut-off of 5,000. They provide evidence that a higher salary attracts candidates with higher opportunity costs as approximated by years of schooling and a white collar professional background.[13] This selection effect also carries over to the elected mayors. As regards the size of the effect, they find that, for example, a 33% higher pay for mayors increases the average years of schooling by 6.2%. Furthermore, the study exploits term limits in order to disentangle the selection and the incentive effects that pay has on in-office performance as approximated by budget indicators. Interestingly, most of the improved performance is driven by selection.[14]

The presented results so far refer to the subnational level, and one might wonder whether they carry over to higher levels of government. At higher levels of government, monetary incentives may be of less importance, since becoming a politician is accompanied by more power and higher prestige.

Kotakorpi and Poutvaara (2011) analyze an increase in politicians' pay on the national level. They apply a differences-in-differences approach to an increase of 35% in Finnish parliamentary pay introduced in 2000 and use candidates in local elections as control group. They find this increase to be associated with a five percentage points larger fraction of female candidates with higher education (master's degree). This effect is, however, not found for male candidates. Merlo et al. (2010) observe that the average quality of Italian parliamentarians in terms of formal education has decreased with increasing pay after World War II. However, they abstain from interpreting this result as causal since it is difficult to separate selection effects of pay increases from other confounding factors.

A promising investigation for understanding selection and incentive effects is the analysis of an exceptional remuneration reform for the Members of the European Parliament. Prior to the

[13] A sharp RDD-design involves a deterministic cut-off at the threshold, around which there is a discontinuity in the probability of assignment from 0 to 1.

[14] Ferraz and Finan (2009) also show that higher pay is related to a better performance in office as approximated by bill sponsorship and the provision of public infrastructure. However, they cannot disentangle the selection effects from the incentive effects.

seventh legislative period (starting in 2009), each Member of the European Parliament was paid just as much as the members of parliament of his home-country parliament, a rule which entailed large differences between the delegations from the 27 member countries. From the beginning of the seventh legislative period, the remuneration is unified, which involves an increase, on average, of 200% per national delegation. Two independent studies explore the consequences for political selection. Fisman et al. (2012) find that increasing the salary increases the incumbency rate and the number of parties fielding a candidate. The ex-ante quality of politicians as approximated by the selectivity of their university degree decreases as remuneration increases. Braendle (2013) also finds a similar and positive effect on re-election rates. He finds no effect on the composition of the pool of politicians in terms of their formal education, previous political experience and occupational type. However, when restricting the attention to freshmen, he finds that a higher remuneration is related to a lower fraction of politicians with previous political experience at the highest national level.

An innovative and closely related idea is presented by Gagliarducci et al. (2010) who examine the moonlighting activities of politicians. Assuming that the political market and other markets are not mutually exclusive, high-quality candidates will be more likely to run for office when there is no restriction in terms of outside earnings. Entering politics is positively associated with gaining visibility and access to new networks, which renders a political office more attractive for high-quality candidates. However, a trade-off emerges: The high-quality candidates, once elected, will be less dedicated to their parliamentary duties, as they prefer pursuing their private economic interests. Indeed, confronting these predictions with data for Italian parliamentarians between 1996 and 2006, they show that the marginal returns to quality (quality being approximated by previous market income) are positive. The ratio between outside income and pre-election income increases when moving up in the pre-election earnings quintiles, and the respective coefficient is larger than one when regressing outside income on pre-election income. This indicates that high-quality candidates have a comparative advantage in terms of outside earnings. Regarding discipline in office, they find that parliamentarians with higher outside income are less committed to parliamentary activities approximated by voting attendance.[15]

Besides pay in office and outside earnings, the third major component for the monetary attractiveness of a political office is post-office returns. Two first contributions try to evaluate these monetary returns to holding a political office.

Based on career information on members of the U.S. congress between 1953 and 1994, Diermeier et al. (2005) find that congressional experience significantly increases post-office salaries in the

[15]Regarding in-office effort Becker et al. (2009) show for members of the German parliament elected in the majoritarian tier of the electoral system that the more contested the electoral districts are, the less the politicians engage in outside activities.

private sector for Members of Congress. However, the marginal effect of an additional term in office on post-office income diminishes quite rapidly.
Eggers and Hainmueller (2009) innovatively estimate the monetary returns to holding a parliamentary seat for recently deceased members of the British House of Commons who served between 1950 and 1970. They apply both a matching and a regression discontinuity design to compare elected parliamentarians with candidates who narrowly lost. They find that parliamentary service almost doubled the wealth of members of parliament from the conservative party, but had no financial benefits for members of parliament adhering to the Labour Party. As an explanation for the partisan bias, they show that members of parliament from the conservative party profited from office mainly due to lucrative outside and post-office employments. For parliamentarians from the Labour Party, they argue that trade unions were able to exert sufficient control over the party and its members of parliament to prevent them from selling their services to other clients.

