The Political Elite, Self-Interest and Democratization

The case of the Netherlands, 1870-1920

Bas Machielsen

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De Politieke Elite, Eigenbelang en Democratisering

De Nederlandse casus, 1870-1920

(met een samenvatting in het Nederlands)

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Albertus Hendrikus Machielsen

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Promotors:
Prof. dr. O.C. Gelderblom
Prof. dr. A. de Jong

Assessment Committee:
Prof. dr. J.L. van Zanden (chair)
Prof. dr. C.N. Teulings
Prof. dr. K. Oosterlinck
Dr. M. Szymanowska
Prof. dr. M. Beyen

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Chapter 1

Introduction

1.1 The Role of Politicians

In the majority of modern political systems around the world, people delegate power to representatives, politicians, who then decide on, and are responsible for, the acceptance of laws that govern societies (Persson and Tabellini, 2005). The role of politicians is at the heart of almost every contemporary societal problem. In virtually every contemporary society, politicians accrue enormous influence and power, and frequently use this to decide on issues as diverse as market regulation, social insurance, pension schemes, taxation, public investment, or even war and peace.

Politicians are not necessarily popular. In virtually every country, not a day goes by without accusations directed against politicians. These accusations frequently involve their policies and ideas, but also focus on their behavior more broadly: in many countries, the public also frequently attributes to politicians a desire to enrich themselves, rather than strive for the common good. Fairly recent revelations such as the Panama and Pandora papers detail offshore transactions and ownership and have shown numerous implicated politicians from all over the world. An article by Dutch newspaper *De Volkskrant* illustrates this by accusing politicians of simultaneously enriching themselves, by covering up shady dealings, while at the same time wanting to retain the image of 'men of the people'.[1] There are also frequent allegations against politicians of nepotism, awarding prestigious and lucrative jobs to their inner circle.[2]

At least part of the reason why politicians may not be popular in the eyes of the wider public across a variety of countries may be that their

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[1]*De Volkskrant*, 3 October 2021
[2]NOS, 22 November 2017

remuneration is considered excessive. This is confirmed in opinion polls coming from many countries. increases in politicians' salaries do not seem to be popular, and remarks of politicians about their low salary have been met with widespread indignation in e.g. the UK and France.[3] In the UK, in an opinion poll, an astonishing 92% of respondents thought that MP salaries were too high and ought to be reduced. In a Euronews poll[4], 43% of respondents thought politicians' salaries should be tied to the average salary. Although many people consider politicians' compensation too high, few people would want to see politicians left without any compensation. Many seem to recognize, at the least, that politicians need to be compensated for the foregone cost of private sector employment (Messner and Polborn, 2004). Additionally, it is recognized that, much like other jobs, politicians' salary also plays a part in motivating them (Fisman et al., 2015).

Historically, there have been two different currents, each providing different arguments, on how to prevent politicians from enriching themselves at the expense of others (Besley, 2004). The first is a tradition that views the political process as having to attract the right people, "persons of character" (Alesina, 1988), who are well-suited to make policy decisions. The second is a tradition that emanates from the public choice school of thought. As quoted in Besley (2004), this view is best summarized by leading public choice theorist Buchanan (1989), who holds that politicians "(...) must be modeled as seeking to further their own narrow self-interest, narrowly defined, in terms of measured net wealth position, as predicted or expected."

In Dutch politics, the differences between these points of view came to the light in the so-called Nierstrasz-incident in 1917 (Tanja, 2011). When Dutch Lower House members debated about a possible salary increase and the introduction of an attendance allowance, businessman-politician Nierstrasz took the first view by claiming that politics ought to be a vocation, and that reimbursements could only lead to the attraction of opportunistic individuals, prioritizing their own self-interest over the common good. He expressed his disgust of politicians who, in his own words,

> do nothing else except doing politics for the sake of politics, rather than for the sake of general interests, which they are supposed to represent and put in practice. (...). Statesman is

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[3] ElectoralCalculus and Franceinfo
[4] Euronews

not an ordinary profession, but a selfless vocation, to engage
in heavy labor, not to the benefit of oneself, but to the benefit
of others (Tanja, 2011, p. 181).

This point was met with furious critique by early socialist politician
Troelstra, who felt personally offended. Troelstra, who set aside his po-
tentially lucrative career as a lawyer to dedicate himself to the socialist
cause, was furious because of the suggestion that his actions were moti-
vated by money.[5] Evidently, Troelstra took the view that compensation is
necessary for individuals from broad classes of society to find it viable to
pursue politics, seeing this as an essential premise for a democratic and
fair political system.

Interestingly, both figures in this anecdote implicitly agreed that pay
influences politicians and the political arena. The first way in which
politicians' pay could influence the political system is by influencing who
stands as a candidate to be elected into representative bodies (Besley,
2005). Whereas Nierstrasz thought it would attract more self-interested
individuals, Troelstra thought it would enable less well-to-do individuals
to run, who would be incentivized in the right way. In addition, they both
agree that remuneration affects incumbent politicians. Nierstrasz thought
that compensation misdirected politicians' incentives towards "politics for
the sake of politics", directing effort to unproductive means to improve re-
election, rather than towards the general interest (Acemoglu, 2013; Guiso
et al., 2017), thereby promoting career politicians (Mattozzi and Merlo,
2008), with which Troelstra explicitly disagreed.

Both of their views, however different, share a common implicit objec-
tive: to curb the self-interest of politicians, and to incentivize politicians
to pursue the common good. In Nierstrasz's view, this is best effectuated
by withholding compensation, thereby precluding opportunists from en-
tering the political arena, whereas in Troelstra's view, compensation pre-
cludes politics from being dominated by the wealthy and powerful, who
are the only ones to have the means to be able to enter politics.

In a nutshell, the present dissertation uses the Dutch context to in-
vestigate whether and to what extent there is evidence for each of these
views. This dissertation broadly asks what the influence of self-interest is
in Dutch politics, and what allows politicians to prioritize it. The disserta-
tion contains various chapters to investigate the role of self-interest in po-
litical decision-making, using the Dutch political setting between roughly

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[5]The leading biography of Troelstra is titled *Politician out of Passion* (Hagen, 2011)

1870 and 1920. In this period, the Dutch political system was marked by a double transition from oligarchy to democracy, and from a *laissez-faire* to an interventionist approach to government intervention (Van Zanden and Van Riel, 2004; Bos, 2006), changes which I use as laboratory-type setting to empirically investigate the presence and the influence of politicians' self-interest in this transitory process.

The modern theoretical literature recognizes both of the aforementioned perspectives in curbing the self-interest of politicians. These two perspectives are often integrated in a principal-agent situation, where the principal is the electorate, who delegates power to the principal, the politician, who is supposed to act in the interest of the electorate (Grossman and Hart, 1992). Many models are variations on the following setting:[6] the electorate does not necessarily know the capabilities or priorities ('types') of candidates, but nevertheless has to elect politicians who execute policies. Also, absent the possibility of perfect control on behalf of the electorates, politicians always have some wiggle room to pursue interests different from those preferred by the electorate. The pursuit of self-interest is often referred to as rent-seeking, and can take forms ranging from prioritizing politicians' own ideology (Mian et al., 2010) to personal finances and wealth, the focus of this dissertation.

In the next section, I will describe analyses of this kind in more detail, where I focus not only on the influence of monetary factors such as net wealth or compensation, but also on institutional factors, such as electoral accountability, the media, ideology, and party discipline. Afterwards, I expand on the empirical evidence regarding what influences the behavior of politicians. There is a broad range of empirical evidence, coming from many countries in many institutional settings. The diversity of this evidence also serves as a motivation for several of the coming chapters, which exploit a changing institutional environment over time.

