

# Democratization, Personal Wealth of Politicians and Voting Behavior

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# Motivation

# Motivation

- Between 1850 to 1920, a wave of democratization and liberalization swept over Western Europe, bringing about universal suffrage and an expansion of government.
- The double transition from autocracy to parliamentary democracy, and from passive government to engagement in social spending, has been widely studied in various disciplines.
  - Threat of revolution (Acemoglu and Robinson, 2000)
  - Electoral expedience (Lizzeri and Perisco, 2004)
  - Electoral competition (Llavador and Oxoby, 2005)
- The conception of politicians' self-interest in these studies revolves around safeguarding political power.
- However, politicians might also care about a more superficial form of self-interest: their personal wealth (Ferraz and Finan, 2009; Tahoun and Van Lent, 2019).

## This study

- I use the setting of the Netherlands to analyze politicians' voting behavior in parliament on all suffrage extensions and major fiscal legislation between 1872-1921
  - Inheritance taxation (*Successiewet*)
  - Income taxation (*Inkomstenbelasting*)
- I employ probate inventories collected from archival sources to identify the relationship between politicians' personal wealth and their voting behavior.
- Using data on the portfolio composition of politicians' wealth, I estimate politicians' net wealth at the time of voting, and relate this to the voting outcome.
- I provide instrumental variable (IV) estimates of personal wealth on the propensity to vote for reforms.
  - Politician's wealth is instrumented by parental wealth and by an indicator whether the politician's father was also politically active.

## Results - Overview

- Major finding: richer politicians are more likely to vote against fiscal legislation than *ceteris paribus* poorer politicians
  - Instrumental variable analyses suggest there is a direct effect of politicians' personal wealth on accepting fiscal legislation.
- The effects are absent in suffrage extensions
- Consistent with the historiography, ideology and party are major determinants of voting behavior
  - But the effect of personal wealth is strong enough to materially influence the voting outcome
- Paradigm-shifting laws are the primary drivers for the effect
  - Consistent with the effect being more pronounced when expected costs of acceptance are higher

# Background

# Legislation and Politicians

- **Suffrage extensions:** Initially, very few enfranchised: based on tax burden.
  - Failed attempt at expansion in 1872, extensions in 1887, 1896 and 1917 (universal male suffrage).
  - Main causes of disagreement: specific numbers and precise criteria. Not a debate dominated by abstract principles.
  - Large effect on the electorate, but likely no effect for politicians personally.
- **Fiscal legislation:** 1850-1870: government size was very limited, no structural increase in government expenditures.
  - In 1878, a law project passed which introduced inheritance taxation for lineal descendants.
  - In 1893, first income taxation introduced. Precedents for successive increases in rates.
  - Potentially large effect on politicians' personal finances.