As regards the comparative institutional analysis of restrictions on outside and post-office earnings, a point that deserves further attention is conflicts of interest. With (high) outside earnings, politicians face not only a conflict of time, but also a conflict of interest. On the one hand, citizens appreciate politicians with experience outside politics, and the possibility of outside earnings is likely to make politics a more attractive market to engage in for high-quality candidates. On the other hand, politicians who earn more from outside employments and consultancy contracts ("*Beraterverträge*") with large companies or interest groups than from parliamentary allowances face a conflict of interest and spark strong concerns regarding their independent political stance. An institutional arrangement which - to a certain degree - balances the countervailing forces is one which allows for outside earnings but with full disclosure. Conflicts of interest due to outside earnings are more imminent and severe than those due to post-office returns. However, the concern, for example, that parliamentarians may become beholden to a government that has appointed them to a certain post after their election has led to the introduction of incompatibility rules which are extended beyond the period of parliamentary service. Research on further causes of different institutional arrangements on outside and post-office earnings and the question as to whether these different rules impact political discipline and selection has not yet been carried out. A good point of departure for the analysis of institutional restrictions on post-office employment is the related literature on term limits (see e.g., Besley and Case 1995 and Lopez 2003).

Taken together, the theoretical contributions deliver opposing predictions on the relationship between pay and quality in politics. Based on rich micro data on local politicians, empirical work shows that a higher pay increases the ex-ante quality of candidates and elected politicians. Similar studies on the national or supranational level do not confirm these results. Initial research

on outside- and post-office earnings from political office suggests that these monetary returns also have to be taken into account when evaluating the attractiveness of a political office.

3.2 Electoral rules and parties

In this section, we turn to the question of whether electoral rules systematically influence the selection of politicians. We center on the incentives that parties face in selecting candidates depending on the political competition in alternative electoral systems.
Previous research has investigated the relationship between particular institutional features of the electoral system such as district magnitude, ballot structure and majoritarian versus proportional representation rules and different measures for political outcomes and policy choices. The research program by Persson and Tabellini (2005) serves as a benchmark in this line of research.[16] With regard to parties, the political economy literature has focused on examining single party functions. These functions include, among others, the organization of electoral campaigns (e.g., Osborne and Tourky 2008), the mobilization of voters (e.g., Herrera and Martinelli 2006), their informational role as intermediaries (e.g., Caillaud and Tirole 2002 as well as Snyder and Ting 2002), the formation of policy platforms (e.g., Levy 2004), and the disciplining of politicians (e.g., Alesina and Spear 1988).[17] The impact of electoral rules and parties on political selection has only recently been taken up by political economists. Here, the first contributions by Mattozzi and Merlo (2011) and Galasso and Nannicini (2011a,b) concentrate on the parties' demand for politicians. Alternative electoral rules are highly relevant, as they are assumed to fundamentally change electoral competition and shape parties' incentives when selecting candidates.[18]

Mattozzi and Merlo (2011) propose an equilibrium model of ex-ante selection by two competing parties. They show that competing parties may not necessarily choose to recruit and nominate the best candidates. Recruiting candidates of high quality enhances the electoral prospects of the party. However, party organizations also rely on the willingness of their members to exert effort in the various stages of the electoral process. In order to maximize the collective effort

[16]With regard to the choice of redistributive politics under alternative electoral rules, important contributions are presented by Lizzeri and Persico (2001), Milesi-Ferretti et al. (2002) and Funk and Gathmann (2013). The relationship between electoral rules and corruption is analyzed; e.g., by Kunicová and Rose-Ackerman (2005) and Persson et al. (2003). Microeconomic evidence on the behavior of politicians under alternative electoral systems is scarce due to the paucity of available data sets. An exception is Gagliarducci et al. (2011) which explores the effect of the two-tier system of the Italian electoral rule on politicians' behavior.

[17]For an overview, see Merlo (2010).