In using the Dutch setting as a laboratory, this dissertation focuses on how and to what extent politicians are kept in check over time. The Dutch political system underwent major changes between 1848-1917, which I briefly alluded to before under the banner of a double transition. In the section following empirical evidence, I will give a birds-eye view of the characteristics and changes of the Dutch political institutions, which I later focus on in the remaining chapters. I also put these changes into

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[6]See e.g. Barro (1973); Ferejohn (1986); Besley and Case (1995); Osborne and Slivinski (1996); Besley and Coate (1997); Persson and Tabellini (2002); Besley (2004); Mattozzi and Merlo (2008); Sasso and Morelli (2021)

context by comparing these characteristics with other (European) countries. Finally, this chapter will end with a short overview of the remaining chapters.

1.2 Theory

1.2.1 Politicians' Self-Interest

In line with Buchanan (1989)'s view that politicians' actions should be analyzed as "in terms of measured net wealth position", a clear factor that emanates from this view is a politician's personal wealth. In what they dub as the standard voting model, used in e.g. Mian et al. (2010), when deciding on voting on a law, politicians might decide on the basis of electoral expedience, e.g. what the effects of their decision are on the electorate and the probability to be reelected. Tahoun and Van Lent (2019) propose to augment the standard voting model by a component that includes their personal wealth, so that politicians factor in the expected consequences of acceptance (or rejection) of the law on their own net wealth. This perspective is also implicit in a literature from the 1980s and 1990s (Kalt and Zupan, 1984; Peltzman, 1984, 1985; Levitt, 1996), which argues that politicians pursue 'special interests', which is taken to be either electoral interests, or the economic interests of interest groups.

In addition, another factor that emanates from this view is a politicians' remuneration. Remuneration can affect politicians' behavior in many ways. Focusing on the disciplining role of wages, Barro (1973)'s analysis suggests that office-motivated politicians are disciplined by elections: politicians' chosen policy will be closer to the voters' preferred policy if politicians have to be reelected. This analysis also suggests that, the higher the value of political office, the more politicians will cater their policy towards voters in order to be reelected. Caselli and Morelli (2004) propose an efficiency wage-like theory that proposes that the quality of politicians increases in the remuneration. Individuals whose market wage is below the wage of politicians have a disproportionate incentive to pursue elective office, because their market wages are lower than those of high-quality citizens, and because they might reap higher returns from holding office.

Focusing on the selection issue, Mattozzi and Merlo (2008), on the other hand, propose a theory in which they hypothesize the opposite: an increase in political remuneration decreases the average quality of politi-

cians. Messner and Polborn (2004) and Gagliarducci et al. (2010) show similar dynamics: in Messner and Polborn (2004), while a higher remuneration makes political office more attractive, there is also an indirect effect that all other candidates are now more willing to run for office. This makes it more attractive for competent candidates to free-ride, and discourage them to run. Gagliarducci et al. (2010) model a trade-off between the quality of elected officials and the fraction of time they allocate to politics. If high-ability citizens can partially keep a job outside of politics, they will be more likely to run for election, but at the same time, they will also exert less effort.

1.2.2 Checks & Balances

Economists have made many attempts to investigate representatives' incentives and the corresponding opportunities to prioritize private gains other than wealth and salary. In particular, politicians might also care about other aspects of political office. In the theoretical literature, politicians are often *office motivated*, rather than motivated by the common good. In these models, politicians are disciplined to a certain extent by elections. Regular elections are assumed to ensure at least some degree of accountability by providing politicians with an incentive to act in such a way as to increase their chances of being reelected. Barro (1973) and Ferejohn (1986) are pioneering studies that focus on the role of the electoral process and its various elements, such as term limits for politicians, but in the more modern literature, there exist contradictory theoretical perspectives on the influence of elections on the quality of politicians and policy. Persson and Tabellini (2002) features many models of policy determination with office-motivated politicians in this direction.

The more recent literature, however, recognizes that elections are not sufficient to discipline politicians. Under many circumstances, elections fail to adequately reduce abuse of power by politicians, for example, in the case of failure of relevant information about politicians' performance reaching the general public. It has long been recognized that electoral accountability in itself is not enough to solve politicians' commitment problems (e.g Osborne and Slivinski, 1996; Besley and Coate, 1997; Cadigan and Janeba, 2002; Acemoglu et al., 2005). Several other mechanisms aimed at ensuring accountability include the availability of expenditure information (Ferraz and Finan, 2008). Other studies focus on the role of the media (Gehlbach and Sonin, 2014) and government audits (Avis

et al., 2018) to keep politicians in check. Paradoxically, even the presence of interest groups (Snyder Jr and Ting, 2008), for example based on religion or ethnicity (Padró i Miquel, 2007) can serve as a disciplining device for politicians.

There also exist perspectives in the political literature that models politicians as "persons of character", where politicians' utility functions are congruent to a certain degree with those of the voters (Alesina, 1988; Besley, 2004; Besley and Ghatak, 2005). Finally, there is also a literature that talks about party constraints. A political party landscape can also discipline politicians in various ways. (Duggan and Martinelli, 2017). Eguia (2011) shows that in the context of exogenous parties, the incentives to accept party discipline depend primarily on the types of the agents, and the rules the parties use to aggregate preferences. Ashworth and De Mesquita (2004) develop a model in which party discipline benefits party members because it gives risk-averse voters more confidence in the party's ideological background, but this discipline is costly to members who win office. Equilibrium party discipline arises when these two forces are balanced. Curto-Grau and Zudenkova (2018) model a situation of a politician facing a trade-off between constituents' interests and the party line. In this model, party loyalty might come with an opportunity cost in votes for the politician and in equilibrium, the party executive must reward party members by compensating them with greater amounts of discretionary spending for the politician's constituency.

In real life, elections are not the only checks and balances that politicians are confronted with. Djankov et al. (2010) provide a detailed survey of various disclosure-related measures that have been enacted to increase transparency in politics across the world: several real-life mechanisms aimed at ensuring accountability include term limits, to prevent the same individuals from holding power too long, asset disclosure laws, to force politicians to disclose information about their wealth, its origin and its evolution, the institution of a publicly accessible debate, for example in an assembly or lower house, or a free press to disseminate relevant and trustworthy information.

1.2.3 Changing Political Institutions

In the literature, differences in how countries' political and economic systems are organized are usually summarized under the banner of institutions (North, 1981; Acemoglu and Robinson, 2000, 2008). Though

the literature has no shared definition of institutions, Acemoglu et al. (2005) and Acemoglu (2013) summarize various views of what institutions are: aspects like the power structure in society, electoral institutions, but also property rights, fiscal systems, culture, religion, ideology and beliefs could all be considered institutions. The common, overarching theme is that, while these aspects of societies can be changed, they stipulate in some sense the rules of the game, and they specify the constraints under which more mundane decisions are made (Acemoglu and Robinson, 2008). For example, taking a fiscal system and tax rates as fixed, individuals make decisions regarding labor supply. In another example, religion and culture often constrain everyday transactions in different ways, for example by forbidding work on some days of the week, or interest-bearing products. Acemoglu (2013) categorizes institutions into two categories: first, economic institutions, that determine the economic rules of the game. Acemoglu (2013) mentions the degree of property rights enforcement, contract law, a fiscal system, and some of the rules and regulations that determine the economic opportunities open to agents. Second, political institutions, which could involve e.g. the way in which power changes hands, the limits to political power, how the electoral system is organized, and it encompasses aspects like the legal tradition in a country.

