Business Owners and Executives as Politicians: The Effect on Public Policy

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Abstract

When business owners and executives run for elected office, they claim their experience in business leaves them uniquely equipped to govern. Does electing a business owner or executive have an effect on public policy? With original data, including race, gender, political experience, and occupational backgrounds of 3,257 mayoral candidates from 263 cities, I document a striking lack of diversity in U.S. mayoral politics and show that business owners and executives are extraordinarily well represented in American city halls. Nearly 32% of mayors have experience as a business owner or executive, making it the most common occupation across both time and geographic region. Using a regression discontinuity design, I find that business executive mayors do shape municipal fiscal policy by shifting the allocation of expenditures, investing in infrastructure while curtailing redistributive spending. Notably, my results suggest that business executive is not simply a proxy for Republican partisanship.

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"[L]et's face it: politicians are all talk and no action. My opponents have no experience in creating jobs or making deals."[1] In November 2015, voters in Iowa heard these words in a new radio advertisement from then-presidential candidate Donald Trump. The sentiments—and to a great extent the words—are hardly remarkable. When business owners and executives run for political office they often tout the value of their business backgrounds. In fact, Mitt Romney once mused that perhaps business experience should be a qualification of the presidency to ensure that the president would understand how public policy affects businesses (Ungar 2012). No matter what political office they seek, business executive candidates campaign on their business skills and acumen. A career in business, they argue, confers expertise in leadership, negotiation, and financial management that leaves them uniquely equipped to promote economic growth, to attract jobs, and to increase the efficiency of government. Despite their familiarity, are these campaign promises anything more than empty rhetoric? Does electing a business owner or executive really lead to different policies?

Although partisanship tends to be an exceptional predictor of the ideological positions and public policy choices of elected officials (Poole and Rosenthal 1997; Clinton, Jackman and Rivers 2004; McCarty, Poole and Rosenthal 2006; Bartels 2008), politicians' personal characteristics, such as race, gender, and social class, also seem to shape their preferences and behavior. Indeed, empirical evidence from a variety of contexts suggests that descriptive representation can have meaningful policy consequences (see e.g., Whitby 1997; Besley and Case 2003; Chattopadhyay and Duflo 2004; Carnes 2012; 2013). Much of this work has focused on race, gender, and ethnicity of legislators to analyze how increased representation in the policymaking process may allow historically underrepresented groups to influence policy. A key implication of this research is that especially when political leaders' characteristics are linked to distinct policy preferences, descriptive representation can lead to substantive representation.

While "business" can hardly be characterized as a monolithic group, business owners and executives surely have shared interests in public policy, especially the taxes and regulations that

[1] Quote comes from a radio ad entitled "Together," which is discussed and quoted in multiple news reports, including a November 5, 2015, *Politico* article (Gass 2015).

affect their bottom lines. Businesses and trade associations are among the most active and generously funded lobbying organizations in U.S. politics (see e.g., Baumgartner and Leech 2001). Over the past 20 years, the U.S. Chamber of Commerce alone has spent more on lobbying than any other organization—nearly \$1.4 billion (Center for Responsive Politics 2017). At the same time, there is evidence to suggest that politicians with experience in business seem to hold different policy positions and behave differently than their colleagues with other types of occupational histories. Carnes (2012; 2013), for example, finds that members of Congress with backgrounds in profit-oriented professions, including business owners and executives, tend to be especially conservative relative to those who worked in not-for-profit or working-class professions. Members of Congress with backgrounds in business also exhibit more pro-business voting records and appear to have closer relationships with corporate political action committees (PACs) (Witko and Friedman 2008). Survey responses of state legislative candidates also reveal rather stark differences in the attitudes of business owners and workers on questions of welfare spending, government regulation, economic inequality, and health care (Carnes 2018). These survey data indicate that, compared to candidates who are workers, business owners prefer a much smaller role for government in these key policy areas.

In this paper, I focus primarily on politicians who have backgrounds as a business owners or executives.[2] Specifically, I ask whether electing a business owner or executive to serve as mayor leads to systematically different fiscal policies. To assess the impact of business executive mayors, I collected detailed data on 3,257 mayoral candidates from 263 cities across the U.S. between 1950 and 2007. With information on race, gender, political experience, and occupation of candidates, I compiled what is, to my knowledge, the most comprehensive dataset of mayoral candidates to date. Mayors preside over governments whose policies have a huge impact on the public's safety and quality of life. Local governments also account for an estimated \$1.7 trillion in spending per year—about 10% of the nation's GDP.

[2]Candidates with experience as an owner or corporate officer (president, vice-president, CEO, etc.) of a for-profit business are counted as business owners or executives. I use the terms business owner and business executive interchangeably.

Because municipal governments play a vital role in delivering public goods and services, we might assume that mayors are unquestionably important actors, but mayors likely present a hard test for executive influence. Cities have limited formal authority, and the need to maintain a tax base can create informal constraints because local citizens, taxpayers, and businesses can move to another city if they are dissatisfied with local public policies (Peterson 1981). The existing evidence on mayoral influence is decidedly mixed. Case studies of American cites portray individual mayors as crucial actors with the ability to shape the fortunes of their cities (e.g., Ferman 1985; Stone 1989; DeLeon 1995; Fuchs 1992; Inman 1995). However, several recent empirical studies have examined the causal effects of mayors' partisanship, race, and gender and produced conflicting and largely null results (Ferreira and Gyourko 2009; Gerber and Hopkins 2011; de Benedictis-Kessner and Warshaw 2016; Hopkins and McCabe 2012; Ferreira and Gyourko 2014).

First, I show that that mayors, like politicians at higher levels of government, are not very diverse. Mayors tend to be white and male with white-collar occupational backgrounds and prior political experience. My data reveal that business owners and executives are especially well represented, accounting for about 32% of the mayors in the dataset. Business owners and executives make up the largest occupational category among U.S. mayors—both over time and across regions of the country. Next, I combine these original data with measures of municipal finances to test the effect of electing a business executive mayor on a range of fiscal outcomes, such as expenditures, revenue, and taxes. To address the possibility that factors related to how likely a city is to elect a business executive also determine policy outcomes, I adopt a regression discontinuity design (RDD). With the RDD, I leverage election results to compare outcomes in cities that narrowly elect a business executive to outcomes in cities where a business executive loses by a slim margin. Focusing on cities that are similar in propensity to elect a business executive mitigates the threat that observed or unobserved confounders could bias the results.

My results indicate that business owners and executives do produce systematically different fiscal outcomes. The findings offer little evidence to indicate that business executives influence the size of government. However, I find that electing a business executive leads to significantly lower levels of spending on housing and community development—spending that typically is redistributive in nature. At the same time, the results indicate an increase in spending on roads in cities that elect business executives. Some suggestive evidence also signals that business executive mayors may increase revenue from local sources but likely in the form of user fees and charges rather than taxes, which would further limit the potential for redistribution. Finally, I provide additional analyses to demonstrate that experience as a business owner or executive is not simply a proxy for Republican party affiliation.

