

CHECKING OUT THE HOUSE

Jim F. Couch and William H. Wells

The Traditional Explanation for Excessive Government

Citizens interested in responsible federal spending have been sorely disappointed with recent results. An explosion of federal expenditures has occurred in this century. As reported in the *Economic Report of the President* (1993), total federal government expenditures in 1992 as a percentage of GDP was 23.5 while only 10.8 percent of GDP in 1934.

Economists offer several explanations for the growth of government spending. Spending can stimulate the economy in the short run by increasing output and lowering unemployment. Politicians that hope to be reelected are encouraged to take a short-run view since it is in their interest to see that the economy performs well today (Nordhaus 1975). Stimulative fiscal policy can help ensure that outcome. Spending is also attractive to members of Congress because they are elected from a particular geographic region rather than at large. These elected representatives receive a higher political payoff from promoting the local interests of their constituents than they do from taking positions in support of the so-called public interest. Therefore legislators have a strong incentive to search for public policies and programs that confer direct benefits on their home districts while imposing costs on taxpayers in general, most of whom reside, and vote, in other jurisdictions. Incumbent politicians are able to use such techniques to enhance their prospects for reelection. The fact that challengers rarely win congressional elections along with the idea that "career politicians" are largely responsible for the

Cato Journal, Vol. 13, No. 1 (Spring/Summer 1993). Copyright Cato © Institute. All rights reserved.

The authors are Assistant Professors at the University of North Alabama. They acknowledge helpful comments from William F. Shughart and an anonymous referee. Tammy Brown provided valuable research assistance.

burgeoning deficit has stimulated the call for term limits, although the actual effects of term limits are unknown.

Pressure groups, in the form of Political Action Committees (PACs), have also been blamed for the explosion in government spending. These organizations supply votes and campaign contributions in exchange for favorable legislation that increases the net wealth of the special interest group. Several studies can be found in the literature supporting this notion. Gary Becker (1983, 1985) developed a model relating the influence of interest groups to the growth of government. Dennis Mueller and Peter Murrell (1986) present empirical evidence linking the number of pressure groups in a country to the relative size of the government sector. Robert McCormick and Robert Tollison (1981) find the amount of regulatory expenditures across states to be related to the number of trade associations operating within the state. Thus, the drive to enhance the prospects of reelection serves as a major component of the traditional explanation for excessive government spending.

An Alternative View

The parochial interests of politicians elected from specific regions, the influence of special interest groups, and the myopic outlook of our elected officials are all valid explanations for increased government spending, but our research suggests something far more fundamental. In this paper, we seek to develop an explanation that links some of the characteristics of politicians to their more liberal spending practices within their public roles. As our dependent variable, we use the voting record of the House of Representatives of the 100th Congress. Explanatory variables include: (1) the percentage of campaign contributions coming from PACs, (2) the number of years served in the House, (3) the number of bad checks as revealed in the House banking scandal and (4) the percentage of votes received in the last election.

Model

The National Taxpayers' Union (NTU) *Congressional Spending Study* (1988) provides the voting record of every member of Congress.¹ The NTU study analyzed every roll call vote taken during the second session of the 100th Congress (1988) that affected the

¹The NTU weights congressional votes according to the degree that each vote affects federal spending. The score can range from zero (a high spending tendency) to 100 (a low spending tendency). A score of zero would indicate that a congressman voted in favor of every spending proposal.

amount of federal spending. From this information, a spending score was determined with higher scores representing more frugal voting records. Scores ranged from a high of 75 percent recorded by Philip Crane (R-Ill.) to a low of 5 percent recorded by Jerry Costello (D-Ill.) Variables used in the study to explain the tendency to spend, as measured by these scores, include: (1) the number of years that the individual served in the House (YEARS in Table 1), (2) the percentage of their campaign contributions that are supplied by political action committees (%PAC in Table 1), (3) the percentage of votes they received in their last election (%VOTE in Table 1), and (4) the number of bad checks they wrote (BOUNCE in Table 1).²

If our results agree with previous studies regarding pressure groups and the growth of government, a negative relationship between %PAC and the NTU voting record is predicted. The predicted sign of %VOTE is positive since those politicians winning by a greater margin should be more inclined toward spending. The correlation between BOUNCE and the voting record will reveal whether there is any relationship between what politicians do in their personal affairs and how they conduct themselves as public servants. Specifically, the empirical results should provide evidence as to whether financial irresponsibility regarding personal matters translates into fiscal irresponsibility regarding the public's funds. The final variable, YEARS, should provide some evidence regarding the efficacy of term limits. It is impossible to accurately predict how term limits will affect the operation of Congress. Hence we have no prediction regarding the sign of the variable YEARS.³

Results

Empirical results are given in Table 1. Ordinary least squares was used to estimate the equation. The R^2 was approximately 14 percent. Obviously a myriad of factors influence the voting record of members

²Previously, data regarding the personal matters of politicians was limited at best, but the House banking scandal of 1992 has changed that situation. The House Ethics Committee released the names of 303 current and former members who overdrew their accounts at the now-closed House Bank. Apparently, many of our elected officials who have been given the task of balancing the federal budget found the challenge of balancing their personal checking accounts beyond the scope of their abilities.