# Parliamentary Wealth over Time

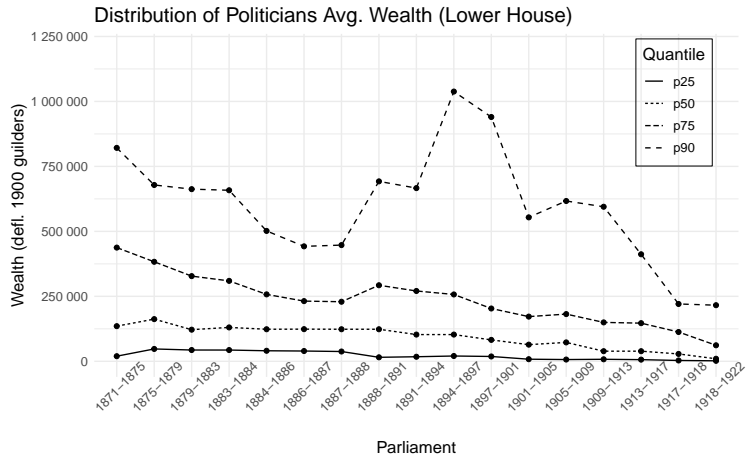


Figure 1: Parliamentary Wealth over Time



# Personal Impact on Politicians

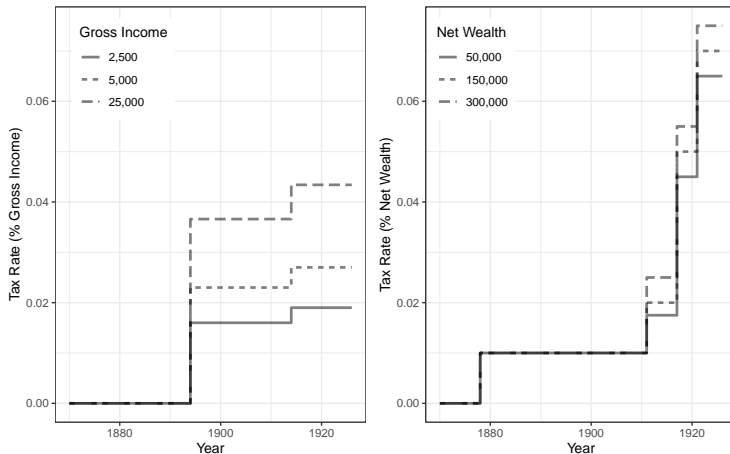


Figure 2: Tax Rates on Income (Left) and Wealth (Right)

## Method

# Empirical Model

- I firstly pool all laws, and model  $V = \Pr(p_i = 1)$  as a function of a politician's wealth and party, augmented by controls:

$$V_{i,j} = \alpha + \beta \cdot \text{Wealth}_{i,j} + \delta \cdot \text{Party}_i + \gamma \cdot \text{LawDum}_j + \eta \cdot \text{Controls}_{i,j} + \varepsilon_{i,j}$$

- In other specifications, I separately estimate regressions for suffrage extensions and fiscal legislation.
- I use the following recursive relationship to estimate a politician's wealth at the time of voting on law  $k$  as a function of their (deflated) wealth at death:

$$\text{Wealth}_{i,t+1} = \sum_J \text{AssetShare}_{i,j,t} \cdot \text{AssetReturn}_{i,j,[t,t+1]}$$

## Two Ways to Address Endogeneity

- Even after correcting for differential wealth returns, politicians' wealth could be endogenously determined.
  - Particular voting behavior might be rewarded by interest groups (Fisman et al., 2014, Tahoun and van Lent, 2019)
  - I test whether there is a difference in the personal wealth - voting behavior relationship between politicians who died shortly after having vote and those who did not.
- There might still be many reasons why this approach does not isolate the effect of personal wealth on voting behavior.
  - E.g. politicians' consumption and investment behavior might be correlated with their voting behavior: politicians who vote against might have consumed more of their income, reducing the observed correlation between personal wealth and voting behavior.
  - More generally, unobserved politician fixed effects might be correlated with wealth.
- I use instrumental variable estimation to address this.
  - Two unrelated instruments: *Father Politician* and *Expected Inheritance*

## Results

# Descriptive Statistics

Table 1: Dissent in Voting Behavior in Key Laws

| Category           | Law             | Year | N  | Pct. In Favor | Status   | Party Line   |         |           | Dissent      |         |           |
|--------------------|-----------------|------|----|---------------|----------|--------------|---------|-----------|--------------|---------|-----------|
|                    |                 |      |    |               |          | Confessional | Liberal | Socialist | Confessional | Liberal | Socialist |
| Suffrage Extension | Electoral Law   | 1872 | 67 | 0.46          | Rejected | Con          | Pro     | -         | 0.21         | 0.21    | -         |
|                    |                 | 1887 | 81 | 0.81          | Accepted | Pro          | Pro     | -         | 0.34         | 0.03    | -         |
|                    |                 | 1892 | 98 | 0.42          | Rejected | Con          | Pro     | Pro       | 0.15         | 0.35    | 0.00      |
|                    |                 | 1896 | 91 | 0.74          | Accepted | Pro          | Pro     | Pro       | 0.42         | 0.15    | 0.00      |
|                    |                 | 1918 | 72 | 0.86          | Accepted | Pro          | Pro     | Pro       | 0.30         | 0.00    | 0.00      |
| Fiscal Legislation | Income Tax      | 1872 | 70 | 0.37          | Rejected | Con          | Pro     | -         | 0.22         | 0.47    | -         |
|                    |                 | 1893 | 89 | 0.62          | Accepted | Con          | Pro     | None      | 0.31         | 0.12    | 0.50      |
|                    |                 | 1914 | 79 | 0.85          | Accepted | Pro          | Pro     | Pro       | 0.32         | 0.00    | 0.00      |
|                    | Inheritance Tax | 1878 | 80 | 0.60          | Accepted | Con          | Pro     | -         | 0.29         | 0.08    | -         |
|                    |                 | 1911 | 68 | 0.93          | Accepted | Pro          | Pro     | Pro       | 0.14         | 0.00    | 0.00      |
|                    |                 | 1916 | 77 | 0.62          | Accepted | Con          | Pro     | Pro       | 0.17         | 0.00    | 0.00      |
|                    |                 | 1921 | 72 | 0.76          | Accepted | Pro          | None    | Pro       | 0.26         | 0.50    | 0.00      |