With new data and careful attention to causal identification, this paper builds on classic studies of urban politics that cast business leaders as influential actors in local politics, as well as more recent research which finds that politicians with business backgrounds may exhibit more pro-business behavior than their colleagues who lack experience in business (Witko and Friedman 2008). The results are also quite consistent with Szakonyi's (forthcoming) findings that Russian mayors with business backgrounds increase expenditures on roads and transport but leave health and education spending unchanged. This study is not without limitations, however. Perhaps most importantly, the RDD identifies a *local* causal effect—that is, the effect of narrowly electing a business owner or executive. The focus on fiscal policy also leaves unanswered questions about the influence of mayors with business backgrounds in other key local policy domains. Still, the findings presented here contribute to the growing evidence that the overrepresentation of the affluent in U.S. political institutions has meaningful consequences for public policy and also suggest that politicians with experience as business owners and executives warrant closer attention.

Theoretical Expectations

While partisanship tends to be the strongest predictor of the behavior of both voters and elites (Campbell et al. 1960; Green, Palmquist and Schickler 2002; McCarty, Poole and Rosenthal 2006), other attributes of leaders can shape behavior and outcomes as well. Several studies find a link between legislators' racial minority group membership and roll call voting behavior with

African American members of Congress more likely to support legislation that advances group interests (e.g., Canon 1999; Whitby 1997). Assessing representation of African Americans in state legislatures, Owens (2005) finds that advances in descriptive representation lead to increased spending in policy domains important to black legislators and their constituents. Chattopadhyay and Duflo (2004) exploit a policy intervention that randomly assigned Indian villages to reserve council positions for women to identify their effect on policy choices. Representation of women led to changes in public goods provision that reflected women's policy preferences and priorities. In the American states, Besley and Case (2003) find a positive relationship between the share of women in state legislatures and increased family assistance and stronger child-support laws. Carnes (2013) argues that the overrepresentation of the affluent in the United States generally leads to more conservative economic policy choices. Although he finds greater class diversity among politicians at the local level, compared to state legislatures or Congress, Carnes (2013) also notes that cities tend to have limited flexibility to adopt progressive economic policies.

Indeed, the formal and informal constraints on local governments imply that mayors may be unable to have policy influence comparable to politicians in other contexts. Building on Tiebout's (1956) insight that citizens "vote with their feet," Peterson (1981) argues that competition for mobile taxpayers essentially underpins all urban policy choices. If cities fail to provide a near-optimal balance of services and taxes, high-income taxpayers will leave, undermining the city's unitary interest in promoting economic vitality. As a result, the range of viable local policy options is sharply curtailed, rendering local politics largely inconsequential, Peterson claims. In contrast, Stone's (1989) regime theory implies that precisely because of the constraints on local governments, politics is vitally important. Where local government officials and organized interests can maintain durable coalitions, informal public-private regimes can channel resources toward shaping agendas and advancing policy goals. Because of their abilities to marshal crucial resources, business leaders are often senior partners in these coalitions.

Mixed results from empirical studies of mayoral influence often are consistent with the idea that constraints on cities limit the effects of local politics, but scholars disagree about the implications of descriptive representation in cities. For example, Holman (2014) argues that cities with female mayors are more likely to provide social welfare programs, although other research finds gender has no significant effect on the size of local government or the composition of spending (Ferreira and Gyourko 2014). Studies assessing the impact of racial and ethnic minority mayors also produce conflicting results. Although Karnig and Welch (1980) find that black mayors preside over increases in social welfare spending, Pelissero, Holian and Tomaka (2000) provide empirical evidence suggesting that electing an African American or Latino mayor does not lead to significant differences in fiscal policy (see also Nelson 1978). More recently, Hopkins and McCabe (2012) assess the influence of African American mayors in large U.S. cities and find that electing a black mayor leads to reductions in police staffing and payrolls but otherwise has no significant effect on the allocation of resources. In light of these results, the authors conclude "that among issues, criminal justice alone combines the conditions necessary to allow for local politics to shape local policy" (Hopkins and McCabe 2012, p. 692).

Business Owners and Executives as Politicians

A 1969 advertisement for Amarillo (TX) mayor J. Ernest Stroud described the incumbent as "a self-made businessman" who "knows the true value of the dollar" (advertisement, *The Amarillo Globe-Times*, March 31, 1969). In contrast, his opponent was described as "a puppet of the political bosses" who "plans to spend with wild abandon." When she filed papers to run for mayor of San Bernardino (CA), Judith Valles said she would use her "experience balancing multi-million dollar budgets and managing large-scale institutions to revitalize [the] city" (quoted in *Precinct Reporter*, July 17, 1997). In 2001, Republican Dennis Odle ran for mayor of Waterbury (CT) with the slogan "All Business, No Politics" (The Brass File [*The Waterbury Observer*], October 14, 2007). Similar examples abound, from Quincy, Massachusetts to Waukesha, Wisconsin and from Dallas, Texas to San Diego, California.[3]

[3] Specific examples cited here include Francis X. McCauley mayor of Quincy, Massachusetts from 1982 to 1989 (*Boston Globe* November 1, 1981); Robert J. Foley, Sr., candidate in Waukesha, WI (*Milwaukee Journal* March 30, 1994); Fred Meyer, candidate in Dallas, Texas (*Boston Globe* May 5, 1987); Bill Cleator, candidate in San Diego,

Candidates' claims echo the rhetoric of municipal reformers who maintained that the core function of city government—service provision—requires technical expertise rather than political skill. Notably, business leaders were advocates of the reform movement, which sought to shift the balance of power in city politics toward more affluent citizens (Bridges 1997). Among their priorities were quality services and amenities combined with limited redistribution to keep local taxes in check. At the local level, city finance and budgeting can have a direct impact on local business owners by determining both personal and business tax obligations as well as the quality of municipal services they receive. Broader policy implications, however, could also indirectly influence the fortunes of local businesses. For example, reliable municipal services, desirable amenities, and low taxes may make a city attractive to residents, businesses and consumers of goods and services, creating a vital local economy (Peterson 1981; Logan and Molotch 1987).

Campaign rhetoric aside, however, there are compelling reasons to expect that business owners and executives likely have a distinct set of shared policy preferences. Business owners' and executives' political attitudes may be shaped or reinforced by their membership in business or trade associations that advance strong policy positions on a variety of issues (Manza and Brooks 2008). For example, local chambers of commerce around the country promote business interests while the U.S. Chamber of Commerce has spent more than $1.3 billion on lobbying over the past twenty years—more than any other organization (Center for Responsive Politics 2017). The Chamber of Commerce's website (https://www.uschamber.com) highlights their support for lower tax rates, infrastructure investment, and entitlement reform. At the same time, ideology scores indicate that members of Congress whose prior careers were defined by a profit imperative, including business owners and executives, have more conservative economic policy preferences relative to their colleagues with working-class or service-based occupational backgrounds (Carnes 2013). Survey evidence also suggests that compared to state legislative candidates who are workers, candidates who are business owners have more conservative views on questions surrounding the government's role in offering welfare programs, ameliorating economic inequality, regulating the

California (*Los Angeles Times* May 18, 1986).

private sector, and providing healthcare (Carnes 2018).

If business owners and executives tend to be relatively conservative with a pro-growth orientation that may also reflect, in part, the impact of local policies on the success and profitability of their own businesses, these attitudes should shape a particular approach to fiscal policymaking. Perhaps the policy preference most indelibly associated with conservatives and pro-growth advocates is support for cutting taxes. For this reason, I hypothesize that electing a business owner or executive mayor will lead to lower taxes on average. Less tax revenue implies that balancing the budget would require either spending less or turning to other sources to replace lost tax revenue. Whether or not they cut spending, it seems likely that business executive mayors will work to reallocate city spending to reflect their policy preferences.