³By way of illustration let us give two statements here pertaining to the question of term limits. Ronald Elving (1990: 3145) quotes Gary Becker as writing, "it seems clear that reducing an incumbent's advantage will not significantly improve how Congress works, and it could well make matters worse." On the other hand, Edward Crane of the Cato Institute is quoted by Elving (1991: 3102) as saying, "I'm told term limits would cost us our most experienced legislators—all I can say is I hope so."

TABLE 1

NATIONAL TAXPAYER UNION VOTING SCORE REGRESSION

Independent Variable	Estimated Coefficient (Absolute Value of the <i>t</i> -Statistic)
CONSTANT	93.024* (12.45)
BOUNCE	-0.023* (2.62)
%PAC	-0.422* (5.55)
%VOTE	-0.216** (2.27)
YEARS	-0.573* (3.65)
Adjusted R ²	0.139
F	17.144

*Significant at the 1% level.

**Significant at the 5% level.

of Congress. If omitted variables are correlated with variables included in the model, our results would be weakened.

The dependent variable in the analysis was the NTU spending score of the House of Representatives of the 100th Congress. A significant negative relationship exists between this spending score and the number of bad checks. For every increase in the number of bounced checks, the score falls by 0.023 points—indicating that politicians who cannot balance their own checking accounts find it difficult to resist the temptation to spend government funds in excess of government revenues. Hence, profligate representatives do not discriminate between private and public funds in this regard—they spend both equally well.

Also contributing to spending is the percentage of contributions coming from PACs. The relationship between special interest groups and politicians can be viewed as that of a principal and agent. The special interest group (principal) elects (hires) the politician (agent) in order to receive preferential consideration in the form of subsidies and, or, favorable legislation. Not surprisingly therefore, the pressure to spend increases, as the makeup of the campaign-“war chest” becomes more and more dominated by special interest money. A 1 percent increase in PAC contributions is associated with a 0.42 drop in the congressional spending score.

Conservatives' call for term limitations also seems to be reasonable when looking at our results. For every extra year of service in the House, spending scores fall by 0.57. Thus, we present empirical evidence that term limits could be an effective means of reducing excessive spending. The coefficient of %VOTES is negative and significant indicating that those candidates receiving a larger margin of victory are inclined toward more liberal spending. This comfort zone gives the politician more discretion in spending the taxpayer's money. Those with a more narrow margin of victory are perhaps more timid and certainly less reliable in the vote trading process that characterizes Congress.

Conclusion

Our results seem to indicate that calls for campaign finance reform and term limits are steps in the right direction if we are serious about balancing the federal budget. Our analysis also provides empirical evidence that the administration of personal finances of House members provides a good indicator of their spending habits in public life. While other factors certainly impact a politician's spending practice, the model, in its present form, may be used to provide an indication of a House member's proclivity toward government spending.

References

- Becker, G.S. (1983) "A Theory of Competition Among Pressure Groups for Political Influence." *Quarterly Journal of Economics* 98: 371-400.
- Becker, G.S. (1985) "Public Policies, Pressure Groups, and Dead Weight Costs." *Journal of Public Economics* 28: 329-47.
- Elving, R.D. (1990) "Congress Braces for Fallout from State Measures." *Congressional Quarterly* (September): 3144-46.
- Elving, R.D. (1991) "National Drive To Limit Terms Casts Shadow Over Congress." *Congressional Quarterly* (October): 3101-05.
- McCormick, R.E., and Tollison, R.D. (1981) *Politicians, Legislation, and the Economy*. The Hague, Netherlands: Martinus Nijhoff.
- Mueller, D.C., and Murrell, P. (1986) "Interest Groups and the Size of Government." *Public Choice* 48: 125-45.
- National Taxpayers' Union (1988) *Congressional Spending Study, 100th Congress*. Washington, D. C.
- Nordhaus, W.D. (1975) "The Political Business Cycle." *Review of Economic Studies* 42: 1969-90.
- Economic Report of the President* (1993) Washington, D. C.: U.S. Government Printing Office.