In this article, we evaluate the role of elections in governors’ state tax policy making. Does it matter for state taxes whether the governor is a Democrat or Republican and whether she is eligible for re-election or faces a binding term limit? Using a Regression Discontinuity Design and a panel of U.S. states, we find that the manner in which governors of different parties implement different tax policies turns crucially on the incumbent’s eligibility for re-election. Re-electable Democratic governors increase income taxes relative to similarly situated Republicans, yielding divergence between party policy positions. However, governors facing a binding term limit exhibit the reverse policy difference, resulting in a movement of policy back together.

JEL Classification:

1. Introduction

Does it matter for state taxes whether the governor is a Democrat or Republican and whether she is eligible for re-election or faces a binding term limit? Most taxpayers are likely to want to know. This article finds empirical evidence that re-electable governors from different political parties pursue different tax policies, but the manner in which they differ depends on their eligibility for re-election. Democratic governors eligible for re-election have significantly higher growth rates in income taxes per capita than do their (otherwise-identical) Republican counterparts. When incumbent governors face a binding term limit, however, the income tax policies differ in the reverse direction. That is, Democratic lame duck governors have significantly lower growth rates in income taxes per capita than do Republican lame ducks. Roughly, a Democratic governor who serves for a maximum of two terms leaves office with tax policy at about the same place as her Republican counterpart would have left it. However, the “route” taken by the Democrat is different, with higher taxes throughout her administration.
This pattern of partisan behavior can help us refine our understanding of an enduring question: What is the role of elections in terms of policy making? One strand of the literature argues that competition for votes will force office-seeking political candidates or parties to moderate any partisan views and promise policies that are closer to the center of the policy spectrum (Downs 1957). In this Downsian view, voters induce convergence across parties locked in political competition as each tries to get closer to the pivotal voter (Lee, Moretti, and Butler 2004). Another strand of the literature holds that policies will diverge across political parties within a polity. For example, the “two constituencies thesis” argues that senators from the same state but different political parties offer different policies because they appeal to different constituencies within the state (see, e.g., Huntington 1950; Peltzman 1984; Schmidt, Kenny, and Morton 1996). Moreover, Aldrich (1983), Baron (1994), Wright and Schaffner (2002), and Moon (2004) argue that party polarization is due to party activists and core partisans who heavily participate in and influence both primary votes and general elections.

In Owen and Grofman (2006) primary voters are concerned both with candidates’ policy positions and their viability in the general elections; this leads to non-convergence (see also Coleman 1971). Adams et al. (2010) incorporate voter turnout (a voter “alienation threshold”) to explain candidate divergence even in close elections. Between these two extremes there are models of partial convergence. In a model by Lindbeck and Weibull (1993), elections are probabilistically driven by some factor in addition to policy: for example, underlying competence or generic candidate valence. Policy-motivated parties face a trade-off between policy and election chances, converging incompletely toward the median voter’s ideal policy.

Different predictions exist in the literature regarding lame duck policy making as well. Alesina (1988) argues that a politician’s promises of policy compromise lack credibility in a one-shot game (such as when a governor campaigns for a final lame duck term), and she therefore opts to set policy at her bliss point upon winning the election. This view assumes that lame duck politicians have policy convictions or “character” (Kartik and McAfee 2007) and set policies strictly in accordance with their ideology (as announced in their campaign platform) (see also Besley and Case 2003). An alternative perspective is that lame duck governors may be compensated (by the party or the party’s next candidate, by offers of party leadership positions, or by vote-seeking incentives).

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1. Note that by “convergence” we mean that similarly situated governors from different parties offer very similar policies. We have nothing to say about whether the preferred policy has become more or less similar across states in this period.
3. In Adams and Merrill (2003), policy divergence occurs in order to raise voter turnout. Hummel (2010) finds that in the primary election candidates adopt extreme policy positions but attempt to move closer to the median voter in the general election. This move is tempered by costs involved with flip-flopping, leading to policy divergence.
4. In the citizen-candidate model of Osborne and Slivinski (1996) and Besley and Coate (1997) politicians cannot credibly commit to implement policies that deviate from their own preferences. Since voters perfectly foresee politicians reneging on any other policy, politicians must make campaign promises in accordance with their most preferred policy positions.
5. Blumkin and Grossman (2010) find that an increase in the size of a partisan constituency may lead to platform convergence toward the median voter.
for example) for moderating their policies in the last incumbency period (perhaps neutralizing earlier-period policy choices that primarily served the party’s core supporters) and thus raise the probability of keeping the seat within the party after the next election by being more appealing to the median voter (Alesina and Spear 1988). The lame duck may also choose to moderate policy in order to raise the probability of electoral success by a politician from her own party who is closer in ideology (Harrington 1992) or to lay the groundwork for a future run for higher office (which may be helped by a reputation for more moderate policy choices). We rely on differences between Democratic and Republican governors’ policy-making behavior when eligible for re-election (when directly accountable to voters) and in the lame duck term, respectively, to help answer the question of how voters and elections influence policy making.

In this article, we seek to evaluate empirically whether state-level tax policies in the United States depend on the party affiliation and re-electability of the governor. We utilize 1970–2007 state-level data on gubernatorial electoral outcomes and four different growth rates in per capita annual taxes:

- (i) Income tax revenues per capita;
- (ii) Sales tax revenues per capita;
- (iii) Corporate tax revenues per capita; and
- (iv) Total tax revenues per capita.

We also investigate what role re-electability plays in mediating electoral control. As a result of the institution of gubernatorial term limits in effect in a majority of the states, our focus on governors appears rather advantageous when addressing the question at hand.

We believe the extant literature that uses state-level data suffers from an insufficient approach to the identification problems associated with the governor’s party (Leigh [2008] is an exception). We use a Regression Discontinuity approach to deal with the endogeneity and omitted variable problems associated with governors’ party affiliation. By controlling for vote margin in a flexible fashion this empirical technique mimics a random assignment (Lee, Moretti, and Butler 2004; Lee 2008) and allows us to identify the pure effect of governor party affiliation, both on average and as it is conditional on re-election eligibility status. A second contribution to this empirical literature is the separation of the sample into those governors eligible for re-election and those who are term-limited. The literature in which researchers use Regression Discontinuity Empirical Design (RDD) approaches when

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6 Consistent with this view, DeBacker (2012) finds that retiring senators put a higher weight on their own party line, especially if they move on to political jobs after retiring from the Senate. However, results presented by Besley and Case (1995) indicate that lame duck governors do not care for either their own or their party’s reputation, as only re-electable governors respond to natural disasters by raising expenditures.