The view that is espoused in this dissertation recognizes that politicians are constrained, and their incentives are shaped, by the institutions that surround them, but also, that politicians have the possibility to change institutions. First, there is a literature that focuses on how and why politicians change institutions. This research in this area is predominantly theoretical, and features perspectives by e.g. Lizzeri and Persico (2004), Llavador and Oxoby (2005), Acemoglu (2008), who explicitly model decision-making to extend the franchise, but also more broadly the process of evolving institutions, centered around, and dependent on the choices of, a political elite. In these views, the political elite and the incentives they face play an important role in deciding on processes such as democratization (Aidt et al., 2006; Aidt and Franck, 2015), franchise extension (Acemoglu and Robinson, 2000), or facilitating property rights (Besley and Case, 1995; Besley and Ghatak, 2010) and economic growth (Acemoglu et al., 2019).

Second, there is a literature on how institutions influence and constrain politicians. Constitutions, for example, can be thought of as a device to enact constraints on the behavior of politicians as well as the

general public (Persson and Tabellini, 2005). Acemoglu (2012) features several models that determine equilibrium economic growth as a function of the political allocation of power and the resulting optimal tax rate and transfers from the perspective of the group that wields power, followed by models endogenizing political power. Acemoglu and Robinson (2008) distinguishes between de jure and de facto political power, and provide a model where political power might be democratized by economic institutions directed towards the benefit of a narrow elite. Other institutions that provide checks and balances on politicians are the establishment of a senate, or alternative independent judicial organs that yield various degrees of power to ensure judicial coherence of laws (Rodrik, 2000; Lichand and Soares, 2014; Ponticelli and Alencar, 2016). Gehlbach et al. (2010) provide a case for restricting secondary functions of politicians, by sketching an argument according to which businessman candidacy, reflecting rent-seeking activity, is dependent on the quality of electoral institutions, such as accountability, media freedom and government transparency. Helpman and Persson (2001) analyze the influence of lobbying and bargaining on policy formation under the features of US and European political systems, and conclude that these different political institutions greatly influences the equilibrium degree of lobbying. Supranational institutions can also be thought of attempts at constraining national politicians' behavior and at ensuring that the rights of certain constituencies are respected (Spolaore, 2013).

There are also institutional determinants of the degree to which politicians can pursue rent-seeking activities. Similar to Gehlbach et al. (2010), Eggers and Hainmueller (2009) argue that party discipline and party organization influences rent-seeking behavior. Folke et al. (2017) reason, and find, that rent-seeking behavior might not only be monetary, but may also be accrued in the form of nepotism, by unduly prioritizing family members and friends.[7] Querubin and Snyder Jr (2009) argue that the particular circumstances following the American Civil War at the same time increased rent-seeking opportunities in the form of more discretionary government spending, and decreased monitoring, which enable politicians to pursue their own interests. Finally, Fisman et al. (2014) argue that corruption and bad oversight enable politicians' rent-seeking behavior in the context of contemporary India.

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[7]This strand of literature is closely connected to the extensive political connections literature, starting with Fisman (2001), but see also e.g. Bourveau et al. (2021) for an extensive literature overview.

1.3 Empirical Evidence

Research about politicians' self-interest is generally plagued by two issues (Weschle, 2022). The first issue is a lack of data. Because of various privacy constraints, it is often impossible to obtain highly detailed data about politicians' personal wealth. Even though there are exceptions, these studies still do not allow for a long-term repeated measurement of politicians wealth interests. Usually, researchers use sources that contain a description and appraisal of politicians assets (or income) over a short period of time directly (e.g. Fisman et al., 2014; Berg, 2020a,b). Other studies (e.g. Eggers and Hainmueller, 2009) use a more indirect way of measuring, such as probate inventories, that have a long-term focus, but are usually not measured at multiple points in time. These studies are close to the political connections literature, documenting other forms of prioritizing self-interest of politicians in an indirect way (e.g. Fisman, 2001; Baltrunaite, 2020).

The second issue is identification. Neither an election, nor wealth, is usually randomly allocated to individuals. Researchers often have to find alternative drivers of identification of the effect of being elected into a political position, or have to find a wealth shift unrelated to any characteristics influencing political behavior. In the former case, identification is often achieved by looking at close elections: nearly winning candidates serve as a convincing control group for just-winning candidates, because they are likely to be similar in many aspects (Lee and Lemieux, 2010; Caughey and Sekhon, 2011), since a small difference in electoral outcomes is likely to be determined by chance. In the latter case, the literature is less developed, but some studies use unanticipated shocks to wealth caused by financial crises (Mian et al., 2010; Tahoun and Van Lent, 2019), and variation in wealth induced by (expected) inheritances (Meer et al., 2003; Kaas et al., 2019).

Judging by research investigating present-day context, the persuasion of self-interest by politicians is persistent, and constraints on politicians or on the political system are not a panacea. In contemporary India, using close elections, Fisman et al. (2014) find that elected politicians to state representative bodies accumulate significantly more wealth than their nearly-elected counterparts over the same time period, suggesting that these individuals use their political function for private gain. Mian et al. (2010) investigate whether US politicians in the house of representatives prioritize ideology over their constituents' interests in the context

of the US mortgage default crisis. Tahoun and Van Lent (2019) focuses on the influence of representatives' financial self-interest in voting behavior by examining the correlation between assets in the financial sector and the probability to vote in favor of subsidies to said sector in the context of the 2008 Emergency Economic Stabilization Act.

Focusing on the returns to politics, most research in this area is marked by using election and income data in various contemporary settings. Diermeier et al. (2005) attempt to distinguish between monetary and non-monetary returns to office by estimating a structural model, and find large positive returns to politics for both components. Berg (2020b) finds that Lower House politicians substantially out earn nearly-elected counterparts in the context of contemporary Sweden, but find evidence that this result is due to a competitive wage. On the other hand, Berg (2020a) find that at the local level, there is no such evidence. Indirectly, this is evidence for the view that the discretion and power that national politicians yield vis-à-vis local politicians might be decisive for the opportunity to accumulate private returns.

More distantly, Eggers and Hainmueller (2009) analyzed wealth differentials between British MPs and their nearly-elected counterparts in a post World War II setting. Comparing candidates that won by a small margin to those who did not, they find that candidates who were elected ended up being wealthier than candidates who weren't. Importantly, they find that these wealth differentials between elected and non-elected candidates are concentrated within members of the Conservative party, and that these can be explained by an increased probability of working as a director of a publicly traded firm. Another piece of historical evidence in the context of the US Civil War is Querubin and Snyder Jr (2009), who document substantial asset returns for just-elected politicians compared to their nearly-elected counterparts in this period, but not outside.

There is also other, more indirect evidence that politicians act according to self-interested motives. This literature focuses on financially advantageous links between politicians and firms. Fisman (2001) showed that stock prices of firms that were personally connected to Indonesian president Suharto decreased much more than the stock prices of firms that were not connected, as rumours about his deteriorating health spread. This indicates that stock markets expects future cash flows arising directly from political connections, and that executive politicians have the power to hand out favors to connected firms. Golden and Picci (2005) use infrastructural data to compare actual and budgeted expense to obtain a

proxy for funds being diverted to personal ends. Similarly, Baltrunaite (2020) document strong evidence that politicians used their influence to favor firms who donated to them in procurement auctions in Lithuania, and Bourveau et al. (2021) document that politicians transmit information to their connected friends and business associates in the context of contemporary France. Fafchamps and Labonne (2017) provide evidence that politicians' friends benefit from clientelism in the Philippines.