[18]Snyder and Ting (2011) and Serra (2011) investigate how primaries affect candidate quality and how partisan considerations influence the use of primaries.

undertaken on behalf of the party (leaders), parties prefer to select mediocre but homogeneous and committed members as candidates. Thereby, nomination as a candidate is considered the reward for loyal party services. The selection of high-quality candidates might discourage other party members from providing political support to the party. In a majoritarian electoral system, an equilibrium with mediocre-quality politicians (average-quality politicians) is less likely, as the more candidate-centered and more competitive nature of the electoral process in this system increases the electoral returns to selecting high-quality candidates.[19]

Galasso and Nannicini (2011a) take up the issue of parties strategically selecting and allocating candidates of heterogeneous quality depending on the intensity of political competition. In their theoretical model, two parties compete in a majoritarian electoral system. Each party first selects the share of candidates being either experts (high-quality candidates) or loyalists (low-quality candidates) depending on the degree of political competition. The former group is highly valued in terms of winning the election, but more costly for the parties.[20] In the second stage, parties allocate the experts (high-quality candidates) to the most contested electoral districts. Based on data on Italian parliamentarians between 1994 and 2006, the empirical evidence supports the beneficial effect of political competition on the selection and allocation of politicians. The closer the electoral races in the districts are, the more parties will rely on high-quality candidates, measured by years of schooling, previous market income and local government experience.[21]

Galasso and Nannicini (2011b) extend their earlier framework to study the quality of politicians under alternative electoral rules. It is argued that differences in the average quality of politicians between majoritarian and proportional electoral systems critically depend on whether there are relatively many or few contested electoral districts in the former system. They again use Italy with its mixed-member electoral system to test this hypothesis. The preliminary findings are

[19]So far, the selection effects of electoral rules have been studied primarily with respect to the representation of women in politics. Norris and Franklin (1997) find that the fraction of women in parliaments is systematically higher under a proportional electoral rule (with closed lists) and with parties that have instituted formal gender quotas for candidate nomination. See De Paola et al. (2010) who report a positive selection effect of the introduction of party-list gender quotas on the representation of women in local politics in Italy. In a related paper, Baltrunaite et al. (2012) show that gender quotas have a positive effect on the average quality of elected politicians as approximated by the years of school attendance.

[20]Serna (1995) argues that one can think of the party calculus of selecting candidates also in terms of control costs. High-quality candidates are more likely to be successful in winning elections, but may also generate higher costs in terms of a stronger incentive to deviate from the party leader's position. A low-quality candidate (in some models termed loyal) might be more easily aligned.

[21]With regard to discipline, the study shows that politicians elected in close races display a lower absenteeism rate (as a proxy for shirking or rent-seeking). With the help of a regression discontinuity design, this effect is shown to be driven by selection rather than by incentives.

consistent with the hypothesis. The average quality of politicians (approximated by the same measures of ex-ante quality as in Galasso and Nannicini 2011a) in the majoritarian tier is higher than in the proportional tier if there is a large share of contested electoral districts. Put differently, the superiority of majoritarian systems with regard to the selection of high-quality politicians hinges on the degree of electoral competition.

A promising direction for further research on selection by and within parties is the analysis of the relationship between differences in party nomination procedures and the quality of candidates. The pioneering work by Lundell (2004) and Hix (2004) might serve as the research basis for such an investigation. They identify differences in the centralization of party nomination procedures and (European) electoral rules in a comparative perspective for European countries.

4 Determinants of the occupational composition of the pool of politicians

In this section, we turn our attention to one important quality dimension of politicians, namely their professional background. This is important, firstly, for determining the personal socio-economic conditions that influence an individual's decision to run for office. Secondly, it shapes the private economic interests influencing the politicians' behavior once elected. We select two prominent groups present in politics: businessmen and public servants. In particular, we ask which conditions influence the attractiveness of a political mandate for these two groups and pay attention to the underlying institutional structure.

4.1 Businessmen in politics

In order to promote the personal business interests in politics, businessmen can, for example, influence politicians by contributing to electoral campaigns or use political connections. With regard to the latter channel of influence, a fast-growing field of research in finance and corporate finance analyzes the value of political connections for firm profitability. Politically connected firms are defined as having a close connection with politics. This is most frequently achieved by directly employing politicians or high-level public officials. The evidence suggests that political connections are associated with improved operational and stock market performance (see, e.g., Fisman 2001, Faccio 2006, 2010, Ferguson and Voth 2008, Goldman et al. 2009, and Luechinger and Moser 2012), preferential access to credit markets (see, e.g., Faccio et al. 2006, Khwaja and Mian 2005) as well as favorable regulation (Bunkanwanicha and Wiwattanakantang 2009).