Party Line is defined as the median vote per party: 'Pro' if in favor, 'Con' if against, 'None' if no discernible party line (equally split), and '-' if N.A.

Dissent is defined as the percentage of politicians of each faction having voted against the party line.

# OLS Estimates

- OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation
  - Results show small but significant relationship

|                            | Pooled              |                      |                     | Suffrage            | Fiscal              |
|----------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
|                            | Model 1             | Model 2              | Model 3             | Model 4             | Model 5             |
| Personal Wealth            |                     | -0.007***<br>(0.003) |                     | -0.008<br>(0.005)   | -0.009*<br>(0.005)  |
| Personal Wealth x Fiscal   |                     |                      | -0.007**<br>(0.004) |                     |                     |
| Personal Wealth x Suffrage |                     |                      | -0.007*<br>(0.004)  |                     |                     |
| Liberal                    | 0.385***<br>(0.027) | 0.433***<br>(0.033)  | 0.433***<br>(0.033) | 0.383***<br>(0.071) | 0.373***<br>(0.062) |
| Socialist                  | 0.523***<br>(0.034) | 0.602***<br>(0.047)  | 0.602***<br>(0.047) | 0.568***<br>(0.113) | 0.281***<br>(0.080) |
| Law Fixed Effects          | Yes                 | Yes                  | Yes                 | Yes                 | Yes                 |
| N                          | 1028                | 675                  | 675                 | 249                 | 270                 |
| Adj. R2                    | 0.35                | 0.36                 | 0.36                | 0.29                | 0.43                |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

Control variables omitted from the table.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## Alternative Explanations

- The effect of personal wealth on the likelihood to vote in favor of fiscal legislation seems to be robust to the inclusion of many controls
- But politicians who voted against could have been rewarded by interest groups
  - Wealth at death is higher because of voting profile → coefficient might be *overestimated*
- Test whether there is a difference in the relationship between wealth and voting behavior for politicians who died early and those who did not
  - The group who died shortly after voting is unlikely to have had opportunities to amass rents
  - If there is a substantial difference, reverse causality could play a large role



## Alternative Explanations: Died Shortly After Vote

- The coefficient on personal wealth is significant in both analyses, as well as in the pooled case.

|                                | Pooled   |          | Suffrage |          | Fiscal   |          |
|--------------------------------|----------|----------|----------|----------|----------|----------|
|                                | Model 1  | Model 2  | Model 3  | Model 4  | Model 5  | Model 6  |
| Personal Wealth                | -0.008*  | -0.010** | -0.012*  | -0.013*  | -0.009   | -0.016*  |
|                                | (0.004)  | (0.004)  | (0.007)  | (0.007)  | (0.006)  | (0.008)  |
| Died W 2 Yrs                   | 0.028    | 0.033    | 0.032    | 0.023    | 0.031    | -0.036   |
|                                | (0.063)  | (0.069)  | (0.109)  | (0.107)  | (0.095)  | (0.107)  |
| Personal Wealth x Died W 2 Yrs | 0.002    | 0.006    | 0.011    | 0.013    | 0.002    | 0.009    |
|                                | (0.006)  | (0.006)  | (0.009)  | (0.009)  | (0.008)  | (0.009)  |
| Liberal                        | 0.457*** | 0.376*** | 0.365*** | 0.361*** | 0.389*** | 0.368*** |
|                                | (0.034)  | (0.045)  | (0.070)  | (0.072)  | (0.058)  | (0.061)  |
| Socialist                      | 0.496*** | 0.381*** | 0.612*** | 0.600*** | 0.327*** | 0.277*** |
|                                | (0.043)  | (0.060)  | (0.106)  | (0.111)  | (0.072)  | (0.086)  |
| Law Fixed Effects              | Yes      | Yes      | Yes      | Yes      | Yes      | Yes      |
| N                              | 629      | 571      | 257      | 249      | 314      | 275      |
| Adj. R2                        | 0.33     | 0.36     | 0.30     | 0.31     | 0.41     | 0.42     |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