7 We recognize that multiple political forces may affect the ability and willingness of lame duck governors to change behavior in their last incumbency period. Alt, Bueuo de Mequita, and Rose (2011) reviews this literature, which studies the effects of re-electability on political agency. Alt, Bueuo de Mequita, and Rose (2011) provide evidence that indicates that re-electable governors work harder at keeping state taxes and spending low and that more experienced incumbents have higher competence in this area. Parker and Dabros (2012), for example, find no last-period shirking (in terms of attendance) by retiring members of the House of Representatives, however.

8 More precisely, we have data for 1970–2000, 2002, and 2004–2007 and dropped (as is common in the literature) Alaska, Hawaii, and Nebraska. The use of per capita tax revenue measures follows the literature on state policy making (see, e.g., Besley and Case 1995).

9 At the state level, Knight (2000), Reed (2006), and Leigh (2008) do not find evidence of an effect of governor party affiliation on state tax rates. However, Besley and Case (2003) establish that a higher share of Democratic state legislators results in higher state spending, while Knight (2000) and Reed (2006) find that Democratic control of state legislatures raises the tax burden. Ferreira and Gyourko (2009) find no difference between U.S. mayors’ spending across political parties, indicating that voters at the city level push policy to the middle. Lee, Moretti, and Butler (2004) report that U.S. House members from the two main political parties vote differently.
studying the policy effects of voters and elections appears not to have fully utilized the institution of term limits.\footnote{We note that the literature involving reputation building has utilized the institution of term limits, however (see, e.g., Besley and Case 1995; List and Sturm 2006).}

Our results indicate significant differences in tax policies across political parties. Re-electable Democratic governors raise annual per capita total taxes in the range of $10.59 to $11.08 more than do their Republican counterparts.\footnote{Over a four-year term, an average estimate indicates a difference of roughly 5\% since the average tax level in the period is about $800 per capita.} By contrast, lame duck Democratic governors reduce per capita total taxes by between $9.96 and $11.21 per year compared to their Republican colleagues. The pattern for income taxes is very similar to the one for total taxes.

We argue that the incumbency advantage of governors (as discussed by, e.g., Ansolabehere and Snyder [2002, 2004]) may allow them to implement income and total tax policies more toward the ideological extremes of their parties. The result is consistent with the divergent platform models discussed by, for example, Owen and Grofman (2006) and Hummel (2010). The off-center policy choices will help ensure that party activists re-nominate incumbent governors in the primaries, as discussed by Moon (2004).\footnote{Our results appear consistent with those of Lowry, Alt, and Ferree (1998), who find that Republican governors lose voter support if they raise the state budget unexpectedly but that Democratic governors may instead gain support in the corresponding situation. Our income tax results for re-electable governors are also consistent with those of Alt and Lowry (2000), who report that Democratic governors had significantly larger state budgets than their Republican counterparts in 33 non-Southern states during the years 1952–1995. Alt and Lowry (2000) do not include term limits in their analysis, however.}

Our lame duck income tax and total tax results indicate that when the seat becomes open as the result of a binding term limit, the incumbent moderates her income tax policy. One reason may be that the incumbent party does not enjoy an incumbency advantage for open seats (Ansolabehere and Snyder 2002). In return for moderating policy, the incumbent may receive compensation from her party or its next office-seeking candidate as it raises their appeal to the median voter (Alesina and Spear 1988; Harrington 1992).\footnote{The incumbent party may also need to restore fiscal balance, as Lowry, Alt, and Ferree (1998) find that voters punish the governor’s party for an inability to maintain fiscal balance.} Our lame duck results are in sharp contrast to parts of the earlier literature, notably Besley and Case (1995), who find that Democratic lame ducks set significantly higher per capita total state taxes and expenditures during the 1950–1986 time period. Possible reasons for the contrasting results include the following: (i) Our RDD identifies a local causal effect; (ii) The ordinary least squares (OLS) results reported in the earlier literature may be affected by bias, either due to endogeneity of the governor’s party and tax policy or due to omitted variables correlated with both; (iii) We use the growth rate of tax per capita rather than levels (as in Besley and Case); (iv) The time periods differ; and (v) Our data contain a higher share of observations with term-limited governors in office.\footnote{Note also that Millimet, Sturm, and List (2004) extend Besley and Case’s data to 1999 and find that Republican lame ducks raise overall state taxes and spending per capita more than do Democratic lame ducks. See further discussion of our results in section 5.}

Our results indicate that the governor’s party has no consistent effect on corporate taxes regardless of the governor’s re-election status but a significant effect on term-limited governors’ sales tax choices. Thus, our evidence indicates that voters have different impacts across our four tax policy instruments. A higher mobility of the underlying tax base, for example, may also make
governors more attentive to other states’ sales and corporate tax rates, regardless of party affiliation.  

This article is organized as follows. In section 2 we discuss the data and the empirical model used in our analysis. Section 3 outlines the baseline results, and section 4 checks these results for robustness. Section 5 discusses the implications of these results for our understanding of the policy effects of incumbency in elections, and section 6 briefly concludes.

2. Empirical Methodology and Data

We seek to test the hypothesis that governors from different parties set different policies. By studying multiple forms of taxation we are also in a good position to draw some conclusions regarding the likely impact of inter-jurisdictional competition and lobbying on governors’ policy-making behavior.

**Empirical Methodology**

Consider the following model,

$$Y_{it} = x_{it} \beta + D_{it} + v_i + u_{it},$$

where $Y_{it}$ is the observed tax policy for state $i$ in year $t$; $D_{it}$ is the party membership of the governor in state $i$ in year $t$, $D = 1$ if Democratic, $D = 0$ if Republican; $x_{it}$ is a vector of observable characteristics of states; $v_i$ is a state-specific intercept; and $u_{it}$ is a time-variant error term. If party identity $D$ conditional on $x$ is uncorrelated with time-variant shocks to tax policy, fixed-effect OLS yields a consistent estimate of Equation 1. But the assumption of conditional lack of correlation may be too restrictive and may fail to hold. For example, an adverse economic shock that affects a particular state may lead to strong political pressure for a reduced tax burden in the state. If a particular party, say the Democratic party, is more likely to be elected during difficult times then there exists a negative correlation between the Democratic party and unobservable time-varying determinants of tax policies. In this case, the negative correlation leads to underestimated effects of party on policies. As a result, we may not find any significant evidence of policy divergence, as the estimates are biased toward zero. Although we can alleviate the bias by controlling for those (observable) variables that are commonly regarded as the determinants of tax policy, it still may not be sufficient to identify the causal effect of party control.