On spending, however, I suspect that the preferences of business owners and executives may vary across spending categories. On average, I expect electing a business executive mayor to have little or no impact on spending for basic, or so-called "housekeeping" services, such as policing, firefighting, and sanitation. Limiting the quality or quantity of essential services would likely displease voters and local businesses alike. Infrastructure projects or desirable amenities, on the other hand, may afford a city a competitive edge in its efforts to attract affluent taxpayers and businesses. Improving or adding infrastructure may facilitate growth and development, while amenities can make a city more appealing and boost property values. Thus, I anticipate that mayors with executive business experience will increase spending on infrastructure and amenities. In contrast, I hypothesize that electing a business executive mayor will lead to a decline in spending on redistributive programs, such as welfare, housing and community development, and public health. The notion that business owners and executives are, on average, especially conservative, implies that they are unlikely to support redistributive policies in general. Moreover, these policies disproportionately benefit less well-off residents at the expense of more affluent taxpayers, which may undermine the local tax base by sending businesses and affluent residents to other cities in an effort to avoid paying taxes to fund services they neither need nor want.

Local fiscal policies can quite literally affect the cost of doing business in a city, so business owners and executives are likely to be keenly aware of the tradeoffs between taxes and services. Based on their exposure to local policies and their experience with broader markets, business owners and executives may think in terms quite similar to the tax-benefit ratio described by Peterson (1981). That is, they are reluctant to pay for more services than they need or want. Given the constraints that local policymakers face, however, the effects of business executive mayors may be limited in scope or magnitude. Still, like leaders differentiated by other characteristics, mayors with executive business experience are likely to have an impact on local policies leading to divergent fiscal policies.

Data and Research Design

Empirical Strategy

An inherent challenge in identifying the effects of local leaders arises from the possibility that both observed and unobserved differences in cities may determine what types of leaders they elect. Mayors' attributes and experience are not randomly assigned to cities, and factors that influence local electoral choices also may affect fiscal outcomes. To address these concerns, I employ a regression discontinuity design (RDD) to estimate the effect of electing a business executive mayor. Commonly used in political science, RDDs can identify causal effects with observational data (see e.g., Lee, Moretti and Butler 2004; Lee 2008; Ferreira and Gyourko 2009; 2014; Gerber and Hopkins 2011). A quasi-experimental design, the RDD is distinguished by its reliance on a variable that determines exposure to treatment. At some threshold value of the forcing (or assignment) variable, the probability of treatment changes discontinuously. For example, vote share captures the underlying probability of winning an election and exhibits a sharp discontinuity at 50%—the candidate whose vote share exceeds this threshold wins. As long as candidates lack precise control over their vote shares (i.e., the assignment variable), an important consequence is that near the threshold, assignment to treatment is as-if random (Lee 2008; Lee and Lemieux 2010, p. 283).

The aim of an RDD analysis is to use the observations around the threshold in the rating variable to estimate the size of the jump (or dip) at the discontinuity. A key concern, then, is determining the estimation strategy. Local polynomial methods rely only on observations that lie within a specified distance—or bandwidth—spanning the threshold of the forcing variable. Because RDD results can hinge on specification and bandwidth choices, current best practices call for the use of local linear regression combined with a data-driven approach to determining the bandwidth that minimizes the mean squared error (MSE) of the RD estimator (Calonico, Cattaneo and Titiunik 2014, see also Imbens and Kalyanaraman 2012).[4] In the analyses that follow, I rely on local linear regression and use optimal bandwidths calculated per Calonico, Cattaneo and Titiunik (2014) to estimate the effects of narrowly electing a business executive.[5]

To estimate the effect of electing a business executive mayor, I focus on races where one candidate possesses executive business experience and the other does not (520 elections meet this criterion). In these cases, if and only if a business executive candidate wins the largest share of the vote, the city experiences a business executive mayor. The vote share margin serves as the forcing variable, and 0% is a sharp threshold that determines treatment assignment.[6] Throughout this analysis, I estimate models of the following form:

$$Y_{it+2} = \beta_0 + \beta_1 Business\ Executive\ Win_{it} + f(V_{it}) + \epsilon_{it}, \tag{1}$$

where $Business\ Executive\ Win_{it}$ is an dichotomous variable indicating whether a business executive candidate won the mayoral election in city i in year t, and β_1 is the quantity of interest, the estimate of the effect of a mayor with executive business experience. The variable Y_{it+2} is a relevant fiscal outcome measured two years after the mayoral election. I examine several public

[4]In practice, RDD applications commonly have relied on alternative global specifications that control for higher-order polynomials of the forcing variable. However, recent work suggests that this method may produce misleading estimates and strongly advises use of local linear specifications (Gelman and Imbens 2019; Cattaneo, Idrobo and Titiunik 2019). One concern is that higher-order polynomial specifications can heavily weight observations that lie far from the discontinuity.

[5]Because the MSE-optimal bandwidth sometimes seems subjectively wide—i.e., beyond what we might consider a "close" electoral margin, I also include in the Supplemental Information (C, D) estimates using a 5% bandwidth. That is, all observations within 5% on either side of the cutpoint are used in the estimation, and observations are weighted by proximity to the cutpoint.

[6]Some elections include more than 2 candidates. Margin of victory is defined as the difference in the vote shares of the top two candidates and is centered at 0.

finance outcomes, including total expenditures, total revenue, total taxes, and total charges and fees, as well as the allocation of resources across key spending categories (e.g., administration, health, housing, parks, public safety, roads, and solid waste management). Mayoral terms of office vary across cities, so outcomes measured two years after the city election allow time for a mayor to pursue policy goals while remaining within the two-year term maintained by some cities. The term $f(V_{it})$ represents a flexible function of the rating variable, which includes the forcing variable and the interaction of the forcing and treatment indicator variables (Lee and Lemieux 2010).[7]

The “no sorting" assumption is the key identifying assumption of the RDD—that potential outcomes are smooth across the threshold in the assignment variable (Lee and Lemieux 2010). In some electoral contexts, the tendency for incumbents to win close races raises concerns about potential violations of the continuity assumption (Caughey and Sekhon 2011). There is, however, little, if any, evidence of sorting in mayoral elections (Eggers et al. 2015). I investigate the validity of this assumption formally using the McCrary (2008) test of the density of the rating variable and find no indication of sorting (log difference in heights is -0.187 with SE 0.202; p = 0.355). A set of placebo tests incorporating a variety of covariates further indicate that the RDD is sound. [8]

Mayoral Candidate Data

To examine business owners and executives in office, I collected data from multiple sources to build detailed profiles of mayoral candidates from 263 U.S. cities between 1950 and 2007. I began with an existing dataset of U.S. mayoral elections and collected details about candidates and their backgrounds from several sources, most commonly from contemporary news reports, obituaries, and biographies provided by city websites and documents, the Biographical Directory of the United

[7]Some recent methodological work on RDDs advocates the use of a similar estimation strategy but relies on robust bias-corrected confidence intervals for inference (Calonico, Cattaneo and Titiunik 2014; Cattaneo, Idrobo and Titiunik 2019). In the main text, I report robust standard errors, but replicating these analyses with robust bias-corrected confidence intervals produces substantively similar results (presented in the Supplemental Information (E). Clustering standard errors at the city level also produces similar results (not included).