Control variables omitted from the table.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## IV Estimates

- There are still various reasons why this coefficient might not reflect the true relationship between personal wealth and voting behavior.
- Politicians' consumption and investment behavior might be correlated with their voting behavior: politicians who vote against might have consumed more of their income, reducing the observed correlation between personal wealth and voting behavior.
- More generally, unobserved politician fixed effects might be correlated with wealth (omitted variable bias)
- I use instrumental variable estimation to address this.
  - Two unrelated instruments: *Father Politician* and *Expected Inheritance*

## IV Estimates: Suffrage Extensions

- Father Politician is a good predictor for politicians' wealth.
- No precise relationship between personal wealth and propensity to vote in favor of suffrage extension.

|                         | Personal Wealth     | Vote                | Personal Wealth     | Vote                | Personal Wealth     | Vote                |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Model 1             | Model 2             | Model 3             | Model 4             | Model 5             | Model 6             |
| Father Politician       | 2.125***<br>(0.676) |                     | 1.826**<br>(0.788)  |                     | 1.329*<br>(0.793)   |                     |
| Personal Wealth         |                     | -0.028<br>(0.030)   |                     | -0.046<br>(0.042)   |                     | -0.085<br>(0.076)   |
| Liberal                 | 1.376**<br>(0.667)  | 0.446***<br>(0.069) | 0.930<br>(0.667)    | 0.394***<br>(0.086) | 1.134*<br>(0.683)   | 0.400***<br>(0.120) |
| Socialist               | 0.768<br>(1.800)    | 0.500***<br>(0.107) | 3.782***<br>(0.992) | 0.699***<br>(0.183) | 4.397***<br>(1.375) | 0.847**<br>(0.338)  |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 |
| Kleibergen-Paap F Stat. |                     | 9.5                 |                     | 6.43                |                     | 3.77                |
| N                       | 236                 | 236                 | 213                 | 213                 | 180                 | 180                 |
| Adj. R2                 | 0.05                | 0.23                | 0.07                | 0.13                | 0.17                | -0.16               |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

Controls omitted from the table.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## IV Estimates: Fiscal Legislation

- Father Politician is a good predictor for politicians' wealth.
- Significant and negative relationship between personal wealth and propensity to vote in favor of suffrage extension.
  - About 2-3 times the effect size of the OLS analyses.

|                         | Personal Wealth     | Vote                | Personal Wealth     | Vote                | Personal Wealth     | Vote                |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Model 1             | Model 2             | Model 3             | Model 4             | Model 5             | Model 6             |
| Father Politician       | 2.965***<br>(0.497) |                     | 2.424***<br>(0.515) |                     | 2.156***<br>(0.570) |                     |
| Personal Wealth         |                     | -0.041**<br>(0.018) |                     | -0.049**<br>(0.023) |                     | -0.062**<br>(0.031) |
| Liberal                 | 1.349**<br>(0.592)  | 0.522***<br>(0.052) | 1.971***<br>(0.745) | 0.454***<br>(0.078) | 1.567**<br>(0.766)  | 0.448***<br>(0.086) |
| Socialist               | 1.977*<br>(1.125)   | 0.534***<br>(0.067) | 3.823**<br>(1.547)  | 0.450***<br>(0.120) | 3.957**<br>(1.687)  | 0.447***<br>(0.150) |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 |
| Kleibergen-Paap F Stat. |                     | 20.58               |                     | 13.41               |                     | 12.36               |
| Selection Ratio         |                     |                     |                     | 20.88               |                     | 1.04                |
| N                       | 346                 | 346                 | 312                 | 312                 | 240                 | 240                 |
| Adj. R2                 | 0.11                | 0.22                | 0.11                | 0.22                | 0.13                | 0.18                |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## IV Estimates: Fiscal Legislation - Expected Inheritance