15 For example, Eggert and Sørensen (2008) find that a higher tax base elasticity raises the marginal cost of public funds and, therefore, the economic and political costs of tax increases. Devereux, Lockwood, and Redoano (2007) argue that neighboring jurisdictions affect state taxes on goods easily smuggled across borders (e.g., cigarettes). In our view, the heterogeneous effects of voters across tax types may indicate that varying lobbying pressures and degrees of tax base mobility matter for political competition on the various tax policy measures, lending some support to the work of Eggert and Sørensen (2008) and Devereux, Lockwood, and Redoano (2007). Governors’ discretion may thus be severely restricted by inter-jurisdictional sales and corporate tax competition (see Brueckner [2003] for a survey of this literature).

16 We abstract from the issue of term lengths in order to keep the article focused. We follow the literature and do not treat states differently based on term length. For an analysis of term length effects, see Crain and Tollison (1977), who view governorships as investment projects and compare campaign expenditures across races for two- versus four-year term positions (see also Barro 1973; Ferejohn 1986).
As a result, recent studies of the party effects on policy outcomes have utilized the idea of a RDD (Lee, Moretti, and Butler 2004). This approach relaxes the assumption of conditional uncorrelatedness between party affiliation and time-varying shocks by exploiting the fact that the election rule is a deterministic function of vote margin ("sharp" RD design),

\[ D_{it} = I(m_{it} > 0), \]

where \( m_{it} \) is vote margin for the Democratic party candidate, while potential confounders are assumed to vary continuously with vote share (see Angrist and Pischke [2009] for further discussion). Formally, we assume that

\[ E[u|D, m] = E[u|m] = f(m), \]

where

\[ \lim_{m \to 0^+} f(m) = \lim_{m \to 0^-} f(m). \]

The first equality in Equation 3 follows directly from the properties of the conditional expectation and the deterministic relationship between \( m \) and \( D \) given in Equation 2. It mathematically formalizes the idea that conditioning on vote margin in the estimation, party affiliation is uncorrelated with the error term.\(^{17} \) In Equation 4 we simply require that \( f(m) \) is continuous at an even vote split. Otherwise there would be no way to disentangle the effects of party. This is an important assumption, and we discuss various tests of this assumption below.

Using the information in Equation 3, Equation 1 becomes

\[ Y_{it} = x_{it} \beta + \delta D_{it} + v_{it} + u_{it} \]

\[ = x_{it} \beta + \delta D_{it} + v_{it} + E[u_{it}|D, m = m_{it}] + \varepsilon_{it} \]

\[ = x_{it} \beta + \delta D_{it} + v_{it} + f(m_{it}) + \varepsilon_{it}, \]

where \( \delta \) is the coefficient of interest, \( f(.) \) is a flexible function of \( m \), and \( \varepsilon_{it} = u_{it} - E[u_{it}|D, m = m_{it}] \) is the error term. With a consistent estimator for \( f(.) \) included, the error term in Equation 4, \( \varepsilon_{it}, \) is no longer correlated with party affiliation \( D \) and \( m \). Therefore, \( \delta \) can be consistently estimated via OLS. Inferences are conducted based on robust standard errors adjusted for clustering at the state level to allow for arbitrary correlation within the clusters.\(^{18} \)

Put simply, if the assumptions in Equations 2–4 hold, by conditioning on similar vote shares the RDD approaches mimic a random assignment of the party affiliation of the governor (Lee, Moretti, and Butler 2004; Lee 2008), thereby addressing the endogeneity problem associated with the winner’s party affiliation (see Lee [2008] and Lee and Lemieux [2010] for detailed derivations of the random assignment property of the RDD).

The main issue in the estimation is selecting the correct functional form of \( f(.) \). Since there are essentially no elections that are decided by anywhere close to a single vote, we have to

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17 This statement is always true. From Equation 2, we know that party affiliation is a deterministic function of vote share. Thus, any mechanism that gives rise to the relation between party affiliation \( D \) and the error term \( u \), no matter how complicated, acts through only one intervening variable, vote share. That is, if there is no third party and we know the vote share of the Democratic party, we are certain about the party affiliation of the winning candidate. Unlike in other cases with endogenous variables, there are no confounding variables other than vote share (see Angrist and Pischke [2009] for further discussion).

18 We also ran models clustering at the governor level. The results remain the same (results available on request).
flexibly control for the relationship between vote share and policy by specifying a continuous control function. While over-specification of $f(.)$ (including more polynomial terms than necessary) leads to consistent yet less precise estimates, under-specification produces inconsistent but more efficient estimates. To construct the control function, we either use a linear function or include cubic polynomials of the Democratic vote margin, interacted where appropriate with a dummy for lame duck. The specification with cubic polynomials is more flexible than the linear one, and thus it is considered to be the preferred specification. Note that this exercise is essentially the same as the practice of selecting the bandwidths (or “windows”) in the nonparametric RDD. The nonparametric approach is data-demanding since it utilizes only a subsample of states with close elections (“closeness” is defined based on whether the vote shares fall into the interval $[-h, h]$ centered around zero, where $h$ is the bandwidth). Here we opt for the parametric approach in order to avoid small sample bias and to increase the efficiency gains. However, these two approaches are asymptotically equivalent.

The intuition for the RDD approach is easiest to see in the context of two similarly situated candidates running for the governorship. There are multiple underlying reasons why voters favor one candidate over the other: the policies they prefer, the underlying economic situation in the state, and prior experience with the candidate or party. Some of these determinants may also directly affect the winner’s implemented policy, and all of these forces affect the probability that the Democrat is elected by shifting her expected vote share: an omitted-variable problem. The key point is that the direct policy effects of these outside forces need to be smooth with respect to the vote margin threshold as the winner moves discontinuously as the Democratic vote share passes the 50% threshold. Thus, the expected underlying determinants of policy in the year following an election in which the Democratic candidate received 50% plus one vote should be identical to the expected underlying determinants of policy in the year following an election in which the Republican candidate received 50% plus one vote. As a result, any differences in policy across parties are attributed to changes brought about by the party affiliation of the governor but not to other factors, namely the causal/true effects of party control on economic policies.\(^{19}\)

As a result, in the presence of heterogeneous effects of party control\(^{20}\) by the nature of the RDD we are only able to calculate the difference in tax policies implemented by a certain sort of similarly situated Republican and Democratic governor, namely, those who won their election by a relatively narrow margin. The “local” nature of this estimated effect is important to keep in mind throughout the interpretation of our estimates.\(^{21}\) There is always the possibility that the mechanism of control differs when elections are less competitive, but our identification strategy cannot speak to that possibility in a robust way.