[8]Additional details on covariate continuity tests and other validity tests are included in the Supplemental Information (A).

States Congress, and the National Governors Association.[9]

With race, gender, political experience, and occupational backgrounds of 3,257 mayoral candidates, these original data provide a new and detailed account of descriptive representation in U.S. cities. Some candidates' background information is missing or incomplete, however, so much of the discussion here focuses on a subset of the sample, which includes the top two candidates in 1,217 elections for which I have the most complete data. This subset includes elections and candidates from 248 U.S. cities with populations of at least 50,000 as of the 2000 U.S. Census in 44 states over the time period of 1950 to 2007. Table 1 reports measures from the 2000 Census to describe the cities included in the sample (as well as those that remain in the RD sample, i.e., cities where a business executive faces a non-business executive candidate). As a point of reference, descriptive statistics for all cities of comparable population are also provided. Overall, the cities included in my sample have noticeably larger populations. Sample cities have, on average, slightly higher shares of white residents with similar median household incomes, home ownership rates, and house values. Aside from population, however, the samples appear to be quite representative of U.S. cities with populations of at least 50,000.

0.1 Municipal Data

I augment city election results and candidates' background data with public finance data drawn from the U.S. Census Bureau. Together, the Census of Governments and the Annual Survey of Governments provide detailed revenue and expenditure data for U.S. local governments from 1951 to 2012.[10] First, I focus on total revenues and total expenditures, as well as revenue sources and municipal debt. In addition to variables that capture the size of local government and distinguish between revenue sources, I also consider whether and how electing a business executive affects spending across policy categories. Fuchs (1992) emphasizes that budgeting is a highly political

[9]Election data were provided by Fernando Ferreira and Joseph Gyourko, who collected the data via a survey of US cities and townships with a population of more than 25,000 people as of the year 2000. These data were used in Ferreira and Gyourko (2009) as well as Ferreira and Gyourko (2014).

[10]The Census of Governments is conducted every five years, while the Annual Survey of Governments includes only a sample of local governments.

Table 1: Sample of Cities

	Cities with > 50,000 Population	Current Sample—Mayors Data	Current Sample—RD Analysis
Number of cities	603	248	190
Population	165,885	217,305	238,085
	(410,156)	(585,338)	(663,676)
% White	68.70%	69.04%	69.06%
	(18.60)	(18.85)	(19.25)
Unemployment	6.43%	6.29%	6.25%
	(2.69)	(2.53)	(2.52)
Median HH income	$43,666.75	$43,727.29	$43,832.77
	(13,657.94)	(13,584.26)	(13,638.49)
Home ownership	58.45%	58.44%	58.63%
	(12.47)	(11.46)	(11.55)
Median house value	$143,319	$142,023	$139,848
	(87,567.82)	(78,348.31)	(75,097.68)

Note: Descriptive statistics from the 2000 U.S. Census.

process, in which mayors play a central role. As a result, the allocation of resources across spending categories effectively reflects local leaders' policy priorities. [11]

To account for variation in population and region, all dependent variables are measured in per-capita constant (2000) dollars adjusted for differences in the cost of living across states per Berry, Fording and Hanson (2000).[12] Although they are not necessary for causal identification with the RDD, covariates also may be included to improve the precision of treatment effect estimates (Lee and Lemieux 2010). In particular, population tends to be systematically related to cities' functional obligations and thus the size of government, and a city's lagged spending and revenues are strong predictors of outcomes in subsequent years. I present results of covariate-adjusted local linear regression models incorporating city-level characteristics that may be correlated with fiscal outcomes. Measures of population, racial composition, median household income, and median

[11]In contrast to some prior studies (see e.g., Ferreira and Gyourko 2009; 2014; Gerber and Hopkins 2011; Hajnal 2010; Hopkins and McCabe 2012; Peterson 1981), I use absolute per-capita spending to measure fiscal policy priorities rather than spending shares. Much like spending shares, absolute spending levels capture the outcome of budget negotiation and allow for straightforward interpretation of results. The results do not depend on this operationalization, and the Supplemental Information (D.1) includes an analysis of spending shares.

[12]Results are substantively similar with or without use of cross-state cost of living index.

house value come from the U.S. Census. [13]

1 Results

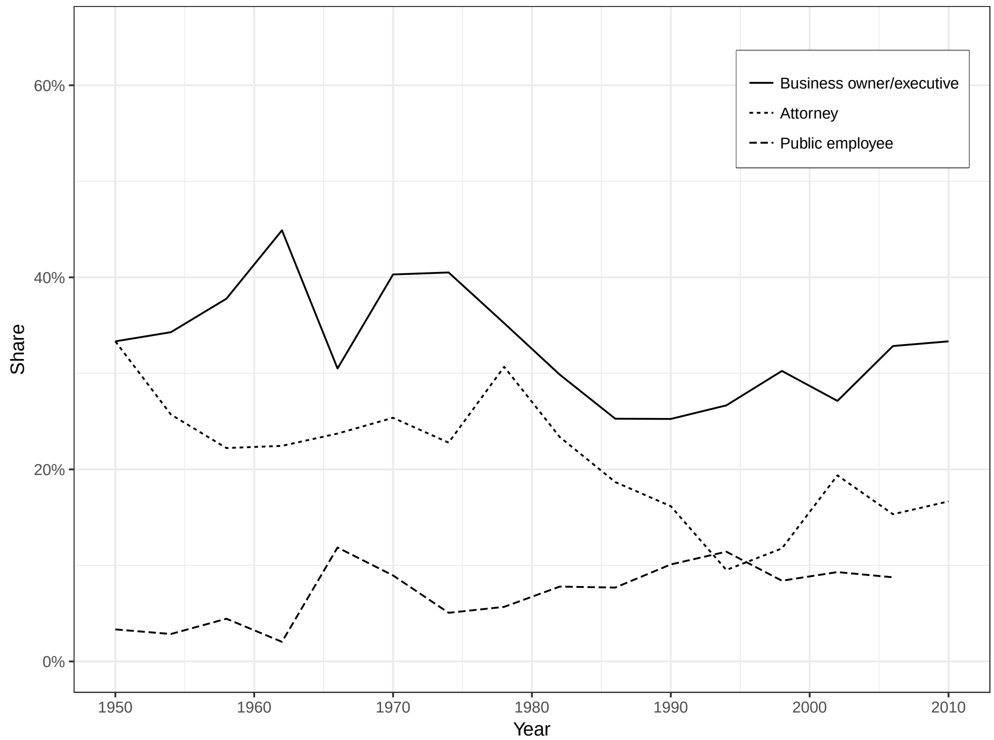
1.1 Who Serves as Mayor?

Although business interests and business leaders are prominent players in canonical accounts of urban politics (see e.g., Erie 1988; Logan and Molotch 1987; Stone 1989; Bridges 1997), the details of descriptive representation in American cities have been difficult to document given significant data limitations. My original data overcome this challenge to reveal a striking lack of diversity among mayoral candidates from cities across the United States. Notably, nearly one third of the mayoral candidates have experience as a business owner or executive. Figure 1 shows the most common occupations over time among mayors in the sample and suggests that business owners and executives have long been fixtures in city halls across the United States. In Figure 1, the horizontal axis is time, and the vertical axis measures the share of mayors. The portion of mayors with backgrounds as business owners or executives has fluctuated a bit over time from over 40% around 1960 to low of just under 30% in the 1980s, but business owners and executives constitute the most common occupational category consistently over time.

