

Last Term Effects on Political Shirking in Stortinget

A literature survey

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**GRA 5919 - THE POLITICAL ECONOMY AND
MACROECONOMICS**

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Oslo

5 December 2007

Abstract

This paper is an analysis of political shirking in the last term by way of literature review. It shows the different variables affecting shirking and how they are analysed in the literature. It tries to predict their effect in the Norwegian Storting and to say something about what an empirical analysis might find.

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1 Introduction

As a part of the Principal-Agent theories, the literature on political shirking is quite extensive, beginning with the early economic theories and moving up through several empirical tests. Most view the theories of Barro (1973) as an important start into the world of political shirking. He states that a

division of interest arises because the public officeholder is assumed to act to advance his own interests, and these interests do not coincide automatically with those of his constituents(Barro 1973, p. 22).

According to Barro (1973) this is less of a problem if there are more restrictions in place to prevent shirking. Most important of these restrictions is the wish for reelection. However, in a politician's final term, there are no incentives from reelection, and the politician stands quite free to pursue own interests rather than follow the will of the electorate.

There have been few empirical studies on political shirking outside the US, and none that I could find in Norway. In this paper I will therefore make a survey of the historical and current literature on causes of last periode effects on political shirking. The question posed in this paper is twofold. Under what conditions does one expect to see last period political shirking, and are those conditions present in the Norwegian Storting?

First I will go through the general theory, define political shirking and lay out different theories to explain why one observes or does not observe political shirking. Next I wil do a quick summary on what the different studies say about a 'last period effect'. Lastly I will compare my findings to the situation in the Norwegian Storting and try to make a prediction on whether one will expect to see political shirking in an emirical study.

2 Political Shirking

So what is political shirking? The term may seem unclear to some. Lott (1987) defines it as "...the degree a politician's actions deviate from the wishes of his constituents."(Lott 1987, p. 169) This is a clear and useful definition which is the one I will use for this paper.

Figlio (2000) adds something interesting to the standard definition of shirking. He states that

Shirking is not necessarily bad, though, as this definition does not distinguish between on-the-job consumption and behavior that may be in the best interests of the nation but not in the interests of a specific constituency (Figlio 2000, p. 281).

Lott (1990) also adds to the definition that members of the US Congress shirk by "consuming leisure on the job" (Carey 1994, p. 7). In other words, does less work.

This leads to a question. When is a politician shirking? Is it when he doesn't follow the will of his entire geographic constituency or only the part of his constituency who voted for him? Fenno said in his 1978 paper that "It is [his reelection constituency] that the congressman counts on for support, and it is [them] that the congressman must serve" (Bender & Lott 1996, p. 85). Bender & Lott (1996) go on to argue that in order to properly account for shirking, one needs to look at what the electorate constituency wants, not the geographic constituency. This, they say, gives an explanation to why US senators from the same state vote differently.

2.1 Ideologue vs. Non-Ideologue

Lott (1987) focuses on representatives as ideologues or non-ideologues, with the effect that "... ideology can prevent rather than cause opportunistic behavior" (Lott 1987, p. 169). He draws an analogy to the market. He says that politicians are "search goods" (p. 170) to which voters get information "prepurchase" (p. 170). They vote in politicians with the same ideology as themselves, making sure that even opportunistic politicians will vote in their favor.

His study shows that there is a difference in voting differently and simply voting less. It finds that in the US congress, representatives vote less if they do not face reelection, but the pattern is unchanged.

Politicians always vote for their ideological beliefs, but those who face re-election do so with more fervor since both the politician and the voter value the politician's actions (Lott 1987, p. 183).

The non-ideologues have mainly been perceived to simply vote less, not differently, when shirking their responsibilities (Bender & Lott 1996)

2.2 Sorting

The sorting-mechanism is an interesting one in view of political shirking. Lott & Reed (1989) construct a theoretical model suggesting, like with ideologues, that "voters are forward-looking, basing their reelection decisions on what they think politicians will do in the next period." (Lott & Reed 1989, p. 82)

The basic premise is that there will be little shirking "even when the cost of shirking in terms of foregone future votes is low." Simply because shirking would lead to a reduction in the utility of the politician. Interestingly they conclude that "There would be no last period problem and politicians would be able to make credible commitments." (Lott & Reed 1989, p. 87)

This mechanism, however, is imperfect. Zupan (1990) finds that due to imperfect information among the constituents, representatives have some wiggle room when deciding policies. Carey (1994) even argues that sorting may take several terms to work, and that even if it works,

...those representatives who make it to retirement [...] will merely be those for whom the opportunity costs of good agency were lowest. Their last term incentive will still be to shirk (Carey 1994, p. 6).

2.3 Brand Name and Political Capital

The third mechanism to affect possible last-period shirking is reputation. Seeking a job after being a representative, both public office or private employment, can be a reason for keeping your brand name clear.