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\(^{19}\) Note that when comparing incumbents, the intuition is slightly different, since there is never a Republican incumbent running against a Democratic incumbent. We instead compare incumbents across elections. The identification assumption is, essentially, the following. Conditional on observables, the expected policy in the year following an election in which a Democratic incumbent wins the election with 50% plus one vote would be identical to the policy in which a Republican incumbent wins an election with 50% plus one vote, except for the differences induced by the party of the incumbent winner.

\(^{20}\) That is, the effects on economic policies of party control are not the same and vary across governors.

\(^{21}\) Note that the interpretation of local effects is not unique to the RDD approach. In fact, in the presence of heterogeneous treatment effects, most econometric methods can at best give estimates of the local average treatment effects (as termed in the treatment effects literature). For example, Imbens and Angrist (1994) show that instrumental variables estimates in general identify the treatment effects only for the compliers, a subgroup whose treatment is affected by the instrument variable.
The inclusion of time and state fixed effects is also noteworthy. As noted in Hoxby (2000) and Petterson-Lidbom (2008), the inclusion of these variables allows us to use only within-state variations to identify the party effects. This is desirable since it is “more powerful and less subject to bias” (Hoxby 2000, p. 1253). However, the inclusion of additional variables, \( x_i \), is not necessary in RDD estimation (see, e.g., Lee and Lemieux 2010). Recall that under the assumptions in Equations 3 and 4, RDD mimics randomized experiments. Therefore, as is the case with randomized experiments, while there are other determinants of the economic policies of interest in this article, these variables are unlikely to be correlated with the indicator variable for Democratic governor, once we have controlled for the vote share. As we shall see in “Validity of the Regression Discontinuity Design,” the tests performed indicate that this is indeed true in our data. Thus, omitting these variables will not affect the consistency of our results. However, if these variables are orthogonal (exogenous) to the party affiliation, the inclusion of these variables could potentially improve the precision of our estimates.

Finally, we condition our analysis throughout on the re-electability of the governor, and this status is not randomly assigned. Thus, we have a robustly well-identified estimate of the causal effect of electing a re-electable Democratic governor versus a re-electable Republican governor and a robustly well-identified estimate of the causal effect of electing a lame duck Democratic governor versus a lame duck Republican governor. But we do not have a similar quasi-experiment for the assignment of lame duck status, so it is not possible to say definitively that any difference between the two estimates is because of lame duck status. There could be other unobservable differences between these governors or states that are correlated with lame duck status. By performing several robustness checks below (see section 4), we are able to argue that this is not the case and that we should interpret the differences as causal. However, the evidence cannot be as clean as that derived in the RDD design.

Validity of the Regression Discontinuity Design

Assuming that the environment is such that an RDD is feasible, we have thus far motivated the RDD approach and discussed several important practical issues. But how do we know that the RDD is appropriate in our context? Note that an important assumption behind the RDD is that \( E[u|m] = f(m) \) is a continuous function of \( m \) at \( m = 0 \) (see Eqn. 4). This assumption formalizes the intuition discussed above that the expected policy does not jump discontinuously as the vote moves from 49% Democratic to 51% Democratic, except as a result of the change in the party of the governor. While it is impossible to test this assumption since \( u \) is unobserved, it is possible to test whether \( E[u|m] \) is continuous at the threshold (Lee and Lemieux 2010). Lee and Lemieux (2010) summarize two tests proposed in the literature. The first test is to examine whether or not there exists a discontinuity in the baseline covariates at the threshold. This test is similar to tests that seek to demonstrate whether or not individuals in the treatment and control groups are similar so as to assess the validity of randomized experiments (Pettersson-Lidbom 2008; Lee and Lemieux 2010). The second test, proposed by McCrary (2008), is to test whether the marginal density of \( m \) is continuous—the log density test.

A word of caution is warranted concerning these tests. Neither of these tests is a sufficient and necessary condition for identification. For example, for the first test we still cannot test the balancing property of the unobserved characteristics at the threshold. For the second test it is
valid under auxiliary assumptions (McCrary 2008). That said, they are useful indications of the plausibility of the underlying continuity/smoothness assumption, and we shall conduct both tests below to assess the validity of the RDD.

**Data Sources and Construction**

The dependent variables for this study are the annual changes in four per capita state tax policy measures: total state tax revenues, sales tax revenues, income tax revenues, and corporate tax revenues. All tax variables are deflated to 1983 dollars and are collected from the Census Bureau’s *Statistical Abstract of the United States*. We difference these tax variables since our expectation is that policy acts in terms of changes from the extant level. We limit our investigation to post-1970, since we feel more confident that “Democrat” is more clearly defined in the South as well in this period. Moreover, relatively few states had term limit legislation in place before the 1970s. Data on gubernatorial term limits come from List and Sturm (2006) but are updated to the year 2007. In the U.S. states, governors frequently face term limits after two terms in office. However, one-term, three-term, and no term limits also exist in the states. The party affiliation and vote data come from Ansolabehere and Snyder (2006) and have been updated through 2007 from individual state election Web sites. Vote margins are constructed as the Democratic candidate’s two-party vote share (minus 50%). We include only elections in which a Democrat and a Republican are the top two candidates.

In all specifications we control for the state population, the real income per capita, the proportion of the population aged under 18 years, and the proportion aged over 65 years. These data come from the Census Bureau’s *Statistical Abstract of the United States*. Summary statistics are reported in Table 1.