Table 2 summarizes political experience and demographic attributes of candidates and mayors. Overall, the data suggest that mayors are not very diverse in terms of race, ethnicity and gender. Only 11% of mayors are women, and 5.5% of mayors are African-American. Hispanic mayors make up 2.6% of the sample, and only 0.7% of mayors are Asian-American. Turning to political experience, we see that about half of the mayors in the sample served on the city council prior to their election and about 45% were reelected as incumbents. Few mayors have experience at higher levels of government, and exceptions tend to occur in large cities or where a politician can serve in multiple offices at once. For example, mayors from both New York (John Lindsay, Ed Koch) and

[13] The main analyses do not include measures of municipal institutions, but both form of government and nonpartisan electoral rules are included in the RDD validity tests described above. I find no evidence of sorting on these institutional characteristics. These results are included in the Appendix along with a description of the data.

Figure 1: Business Executive Mayors



Note: Figure 1 illustrates mayors' most common occupations over time. The horizontal axis measures time, and the vertical axis indicates the share of mayors. The solid line shows the share of business owners and executives, while the dashed and dotted lines trace the share of attorneys and public employees.

Los Angeles (Norris Poulson, Sam Yorty) served in Congress prior to their election.

Along with political experience and demographic attributes, occupational experience of candidates provides more detailed information about the mayors that preside over American cities. Although mayoral candidates are drawn from somewhat diverse occupational fields, notably, the most common occupations are white-collar professions. Table 3 shows the distribution of common occupations among mayoral candidates. First, we can note that the distribution of occupations is quite similar for both mayors and runners-up. Business owners and executives account for about 32% of mayors. About 20% are attorneys, and about 13% of these have experience as a prosecutor or city attorney. About 8% of mayors are public sector workers, including city, county, state, and federal employees. Other common occupations include manager or supervisor, educator, healthcare and other professionals, administrator, and homemaker. The majority of educators are school teachers,

Table 2: Experience & Attributes

	Mayors		Runners-up	
	Count	Share	Count	Share
	Race & Ethnicity			
White	1110	91.2%	1117	91.7%
Black	67	5.5%	63	5.2%
Hispanic	32	2.6%	30	2.5%
Asian	8	0.7%	7	0.6%
	Gender			
Male	1088	89.4%	1086	89.2%
Female	129	10.6%	131	10.8%
	Political Experience			
No Experience	250	20.6%	433	35.7%
City Council	638	52.4%	560	46.0%
Mayor	606	50.1%	322	26.8%
Incumbent	546	45.2%	239	19.9%
State Legislator	111	9.1%	83	6.8%
County Legislator	34	2.8%	37	3.0%
US Legislator	15	1.2%	9	0.7%
$n = 2434$				

Note: The table provides details on the political experience and attributes of mayors and mayoral candidates. Some mayors have multiple types of prior political experience, so the sum of the share of candidates with all types of experience exceeds 100%.

and the other professional category is dominated by engineers and accountants, along with several architects and urban planners. Most of the administrators work in either education or the nonprofit sector. Among the occupational outliers are a florist and a baseball scout.

Candidates and mayors with business executive experience are individuals described as owners or corporate officers (CEO, COO, president, vice-president, treasurer, etc.) of a business or firm engaged in the sale or provision of goods or services for profit. Among the business executive mayors, several, including Michael Bloomberg, ran large businesses. For example, the so-called “Onion King," Othal Brand, who was mayor of McAllen, Texas for 20 years, was also co-founder and chairman of Griffin & Brand, Incorporated, a produce processing company and one of the world’s largest onion producers (Bell and Pipitone 2009). John M. Belk, four-term mayor of Charlotte, North Carolina, was the president and CEO of the Belk family’s chain of department stores (Belk n.d.). However, many candidates with executive business experience own or run much

Table 3: Occupational Backgrounds

Occupation	Mayors Count	Mayors Share	Runners-up Count	Runners-up Share
Business owner/executive	386	31.7%	397	32.6%
Attorney	240	19.7%	203	16.7%
Public Employee	96	7.9%	114	9.4%
Sales	75	6.2%	70	5.8%
Manager/supervisor	69	5.7%	61	5.0%
Educator	66	5.4%	55	4.5%
Administrator	39	3.2%	40	3.3%
Other professional	33	2.7%	38	3.1%
Homemaker	20	1.6%	24	2.0%
Healthcare professional	18	1.5%	15	1.2%
Other occupations	175	14.4%	200	16.4%
$n = 2434$				

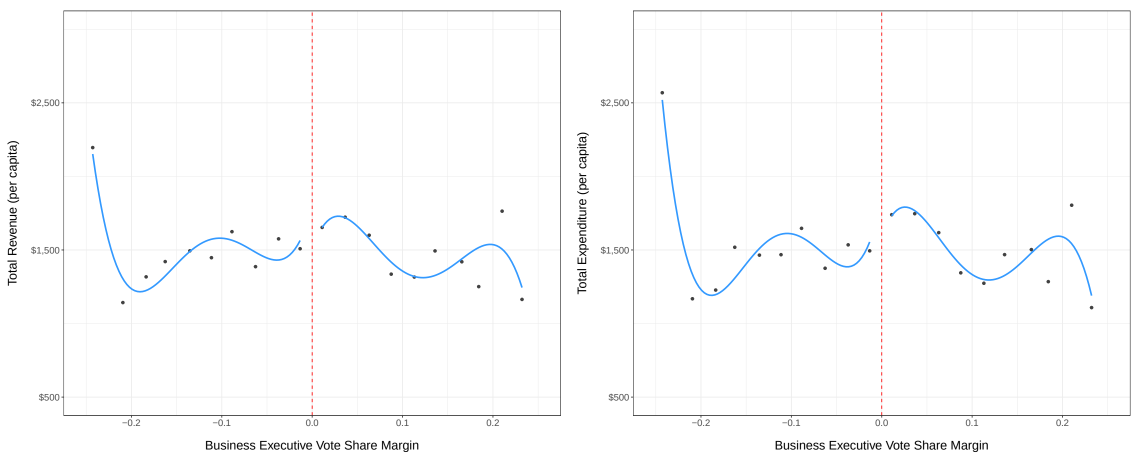
Note: The table provides details on the occupational experience of mayors and mayoral candidates. The occupations included above are the most common among candidates and mayors in the sample.

smaller local businesses. Common examples include restaurants and food service businesses, real estate and development firms, insurance agencies, and a number of funeral homes. Among the more unusual businesses are a seed company, a firm that specializes in designing ice rinks, and a cheese factory. Although we might tend to think of business owners as Republicans, there are a fair share of Democrats. Among candidates where a party affiliation is observed (about 67% of all candidates), more than 41% are Democrats while about 50% are Republicans. Overall, these new data demonstrate that business owners and executives are exceptionally well represented over time and across cities that vary in region and population.