Empirically, the evidence of the influence of remuneration on political selection and performance is contradictory. On the one hand, Pique (2019) finds a negative relationship between mayoral wages and government quality in a sample of Peruvian municipalities. On the other hand, Ferraz and Finan (2009) use an exogenous salary reform in Brazil to estimate the effect of salaries on (i) who enters politics and (ii) the performance at the level of a municipal politician. They find that higher wages increases the supply of candidates, increases the average level of education among candidates, and improves performance. In a sample of Italian municipalities, Gagliarducci and Nannicini (2013) also find that higher wages improve policy outcomes, but this effect is due to selection rather than incentives for reelection.

1.4   The Dutch Setting

This dissertation exploits the development of Dutch political system to investigate politicians' behavior under institutional change. In many aspects, the Dutch political system has facilitated, or at least not obstructed, many favorable outcomes. In particular, the contemporary Dutch GDP per capita is among the highest in the world[8], educational achievements are high[9], human rights are generally respected[10], and the Netherlands occupies a relatively high ranking on various democracy indices.

This was not always so. After the famous Golden Age, the Dutch economy was a laggard compared to its neighbouring countries (Van Zanden and Van Riel, 2004), and was industrializing relatively late. To illustrate, consider Figure 1.1. After consistently having a higher GDP per capita compared to its neighbouring countries before 1800, the Dutch GDP per capita collapsed after the exit of French troops and the formation of a new absolute monarchy. In comparison, quickly industrializing Britain's GDP

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[8]World Bank Indicators, GDP/Capita in Current USD
[9]Barro-Lee Educational Attainment Indicators
[10]The Netherlands is ranked 11th on the Freedom index

per capita steadily grow at a much higher rate than the Dutch economy. After 1850, when industrialized took off in Germany and Belgium, the Dutch economy failed to absorb these spillovers, and while growing, did not attain the same growth rates as Belgium and Germany, let alone that of the United Kingdom. Belgium overtook the Netherlands in terms of GDP per capita around 1870. Another perspective of this process can be obtained by looking at real wages, which, given constant market conditions, provides for an easy comparison of labor productivity. In this figure, it becomes clear that, after 1820, Belgian and British labor productivity systematically exceeds Dutch labor productivity. Also, while German labor productivity starts out lower around 1820, it reaches the same level as Dutch labor productivity in the 1860's, and keeps increasing at roughly the same pace.
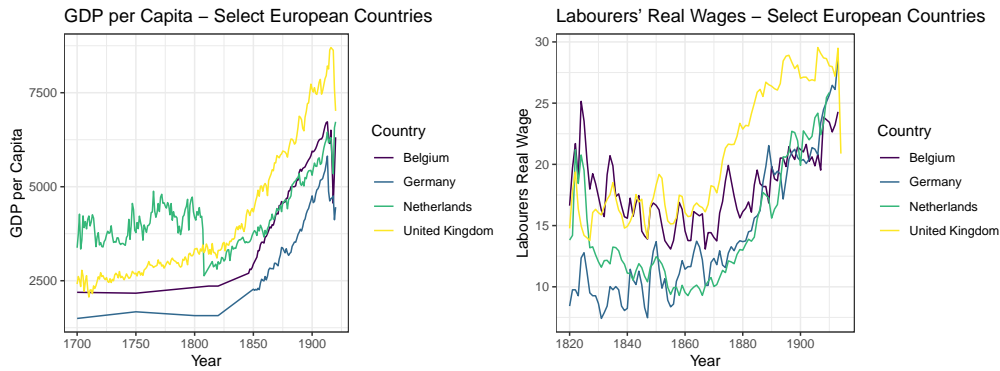
Figure 1.1: GDP per Capita and Real Wages

Politically, things were not much better. After the French revolutionary troops left the Netherlands in 1813, an autocratic system centered around the King was established, which is frequently characterized as an absolute monarchy and a nepotistic political system (De Haan, 2003; Van Zanden and Van Riel, 2004). Governance centered around the figure of the King, with a narrow elite surrounding him. In the decades preceding 1848, economic stagnation and increasing poverty made it that liberals had been gaining traction in circles close to the King, but several historians document that the 1848 riots elsewhere in Europe frightened the King to such an extent that he ordered the most influential liberal politician of the time, J.R. Thorbecke, to draft a new Constitution, on which several liberal reforms were based (De Haan, 2003; Van Den Berg and Vis, 2013; Aerts, 2018). Importantly, these reforms encompassed the liberalization of the political system by means of the introduction of a

more democratic, systematic and better organized electoral system (Van Der Kolk et al., 2018), which involved about 10% of the male population being able to elect their preferred representatives to the Lower House.

At the time, it was widely known that these reforms marked an era that broke with absolute monarchy and set a precedent for further democratization. A political culture of accountable government was established, involving regular elections and replacement of governments, even though it took some time for this norm to establish itself, according to Van Den Berg and Vis (2013). Similarly, the rights of religious minorities (Catholics, Jews) were better respected, and the state started to intervene more actively in economic life (Lindert, 2004), famously undertaking efforts to prohibit child labor, but also generally increasing social spending and raising taxation. These tendencies are also confirmed by various indicators, as in Figure 1.2:
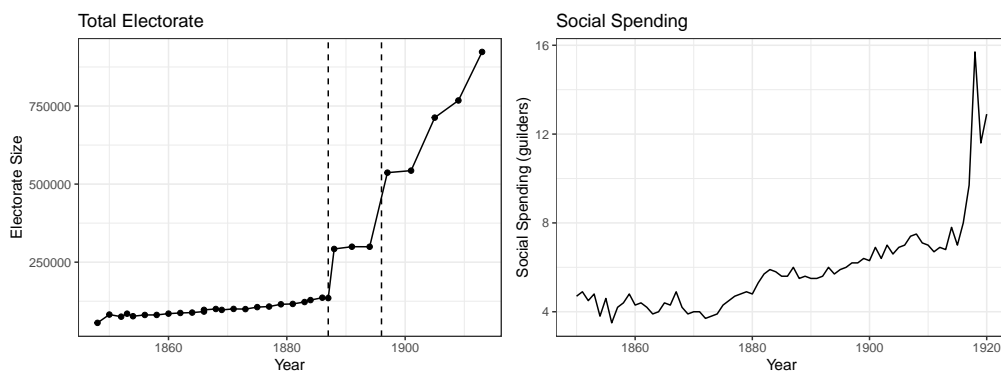
Figure 1.2: Changes in the Netherlands

The left panel of the figure features the size of the total electorate, until 1917, which consisted solely of men. The two vertical lines indicate the acceptance of two suffrage extensions, following which the size of the electorate increased markedly. In 1848, as a consequence of the liberal reforms, a district system was implemented, involving more or less free elections of delegates to the lower house (De Jong, 1999). Entry to the lower house was formally unrestricted, so that formally, every citizen aged 30 or higher could be a candidate in the lower house elections. In practice, however, citizens were understood to be only the male members of the population, which was formalized by a constitutional revision in 1887. Suffrage, however, was restricted, according to taxes paid. In practice, these criteria differed according to municipality (so that every municipality had a roughly equal number of voters), and this meant that

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about 10% of the population had the right to vote around 1860 (Van Der Kolk et al., 2018). After 1887, electoral reforms added several other criteria, which roughly doubled the size of the electorate. In 1896, the criteria to the right of suffrage were appended by yet other criteria, which turned out to be so flexible that more and more men obtained the right to vote. Finally, in 1917, universal male suffrage was introduced, followed by universal suffrage in 1918. The right panel focuses on social spending, illustrating the slow, but steady rise of government expenditures on other aspects than defense and interest payments from about 1870 onward (Bos, 2006). As seen in Figure 1.2, especially in the decade from 1910 to 1920, social expenditures greatly increased, partially due to a compromise in 1917 between confessional (Christian) and liberal political elites to accept governmental financing of religiously-based schools (Van Den Berg and Vis, 2013).