- Relationship persists when using a completely unrelated (and also plausible) instrument.

|                         | Personal Wealth     | Vote                | Personal Wealth    | Vote                | Personal Wealth     | Vote                |
|-------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
|                         | Model 1             | Model 2             | Model 3            | Model 4             | Model 5             | Model 6             |
| Expected Inheritance    | 0.262***<br>(0.088) |                     | 0.237**<br>(0.111) |                     | 0.235***<br>(0.084) |                     |
| Personal Wealth         |                     | -0.031*<br>(0.017)  |                    | -0.033*<br>(0.017)  |                     | -0.041**<br>(0.020) |
| Liberal                 | 1.573<br>(1.042)    | 0.544***<br>(0.073) | 2.389*<br>(1.318)  | 0.545***<br>(0.124) | 0.754<br>(0.899)    | 0.401***<br>(0.141) |
| Socialist               | 0.082<br>(1.553)    | 0.511***<br>(0.087) | 1.440<br>(1.993)   | 0.478***<br>(0.144) | 0.029<br>(1.623)    | 0.349**<br>(0.163)  |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                | Yes                 | Yes                 | Yes                 |
| Kleibergen-Paap F Stat. |                     | 2.33                |                    | 2.1                 |                     | 2.41                |
| Selection Ratio         |                     |                     |                    | 0.63                |                     | 0.55                |
| N                       | 171                 | 171                 | 152                | 152                 | 108                 | 108                 |
| Adj. R2                 | 0.07                | 0.27                | 0.08               | 0.28                | 0.14                | 0.29                |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

# Impact on Probability of Acceptance

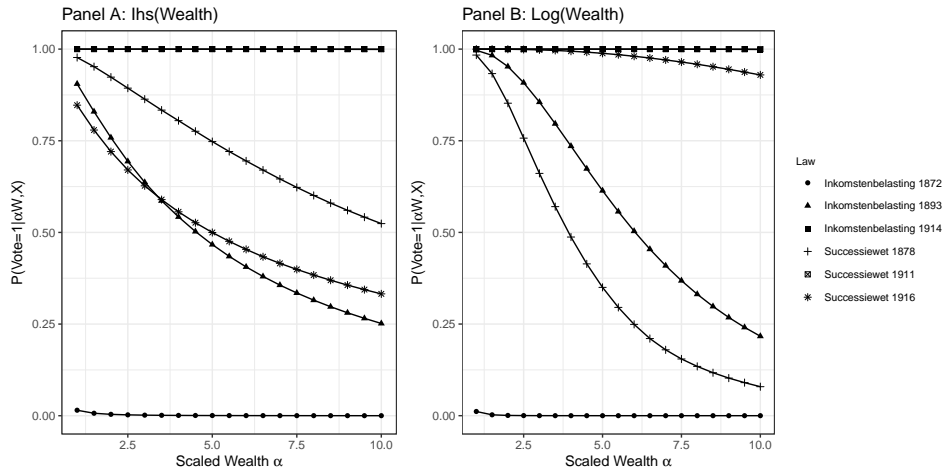


Figure 3: Wealth and Probability of Acceptance

## Conclusion

# Conclusion

- I find a significant and persistent negative effect of politicians' wealth on the tendency to vote in favor of tax increases
  - Dissenting politicians tend to prioritize their finances
- The effect is economically significant: poorer parliaments would have approved rejected laws sooner, and richer parliaments would have rejected laws increasing taxation that have been accepted.
- Clear relationship between personal wealth and voting behavior is absent in the case of suffrage extension
- Implications for democratization literature
  - Direct evidence that the personal profile of politicians influences government size
  - Partial explanation for why government size increased slowly over the nineteenth century (cf. Lindert, 2004) is the domination of politics by wealthy elites.
  - Exogenous negative wealth shocks facilitated expansion.