RDD Results

To begin, I examine how electing a business executive mayor affects the size of government. Figure 2(a) plots total revenue on the vertical axis against the business executive candidate's vote-share margin on the horizontal axis. The dashed vertical line at 0 on the x-axis marks the threshold in the forcing variable. Observations to the left of this cutpoint are cases where the business executive candidate lost (i.e., had a negative vote margin), and observations with positive values of the forcing variable are cities that elected a business executive. The points show binned averages values of total revenue measured in constant per capita dollars (bin size is 0.025). Lines (4th order polynomials) plot the relationship between the forcing variable and total revenue on either side of the threshold. Here, we observe a relatively small increase of about \$100 in total revenue (per-capita) at the cutpoint. Figure 2(b) similarly plots total expenditures against the forcing variable. Again, we see a jump at the threshold, a slightly larger increase in total expenditure of about \$200 per capita. These figures offer no evidence to support the notion that business owners and executives will shrink the size of government.

Figure 2: Size of Government



(a) Total Revenue   (b) Total Expenditure

Note: Graphs plot the relationship between the dependent variable and the forcing variable. The x-axis is business executive vote-share margin, and the y-axis is the value of the dependent variable in dollars per capita. Points are binned averages (bin size = 0.025).

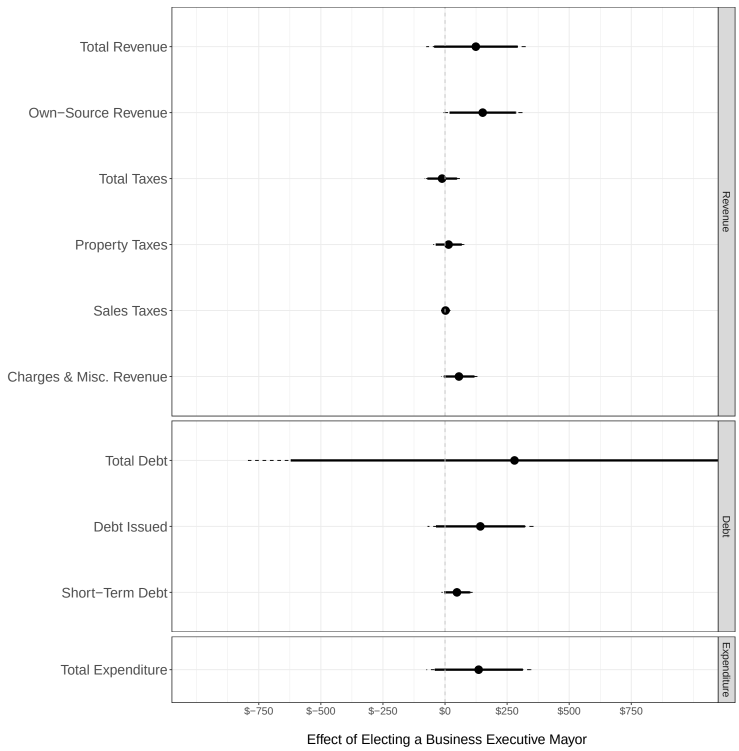
To more rigorously evaluate the effect of electing a business executive on the size of government, I estimate several local linear regression models. Figure 3 presents the results of my main RDD analyses.[14] The horizontal axis is the effect of electing a business executive in per capita dollars, and the vertical axis lists the dependent variables. The dots indicate point estimates from covariate-adjusted local linear regression models that use the optimal bandwidth calculated per Calonico, Cattaneo and Titiunik (2014).[15] The solid bars show 90% confidence intervals, while the dashed extensions

[14]These results are available in table format in the Supplemental Information (B, C), along with detailed results for multiple RD specifications.

[15]Covariates include the value of the dependent variable the year before the election, as well as city-level

show the 95% confidence intervals. I find that electing a business owner or executive has no distinguishable effect on total revenue or total expenditure. Although the point estimates for both total revenue ($124.05 per capita, standard error = 101.65) and total expenditure ($135.42, standard error = 107.15) are positive, neither of these estimates is statistically significant.

Figure 3: Business Executive Mayors & Size of Government



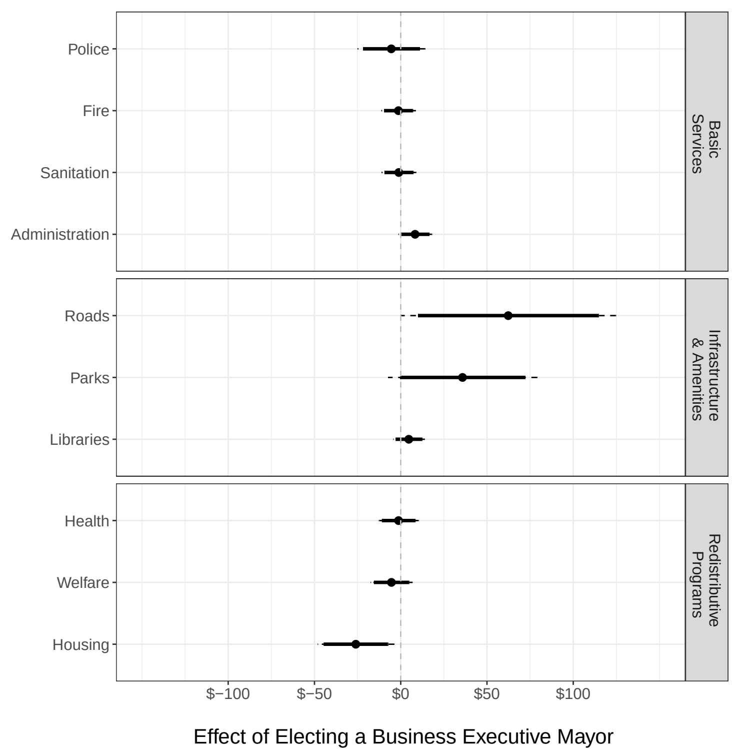
Note: Figure 4 presents results of covariate-adjusted local linear regression models using optimal bandwidths to estimate the effect of electing a business executive mayor. The horizontal axis denotes the effect size in dollars per capita, and the vertical axis lists the dependent variables. The dots represent point estimates, and the solid bars illustrate 90% confidence intervals while the dashed extensions indicate the 95% confidence intervals.

A perennial promise of business executive candidates, a decrease in taxes is also a central hypothesis drawn from prior studies of urban politics as well as issue positions of prominent business interests. The results presented in Figure 3, however, do not support the expectation that electing a business executive leads to lower taxes. Although the point estimate for total taxes is negative (-$11.98, standard error = 80.85), it is neither statistically nor substantively

characteristics (population, racial composition, median household income, and median house value) that may be correlated with fiscal outcomes.

significant. Similarly, results for both property taxes ($14.37, standard error = 31.31) and sales taxes ($1.94, standard error = 9.23) are small in magnitude and fail to even approach statistical significance. Given these null results, it is surprising to note that Figure 3 also includes an increase in own-source revenue ($151.68, standard error = 80.85) that is statistically significant at the 10% level ($p = 0.063$). How could locally raised revenues increase without raising taxes? There is some evidence to suggest that this additional local revenue might come from charges and miscellaneous revenue, which includes charges and user fees for municipal services and facilities. I find an increase of $56.05 per capita in charges and miscellaneous revenue, an estimate that falls just short of conventional levels of statistical significance (standard error = 36.93, $p = 0.131$). In some alternative specifications (presented in the Supplemental Information, section E), the increase in charges and miscellaneous revenue is statistically significant at the 10% level.