This party landscape began to take shape in the 1870's, when questions regarding the financing of (religiously-based) schooling, the tax system, and suffrage extension became more relevant, and existing political cleavages became more salient (Van Den Berg and Vis, 2013; De Jong, 2001). Van Den Berg (1983) notes that while the political system was originally based on regional representation, implemented by the district system, this was gradually being replaced by representation based on worldview and religion. Initially, three factions could be distinguished: Protestants, Catholics and Liberals. Because the liberal faction dominated the parliament until at least the mid 1870's, Protestants and Catholics were in coalition to counteract liberalism. Politicians from this collective are often referred to as confessional. In the early 1890s, the first socialists entered the lower house (Oud, 1997), but as a political force, socialism remained relatively underdeveloped compared to other European countries until at least the 1920s. Political parties were originally preceded by electoral associations, more loose organizations attempting to coordinate and harmonize candidacy and electoral behavior on the basis of the same ideological motives (Van Der Kolk et al., 2018).

The above describes the ways in which the Netherlands had undergone institutional change. It is likely that these changes generally improved governance in the country, and made it more democratic, richer, better represented and more equitable. It is important to note that these changes did not only touch the Netherlands, but were part of a wider democratization wave (Przeworski, 2009), and increases in social spending and the seeds of what later came to be known as the welfare state were

also present in a number of other countries (Lindert, 2004). In order to better understand these developments, and to provide lessons for contemporary nascent democracies, this dissertation uses the Netherlands as a case study to learn how and why these institutional changes were brought about in general.

1.5 Overview of this dissertation

This dissertation is an attempt to better understand the process of democratization and the role of politicians by focusing on the role of self-interest in politics and the influence of the institutions that surround politicians. More particularly, I focus on the role of personal wealth in politics. As alluded to in section 1.3, wealth can be both a consequence and a cause of politicians' behavior. Personal wealth is potentially an important driver for politicians' decision-making, as the laws politicians design and accept often have a far-reaching influence on their own financial well-being. At the same time, personal wealth is arguably the most obvious objective of opportunistic behavior of politics, in line with the hypothesis put forward by Buchanan (1989).

The core of this dissertation consists of three single-authored chapters. The second chapter zooms in on the Dutch political elite. Several historians (Van Den Berg, 1983; Secker, 1991; Van Den Braak, 1999) have provided collective biographies of various groups of Dutch representatives in this period. This chapter synthesizes this literature and adds one important dimension to the description of their collective profile: their personal wealth. In doing so, it sheds further light on the role of the political elite in the transition from autocracy to democracy. Whereas suffrage extensions could have lead to a change in the composition of the political elite (Besley, 2005), a more static political elite could have also been faced with various incentives to act the way they did (Lizzeri and Persico, 2004; Llavador and Oxoby, 2005). Capturing and mapping out the wealth profile of the Dutch political elite gives insights in the potential role economic interests might have played.

In the third chapter, I proceed to a more analytic approach to these questions. In this chapter, I empirically document the role of self-interest in the decision-making of the political elite by investigating whether the personal wealth interests of the political elite influenced the acceptance of various key pieces of legislation in this period. From 1848 to 1917, representatives were elected in a district system, the spirit of which was to

represent regions, rather than political factions. In practice, however, increasing political confrontation decreased the salience of regional differences (Knippenberg et al., 2000), while increasing religious tensions, and brought politics on the basis of worldview and religion to the foreground (De Jong, 1999). Political allegiance, and later formal party membership, is thought to play a large role in the voting behavior of politicians. Conditional on political allegiance, and many factors at the district-level potentially influencing voting outcomes, is there room for the personal interest of politicians to influence their decision-making?

After having focused on the determinants of politicians' behavior in the context of institutional change, in the fourth chapter, I focus on how the consequences of (potentially) self-interested politicians' behavior and the influence on this behavior of surrounding institutions. In particular, I focus on estimating the private financial returns to politics, in the tradition of e.g. Eggers and Hainmueller (2009), Fisman et al. (2014) and Bourveau et al. (2021). I use a method based on Cellini et al. (2010) to estimate the *dynamic* returns to politics, i.e., returns to additional periods in the Lower House, by combining detailed election-level data with data on personal wealth. In doing so, it hopes to identify the equilibrium returns to a political career, and contribute to the debate about disciplining politicians, about making politicians act in the interests of their constituents, and how to promote further democracy, equity, and growth.

In the concluding chapter of this dissertation, I provide a synthesis of the results obtained in the previous section, and reflect on the implications for Dutch political history, as well as for debates in economic history and development economics on the interrelations between political institutions, economic growth, and the role of the political elite. With respect to the political history literature, I reflect on the wealth profile of Dutch political elite and its relationship to other characteristics we know are changing over the course of the long nineteenth century. Finally, with respect to the economic history literature, I close the dissertation by reflecting on the causes and consequences of the behavior and composition of a political elite and its role in democratization and concurrent phenomena, such as increases in government size and social spending, and by suggesting ideas for further theoretical and empirical research.

In the dissertation, Chapters 3 and 4 are accompanied by Appendices. In addition to these Appendices, I have create replication packages, with the purpose to reproduce the Tables and Figures in this dissertation, as well as to grant access to the data on the basis of which the results are

obtained. These are accessible on a Github repository here. On this repository, the output figures and tables can be found, as well as the code used to create them, and the datasets serving as input to the code. The repository also contains an instruction on how to replicate all the Tables and Graphs found in this dissertation, and a description of the data files.

Chapter 2

The Wealth of the Dutch Political Elite (1870-1922)

Abstract:

Using newly-collected archival data, this chapter investigates the wealth and investment portfolio's of Dutch politicians from 1870 to 1922. In a period when the political and economic situation underwent many changes, this chapter finds that the political arena remains rather static: politicians are wealthy in comparison to the average citizen. Secondly, Upper House members are by far the wealthiest politicians followed by executives. Lower house politicians are the poorest on average, consistent with the lower house being accessible by the entire male population of the country. Finally, there is no strong trend towards a more equal representation of the Dutch population in the nineteenth century, but towards the 1920's, a substantial number of poorer politicians was elected and politicians of all kinds were significantly less wealthy than their predecessors. To the authors' knowledge, this is the first study detailing the trajectory of personal wealth of politicians in the Netherlands in the late 19th and early 20th centuries.

2.1 Introduction

Between 1848 and roughly 1920, the Netherlands saw a radical transformation of its economy and its institutions. The economy transformed itself from a largely agricultural economy to a fully-fledged industrialized economy based largely on industry, services and international trade (Van Zanden and Van Riel, 2004). This economic change was accompanied by radical changes in the country's political institutions: after the reform in 1848, politics was largely dominated by aristocrats and loyalists of the King. In the decades afterwards, the political system was transformed into a constitutional monarchy, where the power of the monarch became more and more symbolic. This took the form of several amendments to the constitution, which encompassed the abolition of various restrictions regarding eligibility and suffrage, culminating in the introduction of universal suffrage in 1919 (Van Der Kolk et al., 2018). Finally, religion took a more active role in the country, being manifest in politics but also in wider society, in a process frequently dubbed pillarization.

Throughout the nineteenth and early twentieth centuries, political elites have decided relinquished their power, granting suffrage extensions and abolishing eligibility restrictions so that gradually, more and more individuals could participate in the political process. This chapter focuses on the (changing) composition of the political elite in this process, and more particularly, on their personal wealth. In previous literature, various aspects of the composition of the political elite have been investigated, both nationally and internationally. One aspect that has been left out of the picture, but is nevertheless relevant, is their personal wealth.