**3. Results**

Before turning to our regression results, we first present a graphical analysis of the state tax policies. Figure 1 displays the relationship between the vote share and different types of state tax

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22 We believe that the change in tax levels is an appropriate variable for the analysis and may be preferable to simple levels. Levels mix things over which the governor has control with a mass of past acts over which she has very limited control. Levels capture two components: the existing/initial tax levels (predetermined before the governors’ actions in this period) and the changes in the tax (that can be manipulated by the governors in this period). Use of the levels may mask the policy changes actually caused by the governors. Consider the following hypothetical example in which the numbers indicate tax levels per capita (note, however, that we determine below that levels are similar for newly elected governors of different parties):

<table>
<thead>
<tr>
<th>Before elected</th>
<th>800</th>
<th>700</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year after election</td>
<td>780</td>
<td>750</td>
</tr>
</tbody>
</table>

A simple regression of the tax level on party would indicate that the difference election, implying that Democratic governors set higher taxes, even when they cut taxes while the Republicans raised them.

policies (within 3% intervals of the vote share) separately for re-electable and lame duck governors (see, e.g., Lee, Moretti, and Butler [2004] for further discussion on graph production). The difference between functions (the thick lines) at the cutoff point (zero) measures the effect of party affiliation on the tax policies. Panels A and C indicate that the effect of party affiliation on total taxes and income taxes, respectively, has a sizable impact. Panels B and D indicate a relatively small effect of party affiliation on sales taxes and corporate taxes, respectively. While these observations are of interest, Lee and Lemieux (2010) note that graphical presentation may easily be manipulated and thus mask the true effects. Moreover, these observations do not tell us the actual magnitude of the party effect. Thus, we now turn to our formal analysis.

In this section we report the results of our analysis for several different specifications. In Table 2 the samples of re-electable and lame duck governors are utilized, respectively, and the estimated effect of having a Democratic governor in office rather than a Republican on four different measures of tax policy is reported. Columns 1 and 2 and 3 and 4 report coefficients produced using linear and cubic control functions, respectively. Columns 1 and 3 display the results for governors eligible for re-election, while columns 2 and 4 show the lame duck governor results. In our view, the models using the more flexible cubic polynomial reported in columns 3 and 4 are preferred. In all cases, the reported coefficient can be interpreted as the expected annual change in the real per capita tax under a Democratic governor, as compared to a similarly situated Republican governor. Moreover, note that estimating the effects separately for re-electable and lame duck governors implicitly allows for full interactions with the control variables and the polynomial terms of the vote shares. This is a more flexible specification than is acquired by simply pooling the two samples.

We start by discussing the results for re-electable governors in columns 1 and 3. We find significant effects of re-electable Democratic governors for total taxes (Panel A) and income taxes (Panel C), indicating policy divergence across political parties in total and income taxes. For total taxes in Panel A, the estimated effect of selecting a Democratic governor is positive and significant in columns 1 and 3 at the 5% level. The impact of Democratic governors on the rate of income tax per capita increases is also positive and significant in both columns 1 and 3 in
Panel C. Re-electable Democratic governors raise income taxes by about $7 more per capita per year when compared to their Republican counterparts. By comparison, the average level of income taxes over the sample is about $250 per capita. Thus, over a four-year term, this results in a difference of about 10%. There is little evidence in Table 2 of differences in sales taxes (Panel B) or corporate taxes (Panel D), indicating that the parties implement similar policies (although the estimates are consistently positive, they are smaller compared to the results in Panels A and C and never attain statistical significance at any conventional level). The insignificant effects support the median voter model in the context of sale and corporate tax policy, but the significant differences in income and total taxes indicate that the median voter model may not represent the whole story.

We now turn to the policy patterns for lame duck governors. This pattern is quite different from the one displayed by re-electable governors. In particular, the growth rates of both total sales (column 4 only) and income taxes are now significantly higher for Republican lame ducks than for their Democratic counterparts. Moreover, these estimates are quite large. Panel A indicates that Republican lame ducks increase total taxes per capita by about $10.50 more per year (between $9.96 and $11.21, depending on the specification) as compared to their Democratic counterparts. Since the average level of per capita taxes in the sample is about $840, this ends up leading to about 5% higher taxes after a four-year term under a lame duck Republican compared to under a lame duck Democrat. Panel B indicates that lame duck Democrats lower sales taxes by about $5 (between $4.87 and $5.57, although the former estimate is not significant at conventional levels) per capita per year relative to their Republican counterparts. Panel C indicates that lame duck Democrats lower income taxes by about $7 (between $6.41 and $7.57) per capita per year relative to their Republican counterparts. Thus, assuming a two-term term limit, the larger increases carried out by Democrats in the first term are roughly neutralized by larger Republican increases in the lame duck period. There is scant evidence in Table 2 of differences across lame ducks in corporate taxes (Panel D).

In sum, since policies implemented by re-electable governors of different parties differ, our initial results in Table 2 indicate divergence in income and total taxes while voters decide between two re-electable candidates. However, the policies of lame duck governors differ in the opposite way. This reversal consequently mitigates the policy disparity exhibited in earlier incumbency periods. The small and insignificant effect of the governor’s party in terms of sales and corporate taxes indicates convergence in these policies across parties when governors are re-electable and (for corporate taxes) when they are lame ducks. This result supports the median voter model for these policies. There is some evidence that lame ducks’ sales tax policies differ. The income tax results appear to primarily drive the findings for total taxes in Panel A. Furthermore, this pattern of results is robust to alternative control functions. The difference in

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24 An implication appears to be that policy will accord more closely with the median voter’s preferences in years after a lame duck incumbent barely holds on to her seat than in years after a re-electable incumbent barely wins. Term limits, in this story, lead policy to more often accord with the preferences of the median voter. However, notice that this by no means guarantees that the median voter is better off than he would be in the absence of term limits. That comparison turns importantly on the underlying reason for the incumbency advantage. If an incumbent has an advantage because experience has allowed him to become a skilled and effective executive, forcing her out of office may make voters worse off. Limiting the incumbent’s re-election possibilities may lead him to move policy toward the median to help his party’s more inexperienced candidate, but voters will then be stuck with an inexperienced executive. Our results indicate that term limits may be a trade-off between policy moderation and effective implementation (see also Alt, Bueuo de Mequita, and Rose 2011). This may be a fruitful avenue for future research.
estimated effects between specifications with linear and cubic polynomial control function is never significant, either statistically or economically.