Figure 4: Business Executive Mayors & Spending by Policy Area

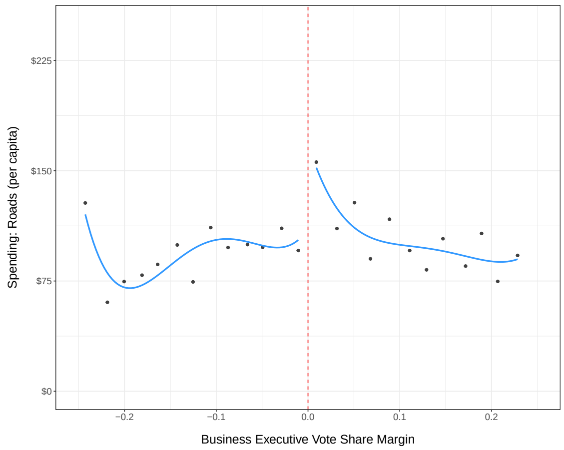


Note: Figure 4 presents results of covariate-adjusted local linear regression models using optimal bandwidths to estimate the effect of electing a business executive mayor on the size of government. The horizontal axis denotes the effect size in dollars per capita, and the vertical axis lists the dependent variables. The dots represent point estimates, and the solid bars illustrate 90% confidence intervals while the dashed extensions indicate the 95% confidence intervals.

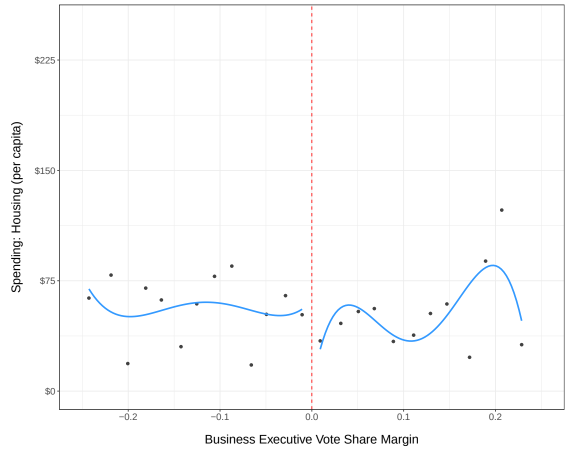
Examining expenditures in detail, I find that electing a business executive mayor has little effect on spending for basic services such as police, fire, and sanitation. These results, presented in Figure 5 are consistent with the expectation that business executives will maintain essential services; however, I do find an increase of \$8.33 (standard error = 4.93) per capita in spending on financial administration. While this estimate is statistically significant at the 10% level, this relatively small effect is sensitive to the choice of RD specification. In contrast, I find evidence consistent with the expectation that business owners and executives will invest in infrastructure and amenities. Electing a business owner or executive leads to an increase of about \$62 per capita (standard error = 31.79, p = 0.052) in spending on roads, as well as an increase of nearly \$36 per capita (standard error = 22.01, p = 0.105) on parks. While the results for parks are somewhat sensitive to the choice of specification (see the Supplemental Information, sections D and E, for details), similar results provide more consistent evidence that electing a business executive leads to increased spending directed to roads. This relationship is evident in Figure 5(a), which plots per-capita roads spending against the executive vote-share margin. A small increase in spending on libraries fails to approach conventional levels of statistical significance. Spending on highways and roads can improve transportation and accessibility, attracting residents and businesses and generating economic benefits while parks and recreation can provide amenities that make a community more attractive, perhaps even contributing to a stronger tax base (Peterson 1981).

In contrast to increasing spending on infrastructure and amenities, the estimates of the effect of electing a business executive on redistributive policies are uniformly negative, largely consistent with policy choices we would expect from business owners and executives. I find a significant decrease in spending on housing and community development, which can include spending on public housing, as well as economic development projects, community centers, homeowner assistance, and other initiatives to assist low-income residents. Along with public health and welfare expenditures, housing and community development spending is typically redistributive in nature (Peterson 1981; Hajnal 2010). Electing a business executive mayor leads to a decrease of \$26 per capita in total spending allocated to housing and community development (standard error = 11.29). Illustrated by

Figure 5: Spending by Category



(a) Roads



(b) Housing & Community Development

Note: Graphs plot the relationship between the dependent variable and the forcing variable. The x-axis is business executive vote-share margin, and the y-axis is the value of the dependent variable in dollars per capita. Points are binned averages (bin size = 0.02).

Figure 5(b), which plots per-capita spending on housing against the executive vote-share margin, this relationship is robust across a range of alternative specifications. Electing a business executive mayor appears to have no meaningful effect on health or welfare spending, yet expenditures in these categories also are quite small relative to spending in other policy areas (in the sample, the mean total expenditures allocated to health is $21 per capita and mean spending on welfare is $22 per capita, compared to $52 per-capita for housing).

Overall, I find no indication that business executive mayors reduce total expenditures or total revenues, but the RDD results provide strong and consistent evidence that business executive mayors are associated with lower levels of spending allocated to housing and community development. Moreover, the results of the spending analysis suggest that decreases in this redistributive category are accompanied by increased expenditures in development, such as roads and parks. These results are consistent with the notion that business executives prefer lower taxes and limited redistribution along with high-quality services and amenities that can make a city attractive to businesses and residents. With suggestive evidence of an increase in local revenue driven in part by fees and charges, these findings also comport with the hypothesis that business executives will pursue policy preferences for restricting tax increases—if not cutting taxes—without compromising core municipal services and amenities.

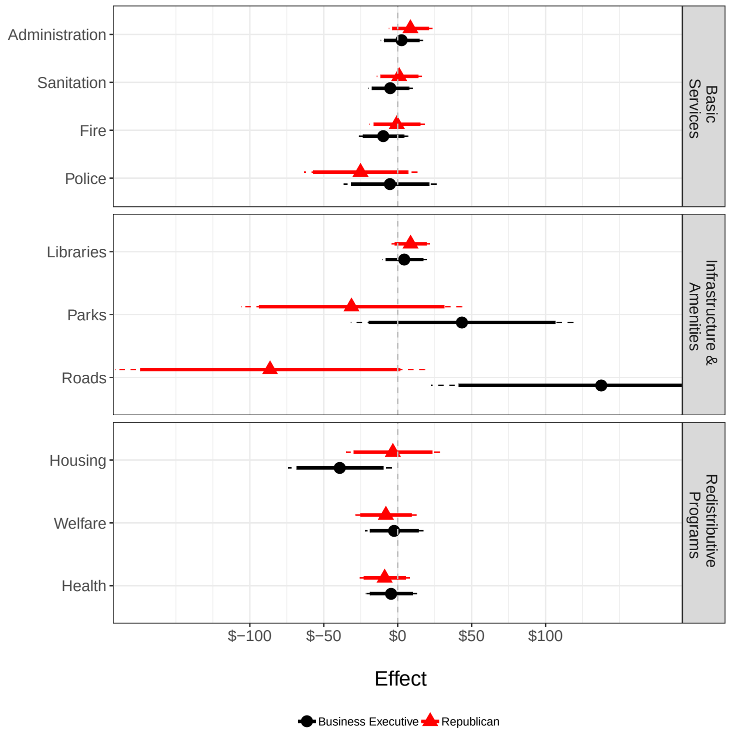
The Role of Party

One potential concern about these results is the possibility that the effects of electing a business executive reflect mayors' political party affiliations rather than their experience in business. Though it is true that more business owners and executives in the sample are Republicans, many Democrats also own or operate businesses. Two key difficulties in addressing this concern arise from the nonpartisan electoral institutions so common at the local level. First, party affiliation is unobserved for many mayors in the sample, and second, candidates are copartisans in some cases. To investigate whether the RDD results do, in fact, reflect partisanship, I focus on the subset of data in which party is observed (and different) for the winning candidate and the runner-up. Using this subset, I replicate the main RDD analyses presented above, and I also generate estimates of the effect of electing a Republican mayor. Although this approach is admittedly imperfect, the results presented in Figure 6 strongly suggest that the effect of electing a business executive mayor is distinct from the effect of electing a Republican.[16] Figure 6 is analogous to Figure 4, with one important change. The dots indicate point estimates for the effect of electing a business executive, and the triangles indicate the point estimates for the effect of electing a Republican.