From the roughly 1000 individuals who have been politically active in the Netherlands on the national level in the period of 1870 until 1920, I find probate inventories of 752 politicians, and show how wealthy politicians in different representative bodies and with different ideological affiliations are. I shed light on two questions: firstly, do there exist substantial differences in wealth between politicians of different religious affiliation or political ideology? Next, I compare average and median wealth levels per parliamentary standing, which gives us an overview of the dynamics over time. I provide an overview of the wealthiest politicians, and also focus on their portfolio shares. Finally, I also focus on the wealth of governments (Ministers) and investigate inequality within parliamentary standings.

Our most important results show that throughout the entire period of

investigation, there is a substantial gap between the wealth of politicians and the wealth of the general population in all representative bodies. The gap is largest in the Upper House, consistent with both the exclusive nature of the Upper House and legal restrictions to eligibility, but it was also substantial for executives, and perhaps more surprisingly, for the lower house members. Even though the lower house was in theory accessible to any male candidate since 1848, in practice, elected politicians were on average much wealthier than the general population, and the gap between politicians and the general population only began to narrow in the early 20th century, after significant suffrage extensions had been effectuated. Nevertheless, the gap still remained very large, with the median politician to be in the upper decile of the wealth distribution, according to our estimates. On the other hand, there were a substantial number of lower house politicians who died with practically no estate, similar to the median Dutch citizen at the time (De Vicq et al., 2020).

2.2 Literature Review

Dutch political scientists and political historians have since long shown interest in the inner workings, the interactions, and consequences of the evolution of the Dutch political system, and more specifically, why this transformation took place so fast. Arguably, the most influential work is Lijphart, who investigates the Dutch political system and the causes of its stability and functioning from 1917 until the late 1960s (Lijphart, 1975). His vision implies that there is very little, if any, room for the background of politicians to play a role in this process: leaders of the country's leading political factions can best be thought of selfless, and constantly willing to compromise for the sake of political stability. He illustrates that politicians from leading political parties have been ready to make excessive compromises, preventing the alienation of the opposition at high costs: sometimes to the detriment of their own objectives, sometimes to the detriment of their electorate.

There are also visions that diverge strongly from Lijphart's account. In particular, whereas Lijphardt, based particularly on an interpretation of parliamentary history by Oud, dates the origins of Dutch political stability to the decade of 1910-1920, De Rooy claims that virtually all formalized decisions were already established informally several decades before, including universal suffrage and the *Schoolstrijd*, the battle for educational funding of religiously-based schools (Oud, 1961; De Rooy, 2014). De

Rooy argues on the other hand that the social question was not 'solved' at all, evidenced by the fact that there was very little social redistribution, and no effort was undertaken to put into practice the accepted proposals of Minister Talma (1913). In his view, Dutch politics revolved not political consensus, but, increasingly, around political parties and consequent loyalty. In the late 19th century, De Rooy notes, political parties started to gain popularity, and the point of view that there was no place anymore for individual considerations on the part of a politician, but the idea of a politician being a representative of a certain faction of society started to gain in popularity.

De Haan, in his explanation of the shape that national politics took on, stresses the role of ideology and its consequences for the Dutch political system (De Haan, 2003, p. 194). He argues that confessionals and liberals found themselves in the opposition to the expansion of the state: confessionals because it infringed on the duty of the churches w.r.t. education and poor aid, and liberals who took a laissez-faire point of view. This in particular was responsible for the relatively tardive appearance of fundamental welfare institutions. After liberals became more favorable to government intervention, more coalitions between (radical) liberals and socialists could be found, and this led the way to more substantial reform in the early 20th century. Stuurman's work on the origins of pillarization also contains many salient contradictions with Lijphardt's work (Stuurman, 1983). Stuurman argues that the system had been built as a strategy to marginalize the influence of new political currents such as socialism and feminism. For example, confessional politicians formed religiously-based trade unions to keep their coreligionist workers away from (potentially) socialist trade unions, a point of view also espoused by Heerma van Voss (Heerma van Voss, 2000). Stuurman is one of the few works that claims explicitly that property relations can explain the functioning of the Dutch political system, while at the same time allowing for a perspective where religion, gender inequality and political ideologies all influence its functioning (Stuurman, 1983, p.335). Another vision, somewhat more in line with Lijphart, is provided by Knippenberg and de Pater, who essentially characterize the Dutch political system in the 19th century as a process of regional convergence, illustrating their cases with many examples of convergence and standardization between provinces and regions (Knippenberg et al., 2000). This work holds that politicians to some extent disregarded their regional interests (whether personal or that of their regional constituents) in favor of increasing national unifica-

tion.

All of the aforementioned approaches have in common a focus on the political process. These visions also explicitly and implicitly assume something about the role of politicians in the changing political and economic environment in the Netherlands from 1870 to 1920, and employ theories about what motivates and drives politicians: historians following Lijphart tend to see politicians as prioritizing stability or ideology, whereas historians like De Rooy emphasize the role of party discipline that (increasingly) determines the behavior of politicians, and De Haan emphasizes the ideological aspect. A different approach focuses on the background and social origin of politicians in a more explicit way: the works of Van Den Berg, Secker, Van Den Braak, among others, focus on the (changing) background and demographics of politicians with the goal of understanding the consequences for the changes in political and economic institutions that took place (Van Den Berg, 1983; Secker, 1991; Van Den Braak, 1999).

Van Den Berg focuses primarily on recruitment of lower house members (Van Den Berg, 1983). He finds that after 1848, the lower house was dominated by generally older men with a background in law or theology, although they were regionally diverse. Gradually, however, diversification takes place gradually, and by the 1920's, the parliament was a broad representation of the Dutch population at the time. Van Den Braak's dissertation focused on the social and familial origins and connections of members of the Upper House, and the role of the Senate over time (Van Den Braak, 1999). He distinguishes between the period 1849-1888, in which the electoral restrictions determined to a large degree the composition of the Upper House, and the period 1888-1923, in which far-reaching democratization took place. Secker's dissertation focuses on the demographic and social origins of ministers, and emphasizes continuity for the period 1870-1920: most ministers were male, protestant, and had a background in law (Secker, 1991). These works, while making an enormous empirical contribution, did not bring to the foreground what the consequences would be of the particular social origins of politicians. Most of these works lack an explicit explanatory focus, although at places, they do hint at the importance of these data for the functioning of the political system. For example, Van Den Braak notes that regional ties had predominated in the Upper House in the first period under investigation (1849-1888) (Van Den Braak, 1999, p. 130).

Several other authors brought forth a more theory-based analysis of

the relationship between politicians' background and their decision-making. Kaal focuses on the regional aspects of politics throughout the nineteenth century, and argues that the regional origin of politicians kept playing a role throughout the nineteenth century, although more in some places than in others (Kaal, 2016). He argued that the religious aspect steadily took over from the regional aspects. In some provinces with a strong regional identity, however, the regional component remained salient, and complemented, rather than took the place of, the religious component. Furthermore, Moes focuses on the development of the aristocracy in the 19th century, following constitutional reforms that (formally) abolished their privileges (Moes, 2012). In particular, he investigates how the aristocracy managed to maintain itself in an increasingly competitive political environment. He shows that aristocrats tried to maintain political influence after 1848 by specialization: many aristocrats chose to become educated to be qualified to function in politics. In his account, aristocrats' desire to maintain their financial interests play a prominent role. Hence, in contrast to the works of Van Den Berg, Secker and Van Den Braak, Moes and Kaal are more explicit about the relationship between politicians' backgrounds and their political behavior.