Our results indicate that the effects of the competition for votes may differ across tax policies. Inter-jurisdictional tax competition may make governors attentive to other states’ sales and corporate tax rates regardless of party affiliation (see Brueckner [2003] for a survey of the tax competition literature). Inter-state competition ties governors’ hands. Workers are relatively less mobile, and, thus, the elasticity of the income tax base is lower, resulting in increased feasibility for politicians to set different state tax policies.\textsuperscript{25} Eggert and Sørensen

\textsuperscript{25} Rhode and Strumpf (2003) find evidence in favor of a Tiebout (1956)-type model for the 1850–1990 time period. However, Rhode and Strumpf also report results from the American/Annual Housing Survey (AHS) indicating that the majority of households that recently moved (among over 50,000 AHS households) answered that public good provision was not a driving force. Rhode and Strumpf find decreasing heterogeneity in policies across a sample of U.S. municipalities during 1870–1990 and across all U.S. counties during 1850–1990. They argue that falling voter mobility costs drive this pattern.
(2008) find that the higher the tax base elasticity, the greater the marginal cost of public funds, and therefore the more expensive the tax increases in both economic and political terms. This is likely to push the tax policies of the two political parties closer together. Devereux, Lockwood, and Redoano (2007) argue that for goods that are easy to smuggle across borders (such as cigarettes), neighboring jurisdictions’ taxes have an effect on state tax rates. This indicates that state politicians’ hands are to some degree tied when the tax base is mobile.26

To further investigate differences among forms of taxation, we analyzed party differences in the share of total taxes made up of each of the three major tax types.27 Democrats eligible for re-election increased their reliance on income taxes relative to their Republican counterparts,

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26 Garrett and Lange (1991) present related evidence, suggesting that international financial integration across countries eliminates distinct partisan macroeconomic differences.

27 We thank a referee for proposing this test. To be consistent with our reported estimations, we used a cubic control function and dropped states with no income taxes in these estimations, but the results are robust to the inclusion of these states.
while this difference disappears among lame ducks. There are no significant differences for the share of sales or corporate tax revenues for any type of governor. The pattern of revenue shares appears largely consistent with the pattern of tax policies reported in Table 2 (complete results available upon request).

4. Robustness Analysis

The first robustness issue we address is the fact that lame duck status may not be exogenous. We attempt to deal with this in several ways. We have already included state and time fixed effects in all estimations. Conditioning on the fixed effects, we control for all time-invariant unobservable determinants of tax policies as well as time-variant unobservables common to all states. However, there could still be some time-variant determinants specific to states that we fail to address, thereby biasing our estimates.

To address this concern we first reestimate our models including a cubic polynomial control function of the Democratic vote share four years prior. The intuition here is that in order to be a lame duck the governor needs to have won in the last period. Although that victory is certainly not exogenous, and so neither is lame duck status, it should be quasi-randomly assigned once we have conditioned on the margin of Democratic vote share in that past election. In a sense we are doing a regression discontinuity on the vote shares in both elections simultaneously. Columns 1

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28 Income taxes make up a 0.4% higher share of total taxes under Democrats (the mean for all governors in our sample equals 29.7%).

| Table 2. Effect of Democratic Governor (Dem. Effect) on Change in Per Capita Taxes |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                 | Linear                          | Cubic                          |
|                                 | Re-Electable                    | Lame Duck                      | Re-Electable                    | Lame Duck                      |
|                                 | (1)                             | (2)                            | (3)                             | (4)                            |
| Panel A: total tax              |                                 |                                |                                 |                                |
| Dem. Effect                     | 10.59** (4.24)                  | -11.21*** (3.36)               | 11.08** (5.36)                  | -9.96* (5.07)                  |
| Observations                    | 1127                            | 392                            | 1127                            | 392                            |
| Panel B: sales tax              |                                 |                                |                                 |                                |
| Dem. Effect                     | 1.19 (1.40)                     | -4.87 (2.94)                   | 2.06 (2.21)                     | -5.57* (3.01)                  |
| Observations                    | 1127                            | 392                            | 1127                            | 392                            |
| Panel C: income tax             |                                 |                                |                                 |                                |
| Dem. Effect                     | 6.25*** (2.01)                  | -6.41** (3.14)                 | 7.84*** (2.37)                  | -7.57** (3.61)                 |
| Observations                    | 998                             | 353                            | 998                             | 353                            |
| Panel D: corporate tax          |                                 |                                |                                 |                                |
| Dem. Effect                     | 0.44 (0.93)                     | -0.84 (1.30)                   | 0.12 (1.14)                     | 0.23 (1.46)                    |
| Observations                    | 1035                            | 380                            | 1035                            | 380                            |

Each entry is the estimated coefficient on a Democratic Governor Indicator, in a regression of changes in the indicated real tax per capita, controlling for real state income per capita, population, percent over 65 years of age, percent under 18 years of age, state and year fixed-effects, and a control polynomial of the indicated degree. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Reported robust standard errors are adjusted for clustering at the state level. The number of observations differs from Table 1 since not every state has every tax type and because the dependent variable is differenced.
and 2 in Table 3 display the results of this robustness analysis using cubic control functions. The results are qualitatively unchanged; in some instances, they are even strengthened.

Second, another potential concern is that we have treated governors from states without term limits as equivalent to re-electable governors from states with term limits. While they are all re-electable, they may be fundamentally different from each other. For example, seniority may moderate a politician's policy preferences (see, e.g., Stratmann 2000). Suppose governors from states without term limits stay in office for three terms. While still re-electable, they may have different policy views than their less senior counterparts from states with term limits. To make sure that the results obtained are not influenced in this fashion, we exclude all states that never had term limits during the sample period, and we repeat the analysis from column 1 of Table 3.

The results are reported in column 3 of Table 3. The results remain qualitatively unchanged.

Third, in Table 4 we assess the general validity of the RDD approach using the two tests discussed in “Validity of the Regression Discontinuity Design.” The first column presents the results for the sample of re-electable governors, and the second column reports the findings for the lame duck sample. Panel A displays the first set of tests of the underlying similarity of the

<table>
<thead>
<tr>
<th>Table 3. Robustness Analysis: Lagged Vote Share and Term Limit States Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panel A: total taxes</td>
</tr>
<tr>
<td>Dem. Effect</td>
</tr>
<tr>
<td>Observations</td>
</tr>
<tr>
<td>Dem. Effect</td>
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<td>Observations</td>
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<tr>
<td>Panel B: sales taxes</td>
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<td>Dem. Effect</td>
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<td>Observations</td>
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<tr>
<td>Panel C: income taxes</td>
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<td>Dem. Effect</td>
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<td>Observations</td>
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<tr>
<td>Panel D: corporate taxes</td>
</tr>
<tr>
<td>Dem. Effect</td>
</tr>
<tr>
<td>Observations</td>
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</tbody>
</table>

Each entry is the estimated coefficient on a Democratic Governor Indicator, in a regression of changes in the indicated real tax per capita, controlling for real state income per capita, population, percent over 65 years of age, percent under 18 years of age, state and year fixed-effects, a cubic polynomial in normalized Democratic vote share from four years prior, and a cubic polynomial in normalized Democratic vote share. ***, **, and * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively. Reported robust standard errors are adjusted for clustering at the state level. The number of observations differs from Table 2 as a result of further sample restriction and lagging. Effect of Democratic Governor, Dem. Effect.