Beginning with the effect of electing a business executive mayor on the allocation of spending, the results show a pattern quite similar to the main analysis, though the estimates are somewhat noisier likely due to the smaller sample size. I find a large and statistically significant increase in spending on roads, as well as an increase in spending on parks that falls short of statistical significance. The positive effect on roads is accompanied by a decrease in spending on housing and community development. Estimates for the effect of electing a business executive on other redistributive policies are also negative but neither substantively nor statistically significant. Additional results presented in the Supplemental Information (F) address the impact of a business executive

[16] The Supplemental Information (F) includes additional and more detailed results.

Figure 6: Business Executives & Republicans



Note: Figure 4 presents results of covariate-adjusted local linear regression models using optimal bandwidths. The horizontal axis denotes the effect size in dollars per capita, and the vertical axis lists the dependent variables. The dots represent point estimates for the effect of electing a business executive, and the triangles represent point estimates for the effect of electing a Republican. The solid bars illustrate 90% confidence intervals while the dashed extensions indicate the 95% confidence intervals.

mayor on the size of government. The findings are substantively similar to the main results, though none of the estimates reaches conventional levels of statistical significance.

In addition to replicating my main findings, I also run a separate RD analysis to examine the effects of electing a Republican mayor. These estimates, represented by triangles in Figure 6, suggest that the impact of electing a Republican is *not* the same as the effect electing a business executive. Indeed, estimates of the effect of electing a Republican on spending for both roads and libraries are negative though neither is statistically significant. The result for spending on housing and community development is neither substantively nor statistically meaningful. Aside from this spending analysis, I also note that electing a Republican appears to lead to a decrease of about $365 per capita in municipal debt issued. This result is large and statistically significant, especially compared to the impact of business executive mayor on debt issued, which is also negative but quite small and falls far short of statistical significance. These results should be interpreted with caution especially in light of the small number of observations. Taken together, however, these analyses substantially mitigate concerns that the effects attributed to business executives simply reflect the influence of political party.

Conclusion

In June, 2004, the city council of Wilmington, North Carolina, approved a $122 million budget that included a property tax rate cut. At the time, city council member Katherine Moore “commended the mayor [Spence Broadhurst] for putting together a budget that offers the citizens a tax break without remarkable cuts in services or capital projects" (Gannon 2004). To offset the lost revenue, the spending plan increased a range of fees and charges, including water and sewer fees, municipal golf course fees, parking rates, and junk vehicle fees. Increasing municipal fees and charges is hardly unusual. Indeed, the National League of Cities, in 2013, reported that “for much of the past two decades, regardless of the state of national, regional, or local economies, the most common action taken to boost city revenues has been to increase the amount of fees charged for services" (Pagano and Hoene 2008). A tradeoff between fees and taxes may be less common, although Matsusaka (2004) finds that direct democracy, at both the state and city levels, is associated with a similar shift in revenue sources—from taxes to user fees and charges. The analysis presented here provides some suggestive evidence that mayors with executive business experience also may be more likely to shape policies that resemble those of Wilmington, decreasing or maintaining local taxes and increasing municipal fees and charges to bolster revenues from local sources.

With original data on mayoral candidates backgrounds, this study sheds new light on the mayors who serve in America’s city halls. These data reveal that mayors are not a very diverse group. They tend to be white and male with white-collar occupations. Business executives are especially well represented, accounting for about 32% of mayors in a sample of 248 U.S. cities. Leveraging the “as-if random” treatment assignment that arises from close elections, I estimate the causal effect of narrowly electing a mayor with executive business experience on a number of local fiscal outcomes. I find that business executive mayors do not cut total revenues or total expenditures. Business executive mayors do, however, preside over systematic changes in spending. Electing a business executive mayor leads to a lower levels of spending allocated to housing and community development and greater city spending on roads.

As we might expect given the formal and informal constraints they face, business executive mayors do not dramatically influence the overall size of local government. Yet, like political leaders in other contexts, mayors with executive business experience do shape municipal fiscal policy in important and measurable ways by shifting spending priorities. Notably, these policy changes have implications for the distribution of both costs and benefits of local government. To the extent that cities increase their reliance on regressive fees and charges and decrease spending on housing programs, they limit the potential for redistribution. Although allocating additional funds to roads and parks may benefit citizens broadly, cuts to housing and community development likely affect poor and working-class residents disproportionately. That is, spending cuts may have the greatest impact on those who have the fewest resources to "vote with their feet" and move to another city that provides more or different services and programs.

Electing a business owner or executive to the office of mayor leads to changes in fiscal policy consistent with the types of policy choices that Peterson (1981) suggests are necessary to attract businesses and high-income taxpayers. Such policies should promote economic vitality and strengthen the local tax base. Future research might examine the downstream effects of business executive mayors. Is there evidence of greater economic growth or a stronger tax base? What are the implications of these policy changes for low-income residents? Some survey evidence indicates that at the local level, the public prefers service-based charges to taxes (Matsusaka 2004). At the same time, reliance on revenue from fees and charges as opposed to taxes also may have implications for fiscal management and health because restrictions on the use of fee-based revenue may limit local leaders discretion and flexibility in managing a city's fiscal affairs and exacerbate fiscal challenges (Erie, Kogan and MacKenzie 2011). Is there a link between who serves as mayor and cities' fiscal health? Finally, this study challenges the notion that local leaders and local politics are largely inconsequential and should encourage researchers to further consider how the leaders voters select matter to policy choices and outcomes—even at the local level.

Although this study is, to my knowledge, the first to identify the causal effect of electing a business owner or executive, the magnitude of the impact may seem relatively small in absolute terms. The office of mayor, however, is just one avenue of influence for business owners and executives. For example, Carnes (2013) finds lower levels of spending on social welfare programs in cities where business owners and executives make up the majority of city council. Beyond the local level, business owners and executive commonly serve as state legislators and governors, though current data limitations make it difficult to assess fully their numbers or their effect on public policy. We know more about members of Congress— about 31% of the Members of Congress who served during the 106th to 110th congresses had experience as a business owner or executive (per CLASS Dataset, Carnes (2016)), but there are still many open questions. Perhaps most notably, a careful focus on causality and a shift to other policy areas might advance our understanding of the consequences of electing so many business owners and executives. My findings, however, certainly suggest that business owners and executives in elected office warrant additional to better understand not only their influence but also why they run and why voters elect them.

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