Internationally, there have been a number of studies focusing on the background of politicians and institutional change. For example, for Belgium, Verleden and Heyneman focus on the experience and circulation in the Belgian parliament over the course of the nineteenth and twentieth centuries, and try to link it to several institutional developments (Verleden and Heyneman, 2008). Best and Cotta is a voluminous study of 11 European states, including the Netherlands, and the composition of the political elite (Best et al., 2000). Their investigations mainly focused on the changes over time in their educational, professional, and at times demographic backgrounds. Rush conducts a study of English MP's, their backgrounds (Rush, 2001). For France, Dogan analyzes the class, professional and social origin of MPs and ministers in the third republic (1870-1940) and Estèbe has focused on MP's and Ministers, in a similar fashion as the works of Secker and Van Den Berg for the Netherlands (Dogan, 1967; Estèbe, 1982). Estèbe also explicitly focuses on personal wealth and marriage patterns.

The purpose of this chapter is to investigate one important dimension of the background of politicians: their personal wealth. Although Moes has analyzed the wealth of a subset of politicians with an aristocratic background as a part of a larger study on the development of the

aristocracy in the late 19th century, by focusing on a specific subgroup of politicians, the study does not capture the dynamics and variation of the political elite. Similarly, the dissertation of De Vries focuses on the evolution of the Amsterdam electorate, and only in passing, on a subset of its politicians (De Vries, 1986). Largely missing from the literature, however, is an attempt at analyzing the personal wealth of politicians as a whole. The Dutch politico-historical literature aside, there are also other literatures that accord importance to the personal interests of politicians. In the contemporary social science literature, many researchers think personal wealth is an important motivation for politicians' behavior. It is often found that the personal interests of politicians find their way in political decision-making. For example, Tahoun and Van Lent find that US politicians with a higher financial asset share are more inclined to vote against financial regulation in the 2014 financial crisis (Tahoun and Van Lent, 2019). Similarly, there is a large literature of political connections, documenting that politicians prioritize firms with which they are personally connected (see e.g. Duchin and Sosyura, 2012). These political connections are also discovered and valued by the market (Fisman, 2001). Furthermore, in the political economy literature, focusing principally on the United States, Ferraz and Finan argue that monetary rewards are the principal motivation for politicians (Ferraz and Finan, 2009).

In sum, despite the literature having implied at numerous places that financial interests of politicians should play a role in the political process, there have been no systematic attempts to find out systematically what those interests encompassed for the Dutch political elite. This chapter is, to the author's knowledge, the first study that attempts to investigate the personal wealth of politicians throughout the entire late nineteenth and early twentieth centuries. In doing so, this chapter attempts to augment and nuance the existing perspectives on the relationship between the backgrounds of politicians, their behavior, and the consequences thereof by focusing on one aspect that has frequently been left out of the debate.

2.3   Definition of the Political Elite

The political elite is often used as a synonym for a country's rulers, however, it is subjective in its nature. In this chapter, I take the political elite to consist of following individuals: First, all lower house members, that is to say, representatives elected directly by the enfranchised population. Compared to the restrictions on eligibility for the Upper House, there

were almost no restrictions on being a member of the lower house: one had to be male, and be 30 years or older, which was decreased to 25 years or older following the introduction of male suffrage in 1917. The exclusion of female candidates was subsequently ended in 1918 (Van Der Kolk et al., 2018).

Second, all Upper House members, senators whose formal task is to verify the judicial coherence of all laws approved by the lower house, but whose role in practice is frequently political (Van Den Braak, 1999). Upper House members are elected indirectly, according to a system which is based on provincial elections: the enfranchised population elect provincial deputies, *Gedeputeerden*, who in turns elect representatives as Upper House members. The legal restrictions on being a candidate for Upper House membership were very strong throughout the entire period under investigation: one had to be male, and be on the *Lijst van hoogst aangeslagenen in 's Rijks directe belastingen*, a list comprising individuals in each province who contributed the most to the country's tax revenue (Moes, 1994). The criteria to be on these lists varied sharply per province, but was usually modified such as to include about one individual for every 3000 inhabitants of the province in 1848 (Moes, 2012). Later, as a result of the changes in the Electoral law in 1887, the requirements were laxened, and the lists were extended to incorporate one individual for every 1500 inhabitants, effectively increasing the candidate pool to be elected to the Upper House. In 1917, all such restrictions were abolished, leaving only gender restrictions in place, which were in turn abolished two years later. In Table 2.1, I summarize the changes in restrictions on eligibility and suffrage until the introduction of universal suffrage in 1919.

Table 2.1: Changes in electoral laws

Year	House	Eligibility	Suffrage
1848	Lower House	30 yrs or older	Taxes (20-160 guilders)
1848	Upper House	Taxes paid (1/3000 inh)	Taxes (20-160 guilders)
1887	Lower House	30 years or older	Taxes, home ownership, rents
1887	Upper House	Taxes paid (1/1500 inh)	Taxes, home ownership, rents
1896	Lower House	30 years or older	Taxes, rents, wages, savings, exam
1896	Upper House	Taxes paid (1/1500 inh)	Taxes, rents, wages, savings, exam
1917	Lower House	Male, 25 years or older	Male, 23 years and older
1917	Upper House	Male, 25 years or older	Male, 23 years and older
1919	Lower House	25 years or older	23 years and older
1919	Upper House	25 years or older	23 years and older

Third, executives, called *Ministers*, are also included. Ministers are the executives of governmental departments and are in charge of the daily

functioning of their departments. They are also subject to accountability from the lower house, and they are charged with being the law-making organ (Secker, 1991). As a result, Ministers are the most powerful politicians, especially when confronted with a conducive, rather than obstructive, parliament (Bosmans and Van Kessel, 2011, p. 16).

Fourth, the definition of political elite includes provincial-level executives. The provincial executive branches are headed by *Commissarissen*, top provincial-level executives, who are in charge of provincial policy and of the daily functioning of provincial governance. Each separate province has its own *Commissaris*, who are all on equal-footing with each other. Oftentimes, provincial politics is seen as a gateway to national politics: many nationally active politicians found their way into the spotlights of their parties and the national media by becoming active in municipal or provincial politics. Similarly, provincial politics often offered a home to national politicians who had lost elections, or no further desire to pursue national politics. The last category of politicians I consider to be part of the political elite are the aforementioned *Gedeputeerden*: provincial equivalents of ministers, who form the provincial executives together with one *Commissaris*. Like their national equivalents, they have their own portfolio, specializing in a particular area of policy. They are subject to control by provincial parliaments, called *Provinciale Staten*, who are in turn directly elected (Blok, 1987).

2.4 Data

2.4.1 Memories van Successie

I gather hand-collected probate inventories, *Memories van Successie* from provincial archives all over the Netherlands. Probate inventories were administered by the Dutch tax administration for the purpose of levying inheritance taxes (from 1877 onwards) (Bos, 1989). As a rule, the probate inventories had to be filed with the tax administration at the place of death. As a result, the *Memories van Successie* are publicly available in the country's provincial archives. I use the known place of death of all active politicians between 1871-1922 to locate the archival source and retrieve the probate inventory. Oftentimes, however, the probate inventory is filed not in the municipality of decease, but at a location with which a politician had a particular bond during their lifetime. Therefore, I employed the strategy of looking for a particular probate inventory in

two places: the actual place of death, which is objective, and the place of bonding, which is more subjective and open to judgement. Using either one of the aforementioned strategies allowed me to find 752 politicians' probate inventories. These probate inventories contain some metadata (including the place of death and time of death, with the help of which the inventories were found), and then (usually) contain a complete list of an individuals assets and liabilities. Two special cases deserve attention: first, some politicians died with 0 or negative net wealth. In a subset of these cases, this is written using words, and an exhaustive list of all assets and liabilities is missing. In other cases, however, the list is there, and net wealth is present as usual. Second, some politicians are claimants to inheritances that are yet to be divided among heirs. In this case, oftentimes all assets yet to be divided are listed, as are all (eventual) liabilities. After a calculation of the net value of the inheritance, the corresponding share of the inheritance accruing to the subject of the probate inventory is added. In some cases, however, the value of the assets and liabilities is directly discounted to the share accruing to the subject of the probate inventory. Finally, sometimes, a claim to an inheritance is sometimes listed describing no underlying assets and merely the value of the claim. Since there were no explicit accounting guidelines, this is often left to the discretion of the tax agent assembling the probate inventory. This is important because it leads to consequences when classifying assets.