Lott (1990) does an empirical analysis of this hypothesis and finds that if running for other office, the voting rates go down substantially, which he explains with campaigning etc.. However, he also finds that other retiring politicians vote "significantly less in their last period" (Lott 1990, Section IV)¹ and

Shirking is reduced or eliminated only when both the retiring congressmen and their offspring continue to be involved in politics after the

¹Lott (1990) is not in its original format and page numbers cannot be assigned to citations.

congressmen leave office. (Lott 1990, Section IV)

In other words, the only time brand name matters in removing a last term effect, is if both the representative and his child are running for other office.

Besley & Case (1995) also suggests political capital as a force keeping political shirking at bay, since political capital does not lose its value when the last term is up. However, they find that the effect is very low.

2.4 Pensions and Party Control

Carey (1994) suggests pensions as a possible solution to preventing last term shirking. He refers to the general framework laid out by Becker and Stigler in 1974 in which an employee who behaves gets a pension 'bonus' for resisting temptations to shirk. Barro (1973) also suggests that political parties can enforce a pension system to avoid representatives drifting away from the party line.

This form of party control interfering with any last period effects is suggested in the article by Besley & Case (1995). They suggest that not only could a party have control of future options for the candidate, but there could also be party loyalty in play. This can go back to the ideology-argument as well. However, they do not include a 'party loyalty' variable in their analysis, only modeling on the individual.

Offcourse, this does not consider that the party line not necessarily is the ideology of any specific electorate. Carey (1994) uses Lott's (1990) study on the effect of future office and children's office-seeking to lay out a suggestion that there can be some sort of pension plan directly linked up to future careers. Carey (1994) also shows that the representatives aspiring to other office tend to move more towards the party line when in the voting in the last period than do retirees.

2.5 Term Limits

Besley & Case (1995) do an empirical analysis of US state governors. In it they differentiate between states with term limits and those without. They provide a proposition to check.

If two terms are allowed, then incumbents who give higher first-term payoffs to voters are more likely to be retained to serve a second term. Those in their last term put in less effort and give lower payoffs to

voters, on average, compared with their first term in office. (Besley & Case 1995, p. 773)

Their study focuses on policies rather than voting, removing 'leisure-consumption' as a factor in shirking. This may be a better way of measuring individual shirking, but is also easier on governors than on members of congress.

They find that term limits have a strong effect on shirking. When facing term-limits, sales tax is expected to be higher, income tax expected to be higher, government expenditure expected to be higher, and state minimum wages expected to be lower.

In summary, term limits do appear to affect policy choices. We view this as consistent with a model where incumbents care about building political reputations when they can run again for office.(Besley & Case 1995, p. 780)

As an interesting sidenote, there seems to be little or no difference in economic growth due to term limits. They only seem to generate a fiscal cycle (Besley & Case 1995). This somewhat opposes the theory that term limits can create more last periods and hence increase the total level of shirking.

Tien (2001) on the other hand, finds that there is a negative effect from term limits in members of the US House of Representatives.

Members forced to retire by term limits are in a similar situation as members who decide to retire voluntarily. Neither of them are constrained by the electorate (Tien 2001, p. 127).

2.6 Political Affiliation

Carey (1994) points to a study by John Lott where he suggests that political markets are self-correcting. If voters see policy being too liberal, they vote in a conservative candidate. Carey (1994) does not seem to agree with Lott.

If political markets were entirely self-correcting, however, voters would act [...] only with regard to their attitude toward overall policy outputs. But we know that representatives consider the implications of their own

specific votes on prospects for reelection[...]. Self-correcting markets, then, cannot render irrelevant the issue of shirking for constituent-representative relationships. (Carey 1994, p. 3)

That liberals and conservatives shirk differently may come as little surprise. Besley & Case (1995) find that democratic governors tend to spend more per capita, whereas republican governors tend to lower taxes more when facing a term limit. In other words, their policies become more ideologically extreme compared to the policies carried out in previous terms.

2.7 Other Institutional Effects

The study by Besley & Case (1995) differs from the other studies. Their study is different in that they model the executive branch of government, not the legislative. That leads to the proposition that there could be an effect in having a legislative branch as a watchdog for the electorate.

There is an interesting observation to be made when analysing members of the US House of Representatives. They have 2-year terms, the shortest of any elected official at the federal level in the US. This was, according to Tien (2001), to prevent shirking by force of near electoral punishment. This does not, however, affect the last term.

One can, as Sutter (1998) does, argue for a form of constitutional constraints on shirking. He argues that electoral control can be substituted with constitutional control to restrain the politicians' possibility to shirk in any given term. This, like having short terms, does not seem to help against any specific effects in the last period.

3 Last Period Effect?

Most of the literature seems to show that there in fact is a last period effect in the American system. Lott (1987), Lott & Reed (1989), find that there is not a change in voting pattern, but there is less voting. Zupan (1990) shows to an earlier study he did with Joe Kalt and proposes that there is a timing bias in the analyses by Lott et al. Through both a qualitative and a quantitative analysis, he tries to determine if that is the case, and how to deal with it. He finds that in a two-year term, there

is significantly more shirking in the latter session, and this pattern is much clearer in retirees and those seeking other offices. However, he does not find that the total level of shirking is any higher among those in their final term than the rest.

Vanbeek (1991) tries to solve this time bias with a continuous variable on when the congressmen announce their retirement. This still confirms the findings of Lott (1987) and Lott & Reed (1989), and that the congressmen do not change their voting pattern if they are about to retire.