Political connections are found to be particularly attractive in weak institutional environments.[22]

All these channels and mechanisms which are used to exert political influence are, however, indirect. The most direct channel where businessmen run for political office themselves - a phenomenon quite frequently observed - has not yet been subjected to much scholarly attention. On the one hand, businessmen entering politics are likely to bring in professional experience that is relevant to political decision-making. Moreover, given their outside activity, their contribution to legislative decision making is likely to be more independent from narrow party leaders' interests. On the other hand, consistent with the results presented by research on the value of political connections, businessmen might exploit their political office and use it primarily to exert direct political influence and promote their private economic interests.[23]

Gehlbach et al. (2010) investigate under which institutional conditions businessmen choose to run for office rather than rely on other means of influence. In their theoretical model, they demonstrate that the incentives of businessman candidates to run for political office are weak when democratic institutions are relatively well developed and high levels of political accountability prevent rent extraction in the political sphere. In contrast, when democratic institutions are weak, businessmen can obtain rents in the political sphere. By running for office, they additionally avoid lobbying costs. Compared to other candidates, businessmen are assumed to face higher opportunity costs in running for political office, as time and effort must be shifted from business to campaigning. If the extractable rents from holding a political office are very high, the opportunity costs of other (professional/career) politicians are lower. Accordingly, businessman candidates are crowded out of the race. Gehlbach et al. (2010) refer to Russian gubernatorial elections between 1991 and 2005 to provide empirical evidence. Consistent with the theoretical prediction, they find that the likelihood of businessman candidacy is decreasing in media freedom and government transparency (as proxies for strong democratic institutions). In order to test the crowding out of businessmen by (professional/career) politicians when there are weak democratic institutions accompanied by a high level of extractable rents, they study the differential effect of the fraction of employment in natural resource extraction industries (as a proxy for extractable rents) in conjunction with the development of democratic institutions. Only for regions with weak democratic institutions, do they find resource abundance to be associated with a decrease in the probability of businessmen running for political office.

[22]Most studies provide empirical evidence for East Asian countries with relatively underdeveloped institutional environments. Consistently, Faccio (2006) and Faccio and Parsley (2009) report on the basis of cross-country analyses that firm values are more responsive to political connections in more corrupt countries.

[23]In a study for 72 countries over 33 years, national leaders' professions were related to policy choices. Former entrepreneurs are found to be more likely to implement market-liberalizing reforms (Dreher et al. 2009).

Rosenson (2006) relates the representation of businessmen in politics to disclosure rules. She shows for the U.S. state legislatures that the stricter the rules of financial disclosure are, the lower is the fraction of businessmen. Interestingly, she also argues that stricter disclosure rules, which aim at enhancing transparency in politics, might have negative selection effects if high-quality candidates have a strong preference for privacy and the partisan and journalistic use of disclosed information makes public life unsatisfying. Van Aaken and Voigt (2011) find no negative relationship between disclosure rules and the representation of businessmen in politics at the country level.

The same question, however, with another institutional focus is investigated by Li et al. (2006). They examine the impact of market, rather than political institutions on the direct (interest) representation of businessmen in politics. Similar to the literature on politically connected firms, they argue that entering politics is favorable to businessmen, as it gives them decision-making power over issues that may concern their own firms. In addition, political engagement offers businessmen new personal contacts to important government bureaucrats (who are often part of the same legislative body) which facilitates access to preferential treatment. The weaker the political and market institutions, the more businessmen (have to) rely on entering politics to pursue their economic interests. For China, they find that businessmen are more frequently represented in politics in regions where market and political institutions that support market function are underdeveloped. The institutional environment is empirically approximated with the openness of the product and credit market, the intensity of state regulation, the informal tax burden, and the availability of legal services as a measure of faith in the rule of law.

In sum, the few existing contributions on the selection of businessmen into politics by Gehlbach et al. (2010), Rosenson (2006) and Li et al. (2006) indicate that the underlying institutional structure systematically influences the attractiveness of a political office for businessman candidates. It complements the results found in the literature on the value of political connections.