A related concern is that Democrats and Republicans may inherit different tax circumstances. The patterns we estimate are qualitatively identical if we also control for the lagged level of the tax under investigation.

We also carried out a similar analysis without including the lagged control functions and using observations only from years when term limit legislation was in effect. The results are qualitatively similar (results available upon request). They are also quite similar (a little stronger, actually) if we limit the analysis to state/years in which there are two-term limits.

We report only the results for re-electable governors, as all lame duck results have already been reported in earlier tables.
states in terms of the observable characteristics discussed above. Following the literature (e.g., Pettersson-Lidbom 2008; Lee and Lemieux 2010), we run a set of regressions using as independent variables the party affiliation dummy and the control function with cubic polynomial terms. We do so separately for each observable variable discussed in the data section. Moreover, we also study whether states with incumbent governors of different parties are similar in terms of the existing (lagged) level of taxes. We ran balancing tests for lagged taxes, which are also included in Table 4. If the RDD approach is valid and mimics a randomized experiment, we would expect that the party dummy has no association with the dependent variables in these regressions; this would imply that the characteristics are similar around the cutoff point. We indeed find that the party affiliation dummy is never significantly different from zero. For two variables, (i) percentage of the population over age 65 years and (ii) percentage of the population aged between 5 and 17 years, the coefficients are roughly zero.

The results of the log density test proposed in McCrary (2008) are reported in Panel B of Table 4. The tests fail to reject the null of no discontinuity in the marginal density of $m$; none of the log discontinuity estimates are statistically significant. In sum, the well-balanced state characteristics as well as a lack of discontinuity in the marginal density of $m$ confirm the randomness of the governors’ party affiliations around the cutoff point, implying that the RDD is indeed as good as a random experiment.

Finally, we examine the role of legislative control and summarize the corresponding results here (tables are omitted but are available upon request). Legislative control could be important because stronger legislative control by the governor’s party may lessen the extent of political competition and the need for the governor to appeal to the middle ground, resulting in larger policy differences across parties. We first find that our results are robust to including controls for the party that controls the legislature and for the presence of divided government.

<table>
<thead>
<tr>
<th>Panel A: balancing tests on observed covariates</th>
<th>Re-Electable</th>
<th>Lame Duck</th>
</tr>
</thead>
<tbody>
<tr>
<td>State personal income per capita</td>
<td>-49.152 (557.942)</td>
<td>39.551 (1118.96)</td>
</tr>
<tr>
<td>State population</td>
<td>-1.297 (0.826)</td>
<td>-1.573 (1.271)</td>
</tr>
<tr>
<td>Percentage population over age 65 years</td>
<td>-0.003 (0.003)</td>
<td>-0.002 (0.009)</td>
</tr>
<tr>
<td>Percentage population aged between 5 and 17 years</td>
<td>0.007 (0.005)</td>
<td>0.006 (0.012)</td>
</tr>
<tr>
<td>Lagged total tax</td>
<td>1.664 (42.984)</td>
<td>48.398 (57.996)</td>
</tr>
<tr>
<td>Lagged corporate tax</td>
<td>19.882 (33.993)</td>
<td>23.198 (30.866)</td>
</tr>
<tr>
<td>Lagged income tax</td>
<td>-22.404 (34.66)</td>
<td>-18.121 (60.527)</td>
</tr>
<tr>
<td>Lagged sales tax</td>
<td>-8.963 (5.382)</td>
<td>-6.900 (5.525)</td>
</tr>
</tbody>
</table>

| Panel B: McCrary (2008) log density tests | 
| Log discontinuity estimates | -0.123 (0.110) | 0.049 (0.210) |

Standard errors in parentheses. All discontinuities are estimated with a regression of the variable on third-order polynomial terms of margin variable and an indicator of Democratic Governor. The coefficients and standard errors in the table are those of the indicator variable.

32 We thank an anonymous referee for proposing the investigation of this interaction.
33 See Besley, Persson, and Sturm (2010) for a study of political competition and economic growth in which legislative control is taken into consideration.
We further extend this type of analysis by estimating the effect of a Democratic governor when both chambers of the state legislature are controlled by Democrats versus when control is either shared between the parties or fully in the hands of Republicans. The results indicate that re-electable Democrats have significantly higher income, corporate, and total taxes only when their party colleagues control both chambers. Democratic lame ducks have significantly lower sales taxes only when Democrats control both chambers. Other results are insignificant but largely consistent with those reported in our earlier tables. Re-electable Republican governors set significantly higher income and total taxes when paired with a mixed or Democrat-controlled legislature, but not when both chambers are controlled exclusively by Republicans. Lame duck Republicans set significantly higher corporate and total taxes when both chambers have a Republican majority but significantly lower sales and total taxes when the chambers are under mixed or Democratic control. While these results are illustrative and may indicate the importance of legislative control, we believe one should exercise caution when interpreting these results. The number of observations falls drastically in some cases. More importantly, party control of the legislature is likely to be an intermediate outcome through which the party of the governor could affect tax policy. Furthermore, control of the legislature may be correlated with the same sorts of unobservables that we worried were correlated with the governor’s party affiliation in the basic OLS analysis. Either problem could lead to biased estimates, so they cannot be viewed as causal. In the absence of a valid identification strategy, caution should be exercised in the interpretation of these particular results.

5. Discussion

The pattern of behavior that our analysis reveals for income and total taxes (Democratic governors exhibit higher growth rates while re-electable and lower growth rates while lame ducks) at first appears quite puzzling. This is especially the case in light of the extant literature reporting positive effects of Democratic lame duck status (Besley and Case 1995) or null effects and null effects of gubernatorial party more generally (Knight 2000; Leigh 2008). What explains the behavior of governors revealed by our estimates for income taxes and total taxes?

Our results lend support to the divergent platform models of, for example, Schmidt, Kenney, and Morton (1996), Moon (2004), Owen and Grofman (2006), and Hummel (2010). One plausible interpretation of our results is that the differences arise as a result of incumbency advantage (Ansolabehere and Snyder 2002, 2004). As argued by Ansolabehere and Snyder (2002, p. 329), “When incumbents run for statewide offices, the out party will have a relatively difficult time.” They estimate that for governors, the incumbency advantage was above 10 percentage points in the 1990s. Recall that our estimation strategy identifies the local average treatment effect. However, even closely elected governors will naturally move policy toward their ideal point, shifting some of the incumbency electoral advantage into policy. This is the pattern we see among re-electable politicians, with a significant divergence between Democrats and Republicans.