## Robustness Checks

# Robustness Checks - Logit Results

Table 2: Logit Analysis of Suffrage Extension and Fiscal Legislation

|                              | Suffrage          |                   |                   | Fiscal             |                    |                      |
|------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------------|
|                              | Model 1           | Model 2           | Model 3           | Model 4            | Model 5            | Model 6              |
| Personal Wealth              | -0.039<br>(0.029) | -0.042<br>(0.030) | -0.038<br>(0.032) | -0.049*<br>(0.029) | -0.063*<br>(0.034) | -0.076*<br>(0.039)   |
| Number of Strikes            |                   | 0.060<br>(0.064)  | 0.046<br>(0.061)  |                    | 0.007<br>(0.031)   | -0.081<br>(0.131)    |
| Vote Share                   |                   | -0.484<br>(0.771) | -0.615<br>(0.785) |                    | 0.006<br>(0.882)   | 0.786<br>(1.022)     |
| Turnout                      |                   | 0.075<br>(0.853)  | -0.337<br>(0.919) |                    | 0.161<br>(1.099)   | -0.516<br>(1.285)    |
| Margin to Nearest Competitor |                   | -0.779<br>(1.009) | -0.804<br>(1.030) |                    | -0.356<br>(0.968)  | -0.404<br>(1.093)    |
| Tenure                       |                   | -0.019<br>(0.020) | -0.018<br>(0.020) |                    | -0.005<br>(0.021)  | -0.035<br>(0.023)    |
| Share Catholic               |                   |                   | -0.249<br>(0.643) |                    |                    | -3.130***<br>(0.831) |
| Share Tax Liable in District |                   |                   | 5.445<br>(16.118) |                    |                    | 30.544<br>(20.464)   |
| Party Fixed Effects          | Yes               | Yes               | Yes               | Yes                | Yes                | Yes                  |
| Law Fixed Effects            | Yes               | Yes               | Yes               | Yes                | Yes                | Yes                  |
| N                            | 282               | 260               | 249               | 342                | 315                | 270                  |
| R <sup>2</sup>               | 0.01              | 0.03              | 0.03              | 0.01               | 0.01               | 0.10                 |
| Max. R <sup>2</sup>          | 0.58              | 0.59              | 0.58              | 0.48               | 0.49               | 0.50                 |

The dependent variable, Vote, is defined as 1 if the politician is in favor of the reform, 0 otherwise.

The reference political allegiance is confessional.

Standard errors in parentheses. Results for lower house voting outcomes.

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

# Robustness Checks - Wealth at Death

Table 3: IV Analysis of Fiscal Legislation - Robustness Check

|                         | OLS                 |                     |                     | IV                  |                     |                     |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Model 1             | Model 2             | Model 3             | Model 4             | Model 5             | Model 6             |
| Personal Wealth         | -0.007*<br>(0.004)  | -0.006<br>(0.004)   | -0.009*<br>(0.004)  | -0.037**<br>(0.016) | -0.046**<br>(0.021) | -0.049**<br>(0.022) |
| Liberal                 | 0.482***<br>(0.043) | 0.384***<br>(0.054) | 0.373***<br>(0.057) | 0.510***<br>(0.051) | 0.456***<br>(0.074) | 0.420***<br>(0.070) |
| Socialist               | 0.518***<br>(0.077) | 0.337***<br>(0.103) | 0.332***<br>(0.119) | 0.558***<br>(0.089) | 0.482***<br>(0.144) | 0.482***<br>(0.160) |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 |
| Kleibergen-Paap F Stat. |                     |                     |                     | 20.46               | 13.01               | 13.5                |
| N                       | 347                 | 311                 | 272                 | 351                 | 316                 | 277                 |
| Adj. R2                 | 0.36                | 0.41                | 0.43                | 0.22                | 0.20                | 0.24                |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