By analysing a seven-year dataset and using a strict test for retirement, Tien (2001) finds that there is shirking by retiring members in the US House of Representatives. They are "less responsive to their constituents than members running for reelection," (Tien 2001, p. 125) and "in essence, voluntary retirements have undesirable effects on representation[...]" (Tien 2001, p. 127)

US governors seem to show clear last period political shirking, especially when facing a term limit (Besley & Case 1995). They systematically have different policies in non-last periods and last periods.

The main study done outside the US, a study on the British Members of Parliament by Besley & Larcinese (2005) finds that the effect of retirement on the cost per vote is very small. They in fact only find a significant effect in "other" expenses like "computer equipment, stationary and postage" (Besley & Larcinese 2005). It is interesting to note that the study by Besley & Larcinese only use number of votes and not what each MP votes as measure of shirking. They seem to have removed the main measure in most of the American studies.

4 Stortinget

The Norwegian Storting is an interesting case, as it is virtually uncovered in the shirking literature. It differs highly from the US congressional system in that, like the UK Parliament, it is a parliamentary system of government, and it differs from both the US and the UK system in that it is a system of proportional representation.

4.1 Ideology and Sorting

In a system of proportional representation, as opposed to majoritarian systems, one often has less personification of one's representatives. Simply the fact that a voter

in Norway picks a party's list to vote for, and not a specific candidate is a sign of this. It may be a lot harder for the individual voter to sort in the way suggested by Lott & Reed (1989).

On the other hand, a candidate has to go through a nomination process within the party which is quite easy to influence.

A few people who are unhappy about their party's list can have a big impact at poorly attended local meetings. (Matthews & Valen 1999, p. 75-76)

That way there can be sorting on specific issues, making the candidates ideological compatible with the electorate. That way Lott & Reed's (1989) arguments can fit in the Norwegian system as well, one may see less shirking due to sorting behavior by the voters.

In a system of proportional representation one could consider it to be shirking not to vote for the party line, but the party line is often decided by the parliamentary group in many cases. If one decides shirking is voting against one's home electorate, is it everyone who voted for the party, or just the fraction for each candidate who is the relevant group? These issues are very hard to define in this system.

4.2 Political Capital, Pensions and Party Control

In Norway there has for several years been a "Pension" arrangement in place for members of Stortinget. The position of county commissioner, fylkesmann, has long been a post "reserved" for retiring members. In fact, out of the 90 fylkesmenn instated in the period 1945-1996, only 24 have not been retiring politicians (regjeringen.no 1997).

It is interesting to note that the 'reward' of fylkesmann has lately been given to members of most parties in a 'fair' spread, and not only to the governing party or parties (regjeringen.no 1997). Can this be a measure to deter shirking in for all members of parliament?

Since there have been no studies of shirking in Norway it is off course hard to say something specific about how this kind of pension arrangement affects shirking, but it would be fair to assume a certain competition for the post of fylkesmann would create some anti-shirking tendencies, fulfilling the purpose of such 'pensions'.

4.3 Term Limits and Political affiliation

There are no term limits in Stortinget. A study on shirking in the last period could therefore be interesting. On one hand Besley & Case (1995) find that there is a difference in policy between terms, but on the other hand they also find that in the longer term term limits make no difference. The only problem would be to find grounds for comparison. One would have to try to compare it with a parliamentary proportional representation system with term limits.

To show which party one belongs to can give life to thoughts based on stereotypes. It is hard to predict how this could affect shirking in Stortinget. It would be interesting to see if there is the same pattern as Besley & Case (1995) find, that conservatives become more conservative and liberals become more liberal in their final term. In a multiparty system this can have some curious effects. Do for instance agrarians become more agrarian or christian democrats become more christian?

4.4 Other Institutional Effects

There aren't many institutional effects in Norway to prevent last period shirking, but some may certainly exist. Since very little is written on it, one would have to do a survey of some kind to see if there are some institutions based on habitual patterns or some formal or informal institutions that encourage or prevent shirking in the last term, or in any previous term for that matter.

5 Conclusion and Predictions

In this paper I wanted to see under what circumstances one expects to see political shirking in the last period. I would say, from the literature studied that one can expect to see some form of shirking in almost any political system. It seems like one can try to prevent some shirking, but it seems hard to remove it completely. Much of the difference in the many empirical studies can be, at least to a certain degree, be explained by different measures. If one uses the methodology of Besley & Larcinese (2005) it is not very hard to measure shirking as consuming leisure on the job, but it will be significantly harder to measure shirking as defined by Lott (1987).

I also wanted to predict the results of an empirical study on the Norwegian Stort-

ing. Some of the factors deterring shirking are certainly present in the Norwegian system, whereas others are not. Some factors may be unique to the Norwegian system and may never have been studied before. It is very hard to say what an empirical study would find.

From a purely systematic approach I would predict that there is no more or less systematic shirking in the Norwegian system than in the UK system due to their many similarities. It will, however, be interesting to see, with further study, if there really is more shirking in the US, or if it simply has been easier to measure.

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