4.2 Public servants in politics

Public servants form the single largest professional group present in most national legislatures. This disproportionality in representation with respect to professional background sparks concerns regarding descriptive representation since the (work) life experiences of the representatives differ systematically from those of the represented.[24] More importantly, personal unions and affiliations between the legislature and the public service as well as the perk of guaranteed reemployment compromise the constitutionally proposed political neutrality of the public service

[24]The concept of descriptive political representation is central in political science. See, for example, Pitkin (1967) for the basic ideas.

and, in more general terms, undermine the separation of powers. Their double role as agents in public service and as principals who supervise the public service in parliament generates a conflict of interest. Persons holding both a legislative and an executive position may face decisions as legislators that affect their role in the executive branch; for instance, when voting on their own department's budget. In contrast to all other members of parliament, this conflict of interest should be considered as immanent, as it involves a sovereign area of government activity.[25] However, public servants also form a pool of people with first-hand information about public service issues and a revealed interest in these matters. Thus, electing insiders to parliament who become accountable to the electorate can serve as a source of expertise and even as a check in the legislative process. Moreover, due to concerns about the conflicts of interest and the politicization of the public service, in many countries, public servants pursuing a political office are subject to special legislation. These constitutional provisions either specify the incompatibility of a public sector position with a legislative mandate or even declare public servants ineligible for candidacy.

The political scientists Best and Cotta (2000) address the long-term trends in the professional composition for 11 European countries. With regard to the representation of public servants, they argue that changes over time might be mainly induced by changing demands for political competence. In particular, they claim that public servants are specialists in redistributive politics. They touch on the role of institutional conditions specific to candidates with a public sector background, but, nevertheless, abstain from systematically investigating its causes and consequences.

Braendle and Stutzer (2011) document the phenomenon of the strong representation of public servants in national parliaments for 71 countries for the years 2000 to 2010.[26] They study constitutional provisions that primarily aim to inhibit conflicts of interest; i.e., the different regimes that define the (in)compatibility of public service employment with a legislative mandate. Consistent with the argument that a stricter rule increases the opportunity costs incurred by public servants when pursuing a political office, they find that stricter rules

[25]Focusing on the educational branch of the public service, Couch et al. (1992) argue that the private economic interests of educators who hold dual offices in the educational sector and in the legislature lead to an inefficient allocation of public funds. For Alabama, they find that public funding per student at the junior and senior colleges that employ legislators as educators is significantly higher than that received by comparable institutions. Serna (1995) observes a positive relationship between the representation of teachers in Swiss cantonal parliaments (the subnational level) and the pay of cantonal teachers.

[26]In this group, they include all employees that concurrently hold public law work contracts and receive public sector pay. Public servants elected to parliament generally come from professions in education (i.e., teachers or university professors), various fields of public administration, the judiciary, the police, and the armed forces.

(ineligibility or strict incompatibility regimes) significantly decrease the fraction of public servants in parliament by about seven percentage points on average (as compared to less strict rules on dual office holding).

In a closely related paper, Braendle and Stutzer (2010) look at the determinants of the selection of public servants into politics in more detail for the German Laender. The political economics analysis investigates issues of incompatibility and a wide set of related institutions, from a comparative perspective, that determine the cost-benefit calculus of running for a seat in parliament. Based on a newly compiled time-series, cross-sectional data set on the representation of public servants in German subnational parliaments, they again find the restrictive effects (with larger sizes of effects) that incompatibility rules have on political selection. Moreover, institutional privileges granted to public servants when pursuing a political career, in particular the compensation for holding one's office in abeyance and special pension benefits, are found to increase the representation of public servants in parliament.[27]

5 Concluding remarks

Research on the economics of political selection is a new field in political economy. The contributions are inspiring because they offer a new theoretical approach to the study of politics; i.e., the citizen-candidate model and the application of modern econometric techniques; e.g., the regression discontinuity design to recently accessible rich micro-data on politicians. Evidently, as research is just evolving, there are several unresolved issues. For example, the literature on political selection emphasizes that the identity and quality of politicians matters or may even be more important than the incentives set by institutional conditions. This has, however, to be more extensively studied and should not displace the importance of the insights from the political economy literature on the role of institutions. Furthermore, the theoretical and empirical work on ex-ante quality in politics is an extremely challenging task.[28] In particular, the important quality dimension honesty has not yet been addressed.