# Robustness Checks - Log Wealth

Table 4: IV Estimates of Wealth on the Propensity to Vote for Fiscal Reforms

|                         | Personal Wealth     | Vote                | Personal Wealth     | Vote                | Personal Wealth     | Vote                |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                         | Model 1             | Model 2             | Model 3             | Model 4             | Model 5             | Model 6             |
| Father Politician       | 1.368***<br>(0.177) |                     | 1.287***<br>(0.189) |                     | 1.567***<br>(0.221) |                     |
| Personal Wealth         |                     | -0.084**<br>(0.038) |                     | -0.093**<br>(0.043) |                     | -0.091**<br>(0.040) |
| Liberal                 | 0.406**<br>(0.189)  | 0.520***<br>(0.050) | 0.377<br>(0.247)    | 0.384***<br>(0.064) | 0.348<br>(0.280)    | 0.380***<br>(0.073) |
| Socialist               | -0.679<br>(0.427)   | 0.423***<br>(0.078) | -0.062<br>(0.624)   | 0.249**<br>(0.098)  | 1.462**<br>(0.601)  | 0.341***<br>(0.113) |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 |
| Kleibergen-Paap F Stat. |                     | 43.07               |                     | 33.97               |                     | 42.59               |
| N                       | 321                 | 321                 | 292                 | 292                 | 230                 | 230                 |
| Adj. R2                 | 0.20                | 0.31                | 0.15                | 0.33                | 0.19                | 0.33                |

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

## Robustness Checks - Exclusion Restriction

- Threats to identification imply that instrument might in itself suffer from endogeneity bias.
  - Politicians whose fathers were politically active could share a latent encompassing ideology (e.g. a penchant for increasing the size of the government)
  - They could therefore be inclined to vote in favor of laws that expand government
- Robustness checks to make exclusion restriction plausible: government intervention
  - In this set of laws, it is unlikely that wealth affects voting behavior (No direct effect).
  - Any empirical correlation is then due to an (indirect) *latent political family-effect*.
  - An empirical correlation would thus imply a violation of the exclusion restriction.

# Robustness Checks - Exclusion Restriction

- No indication of direct effect of Political Family on voting behavior.
  - Implying the exclusion restriction for the other set of laws likely holds.

|                         | OLS                 |                     |                     |                     |                     | IV                |                     |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|
|                         | -                   | Count               | Dummy               | Count               | Dummy               | -                 | Dummy               |
|                         | Model 1             | Model 2             | Model 3             | Model 4             | Model 5             | Model 6           | Model 7             |
| Personal Wealth         | 0.000<br>(0.002)    | 0.001<br>(0.003)    | 0.001<br>(0.003)    | -0.001<br>(0.003)   | -0.001<br>(0.003)   | -0.039<br>(0.143) | 0.002<br>(0.014)    |
| Political Family        |                     | -0.007<br>(0.015)   | -0.017<br>(0.029)   | -0.009<br>(0.021)   | -0.010<br>(0.038)   |                   |                     |
| Liberal                 | 0.432***<br>(0.031) | 0.430***<br>(0.031) | 0.431***<br>(0.031) | 0.444***<br>(0.047) | 0.445***<br>(0.046) | 0.531<br>(0.383)  | 0.434***<br>(0.060) |
| Socialist               | 0.518***<br>(0.039) | 0.519***<br>(0.040) | 0.519***<br>(0.039) | 0.518***<br>(0.066) | 0.517***<br>(0.066) | 0.616<br>(0.439)  | 0.496***<br>(0.082) |
| Law Fixed Effects       | Yes                 | Yes                 | Yes                 | Yes                 | Yes                 | Yes               | Yes                 |
| Kleibergen-Paap F Stat. |                     |                     |                     |                     |                     | 0.4               | 27.95               |
| N                       | 727                 | 727                 | 727                 | 469                 | 469                 | 334               | 399                 |
| Adj. R2                 | 0.46                | 0.46                | 0.46                | 0.43                | 0.43                | 0.22              | 0.42                |

Personal Wealth is instrumented by Father Politician (Model 6) and Political Family (Model 7).

Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

# Appendix

## Specification Endogeneity Test

- I use a dummy variable indicating whether a politician died within  $x \in \{2, 5\}$  years after having cast the vote on a particular law, and estimate the following model:

$$V_{i,j} = \alpha + \beta_1 \cdot \text{Wealth}_{i,j} + \beta_2 \cdot \text{Died within X years}_i + \\ \beta_3 \cdot \text{Wealth} \times \text{Died within X years}_{i,j} + \\ \beta_4 \cdot \text{Party}_i + \beta_5 \cdot \text{LawDum}_j + \gamma \cdot \text{Controls}_{i,j} + \varepsilon_{i,j}$$