Ansolabehere and Snyder (2002, p. 329) also find that “when incumbents are not running, either party may be able to win anywhere.”34 They argue that voters’ loyalty to political parties

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34 Levernier (1993) estimates that for the 1970–1988 period, the probability that the incumbent party wins a gubernatorial election ranges from 0.346 to 0.470 when the incumbent does not run for re-election, while it ranges from 0.715 to 0.808 when she does.
declined during the 1942–2000 period. This indicates a strong incentive for lame ducks to moderate policy in order for the party to compete for the median voter. This incentive should be particularly acute for the close election lame duck winners that we study. If the lame duck does not moderate policy, she raises the probability that her party loses the next election. Thus, the lame duck neutralizes differences in tax policy. The desire to see party re-election might be either ideological (Harrington 1992) or due to compensation by her party (Alesina and Spear 1988). The lame duck may also want to reduce the risk that a future governor uses tax revenues to the opposing party’s benefit (leading to a tax cut today) or raises the tax primarily on her own party’s constituency (leading to a tax increase today). Alternatively (or in addition), the lame duck may position herself to run for higher office.

What accounts for the differences between our results and those of the previous literature, most notably Besley and Case (1995)? The most prominent difference between our approach and that of the extant literature is our RDD. This approach addresses the identification problems associated with the governor’s party. Our estimated effects contrast a close win by a Democrat to a close win by a Republican, while Besley and Case (1995) study all elections regardless of vote margin. The optimal political strategy after a close win may differ from the average political strategy, as most wins are relatively large. Furthermore, it gives rise to a potential endogeneity problem that impedes us from drawing any causal inferences from simple OLS estimations if Democrats and Republicans tend to get elected under different budgetary or macroeconomic conditions, for example.

We also note that our dependent variables are different from those of Besley and Case (1995), who study the level of tax rates while we utilize the growth rate of taxes per capita. If Republicans are more likely to take over from Democrats when the Democrats’ policy has diverged more fully, and vice versa, the average levels may be quite similar although there are differential changes between the parties. Republicans reduce and Democrats increase taxes on average, but if they take over, in expectation, at different initial tax levels, the average levels may not diverge significantly. Importantly for our identification strategy, however, there is no evidence that similarly situated Republicans and Democrats inherit different tax levels

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35 The authors are grateful to a helpful referee for this suggestion.
36 Our approach may also have implications for the literature that involves the targeting of expenditures on swing constituencies versus loyal partisan voters, for example, during the New Deal (see, e.g., Fleck 2008). We are grateful to a referee for bringing this possible future research topic to our attention.
37 In 57% of regular elections and in 65% of lame duck elections, the vote margin exceeds 10%. In 78% of regular elections and in 87% of lame duck elections the winner wins by more than 5%. Large-margin lame duck winners may feel confident that the party’s next candidate will win and may be less prone to moderate policy. Thus, the policies pursued by large-margin lame duck winners may therefore diverge in levels, consistent with the literature.
38 List and Sturm (2006) find that in states with less intense political competition, re-electable governors have a lower incentive to manipulate environmental policies. List and Sturm (2006) estimate that a governor reaching a vote share of approximately 67% does not change his environmental policy as he gains lame duck status. We note, however, that environmental policy can be viewed as a “secondary policy,” whereas tax policies are “frontline policies” (List and Sturm 2006).
39 While Chubb (1988) finds that macroeconomic conditions affect gubernatorial election outcomes, Levernier (1993) does not find such an effect.
40 As noted above, Leigh (2008) uses an RDD strategy but does not find important differences. However, since Leigh does not account for lame duck status, it appears that his results may be explained by our findings, in which lame ducks neutralize the policy difference from the prior incumbency period.
(Table 4), so any differences in average inherited tax levels must occur as a result of dissimilarly situated governors (landslide victories).

6. Conclusion

This article studied whether political competition by governors for voters induces governors from different parties to adopt similar tax policies. We study state tax policies set both by governors who are eligible for re-election and by those who face a binding term limit (lame ducks). One novel finding is a difference in income and total taxes across re-electable Democratic and Republican governors. Rather than moving toward middle-of-the-road income tax policies, re-electable governors’ policies differ significantly across parties. In particular, Democrats eligible for re-election have significantly higher growth rates in income taxes per capita than do their Republican counterparts. However, when the incumbent governor faces a binding term limit and the seat consequently is open (and the party’s incumbency advantage declines or disappears), the income tax policies differ in the opposite direction. That is, lame duck Democrats have significantly lower growth rates than do Republican lame ducks. We conclude that re-electable governors use income and total taxes to cater to the state party’s base, but as lame ducks they moderate policy to ensure that the party appeals to the median voter in the next election.

Term limits appear to influence income tax policies by removing the incumbency advantage, leading to very similar policies after a two-term term-limited administration. The surprising implication appears to be that income tax policy will accord more closely with the median voter’s preferences in years after a lame duck incumbent barely holds on to her seat than in the years after a re-electable incumbent barely wins her election.

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Adams, J., T. L. Brunell, B. Grofman, and S. Merrill, III. 2010. Why candidate divergence should be expected to be just as great (or even greater) in competitive seats as in non-competitive ones. Public Choice 145:417–33.

The time periods studied also differ. Besley and Case’s data cover 1950–1986, while our data cover 1970–2007. During the 1950s and 1960s, party polarization within states changed and tended to become more similar across states over time (Erikson, Wright, and McIver 1993; Ansolabehere and Snyder 2002). The South and Mountain West moved from being solidly Democratic in the 1940s and 1950s to becoming evenly divided or Republican leaning, while the previously Republican Midwest, Northeast, and Far West became more even or Democratic leaning (Ansolabehere and Snyder 2002). The degree of party division will affect vote margins and the type of candidates nominated by the political parties in the primaries. Moreover, we have relatively more lame duck observations compared to Besley and Case (1995). These factors may all contribute to explaining why our results differ from those of Besley and Case. Indeed, Besley and Case (2003) extend their own data set to 1997 and find a significant effect only for state expenditures. Millimet, Sturm, and List (2004) extend these data to 1999 and find that Republican lame ducks raise overall state taxes and spending per capita more than do Democratic lame ducks.