[27] As regards consequences for the political process, Braendle and Stutzer (2013) propose a framework which incorporates the quality of legislators in terms of their professional background into a political economics analysis of parliamentary oversight. When engaging in oversight, public servants elected to parliament face a conflict of interest but also have lower control costs due to their experience and information advantage. If held accountable, oversight becomes a relatively attractive activity for them to win votes. The empirical findings for a time-series, cross-sectional data set on the German Laender parliaments support the hypothesis of a monitoring advantage of public servants.

[28] For a comparison and critique of political competiton in the Downsian framework and the citizen candidate framework, see Padovano (2012).

In this article, we argue that a comparative institutional analysis is important as it bridges the traditional view on institutions as sanctioning devices with recent insights on the importance of selection in politics. In our eyes, there are two crucial questions that should be addressed: What are the institutions that systematically impact political selection; i.e., the composition of the pool of politicians with regard to quality? And, are there consequences for political selection and ultimately for political outcomes stemming from institutions that are primarily set up to hold politicians accountable? We focus here on the first question and point to a range of institutions that are relevant to the study of political selection. In a first step, we discussed the selection effects of politicians' pay and of parties under alternative electoral rules. First empirical studies on the subnational level show that the ex-ante quality of politicians, as approximated by educational attainment and previous income or profession, increases in the salary paid to politicians (see Gagliarducci and Nannicini 2013, and Ferraz and Finan 2009). Their results, though, are not found at higher levels of government (Kotakorpi and Poutvaara 2010, Fisman et al. 2012, and Braendle 2013). As regards electoral rules, we presented the contributions by Galasso and Nannicini (2011a,b) and Mattozzi and Merlo (2011). They emphasize that the incentives faced by parties when selecting candidates depend on the nature of competition in alternative electoral systems. In the next step, we concentrated on the professional background of politicians. We selected two prominent and well represented groups in politics, namely businessmen and public servants. The few existing contributions by Gehlbach et al. (2010) and Rosenson (2006) show that institutions introduced to enhance transparency in politics, such as freedom of the media system and disclosure rules, are related to smaller numbers of businessmen in politics. Moreover, the empirical evidence suggests that particularly businessmen enter politics to promote their private economic interests when the institutional environment is weak. Braendle and Stutzer (2010, 2011) study the institutions which govern dual office holding in different branches of government. The major finding is that rules of incompatibility, primarily introduced to inhibit conflicts of interest, are found to significantly decrease the selection of public servants into politics. Another prominent and strongly represented profession in politics is the group of lawyers. Considerations regarding the consequences of their direct representation reach from concerns of legislation being biased towards the professional interests of lawyers to the benefit of lawyers (with their particular educational training and professional experience) assuming a fiduciary function as politicians.[29] Here again, the question of what determines their representation in politics is open. A first analysis is presented by Rosenson (2006). For U.S.

[29]The earliest contribution by economists which takes up the issue of lawyers in politics is McCormick and Tollison (1978). In U.S. political science, the issue of lawyers in politics is addressed by Schlesinger (1957), Hain and Pierson (1975), Podmore (1977), and Miller (1995). Recently, Matter and Stutzer (2013) study lawyer-legislators' voting behavior to test the pursuit of their business interest in tort law. They find that attorneys in the U.S. state legislatures and in the House of Representatives systematically favor an extended tort law.

state legislatures, she finds that restrictions on the representation of clients before state entities (one facet of ethics laws) are negatively related to the representation of lawyers in politics.

The theoretical and empirical analyses presented mainly try to isolate and identify the effect that single institutions have on political selection. It is clear that future research has to broaden the perspective and should entail a more detailed analysis of potential interactions between different institutional features. Future research might consider the differential selection effects of strict disclosure rules with a (more or less) independent media system or a (more or less) candidate-centered electoral rule. Another unexplored issue is the interaction between the organizational structure of a parliament regarding time requirements and the institutional provisions on moonlighting, disclosure and incompatibility rules.

Throughout this article, we have underlined a complementary view of political institutions. This approach aims to provide an improved understanding of the mechanisms inducing policy outcomes - whether these outcomes - are more the result of political selection or of holding politicians accountable, or whether both mechanisms systematically interact. Concerning the design of political institutions, we suggest that choices concerning the constitutional stage should be assessed not only with regard to how they solve conflicts of interest and contribute to individual accountability, but with regard to how they affect the selection into politics. An obvious example is the decision about the constitutional design of incompatibility rules governing dual office holding in different branches of government. Such rules are introduced in various forms to prevent conflicts of interest and thus to reduce agency problems; however, they also systematically alter the incentives to enter politics in the first place and thus change the pool of available politicians.

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