I categorize all assets in the probate inventories according to 10 categories: real estate, Dutch and foreign government bonds, Dutch and foreign private bonds, Dutch and foreign stocks, cash and other liquid assets, and miscellaneous assets.[1] In some cases, it is also possible to retrieve who were creditors of the probate inventory's subject. These cases, however, were few, and creditors were mostly private individuals, leaving little benefit to categorization. The aforementioned way of incorporating claims on inheritances in probate inventories leads to the fact that some inheritance claims have been categorized according to asset group, whereas some other inheritances had to be classified as bonds (because they represent claims on other assets).

Taxation of the probate inventories took place in various ways, depending on asset class: first, the value of stocks and bonds that were traded on the Amsterdam stock exchange (be it domestic or foreign) was directly taken from the *Prijscourant,* an official publication detailing the price of all securities on a daily basis. Next, taxation of all other assets is

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[1]Private bonds can be owed by both firms and individuals.

arbitrary. In case of private bonds (credit to other individuals), taxation generally amounts to taking the nominal value of a bond. It does not take into account the (present) value of interest payments, and neither does it take into account the risk to future cash flows. In case of equities that are not listed, such as a share in a private firm, or real estate, the source of taxation is opaque.[2] It is supposed that this taxation roughly reflects the actual value of the underlying assets.

Access to the probate inventories is limited due to two reasons. First, practically, only probate inventories up until 1927 are publicly available in the archives. Second, Dutch privacy law stipulates a 75-year period before any government-administered documents about individuals can be made public, which would render all inventories from 1945 onward on available. I obtained limited accessibility from the Dutch tax agency to secure as many probate inventories as possible, especially those pertaining to Lower and Upper House members in the period around World War I, when most far-reaching reforms were implemented. Because access was only limited (in terms of time), the share of found inventories is slightly lower than in other periods. In addition, these archives aren't yet as well-organized as the available archives, making it more difficult to find any probate inventory.

2.4.2 Biographical Data

Second, I obtain data regarding politicians' careers and social origin from the *Politiek Documentatie Centrum* (PDC), a private think-tank focused on Dutch national politics. This dataset contains information about all ministers, lower house, Upper House members, and the main provincial executives, the *Commissarissen*. I append this dataset by including a hand-collected dataset about provincial assistant-executives, *Gedeputeerden*. This dataset contains information about politicians' places of birth and decease, and birth and decease dates, as well as all functions they occupied during their lifetimes (as far as they are known).

These data allow us to determine when politicians were elected and when their mandates ended (either because they chose to pursue another activity, or because they lost an election). These data also include a classification of a politician's ideology: in case of no political party affiliation,

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[2]As of present day, the Dutch tax administration still values real estate in an arbitrary way which differs from municipality to municipality (the administrative unit for real estate taxation). The model used by municipalities is not publicly known.

this contains a judgement by political historians, but in the majority of cases, this contains the objective political party of which the politician is a member. I also use data on politicians from the *Parlement & Kiezer* series to extract the names of politicians in parliamentary runs. The data provided by the PDC contain information about the starting and ending date of a politician's career, but not directly about to which parliaments they were elected. As a result, uncritical use of the data could lead to politicians being considered as being in a parliament while in fact, they weren't, in the case they weren't continuously members of parliament between their starting and ending date. Hence, I gather all names manually from *Parlement & Kiezer*, and match them to the names present in the PDC-database, so as to get an exact overview of all MPs in a particular parliament.

2.4.3   Inflation

The appraisal of an individual's assets is denominated in local currency (the Dutch guilder). In the period of investigation, inflation is quite substantial. So as to ensure intertemporal comparability, that is, comparability between politicians who died at various points in time, I deflate the numbers from the *Memories van Successie* using the data on inflation available on Clio Infra.[3] The remainder of this chapter reports wealth as the estate value at time of death of a politician, corrected for the inflation (or deflation) that happened from the year of death until 1900.

2.5   Wealth and Political Affiliation

2.5.1   How wealthy are politicians?

In this section, I show how wealthy politicians in different representative bodies are, and compare politicians' wealth with the rest of the population. I also perform a quick sanity check to see if politicians' wealth at death is representative of politicians' wealth at the time of functioning. It is often thought that political affiliation and personal wealth of politicians are related. For example, it is frequently thought that individuals from a working class or agricultural background might be more prone to become socialists, because socialist ideology and politics might represent

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[3]Available here

their interests better than other political parties and ideologies. Similarly, aristocrats might be more prone to align themselves with political parties aimed at preserving the established order. However, a politician's wealth, be it inherited, current or prospective, is not the only factor influencing an individuals political alignment. Cultural-religious identity plays an important role, as does heritage and education. It is also known that access to representative bodies were restricted, partially on the basis of wealth (see Table 2.1). I set out to understand whether politicians' political ideology and wealth exhibit trends, even after restricting comparisons only to politicians in the same representative bodies, hence facing the same or similar constraints.

In Table 2.2, I investigate the wealth distribution according to political function. In particular, I compare lower house members, Upper House members, ministers, and regional executives (*Gedeputeerden* and *Commissarissen*). If I concentrate on the findings in the lower house, I find that on average, confessional politicians are poorer than all other politicians, although not substantially. The average is a deceptive metric, because it is highly receptive to extreme values. It is better, therefore, to look at the median net worth. In that case, socialist members of parliament have a median net worth of 13,100 guilders at the time of their death, compared to 92,100 guilders for confessional politicians, and 136,700 for liberal politicians. The range of the wealth distribution also shows large differences between politicians of different affiliation. Focusing on the lower house, there are many socialists who had a very small net worth, with only several thousand guilders (the 25th percentile socialist died with a net worth of 2,900 guilders). The 25-percentile confessional politician, by contrast, died with a net worth of 13,200, and the 25-percentile liberal with a net worth of 44,300 guilders. In all cases, however, the standard deviation, a metric indicating wealth differences within politicians of the same affiliations within the same house, is very large. The difference between rich and poor socialists is of the same order as the difference between rich and poor liberal or confessional politicians.

To put these numbers into perspective, I compare these with the GDP per capita in 1900, which equaled 283.2 guilders according to the estimation of Smits et al. (2000). In the lower house, the 25th percentile confessional or liberal politician died with a net wealth of about 18,000 deflated guilders. Assuming a 3% real return on capital, a politician with that amount of wealth would have earned the rent of roughly twice the average income in the Netherlands. A politician with 100,000 deflated

Table 2.2: Wealth according to political affiliation (1000 guilders)

Panel A: Lower House

Political Affiliation	N	Mean	StdDev	p25	p50	p75
confessional	165	264.0	441.3	17.8	96.1	327
liberal	146	328.1	629.1	19.5	104.2	303
neutral	2	325.1	443.0	168.4	325.1	482
socialist	23	201.1	496.9	3.0	13.1	112

Panel B: Upper House

Political Affiliation	N	Mean	StdDev	p25	p50	p75
confessional	78	471.6	577.3	69.1	214.4	697
liberal	82	640.7	1052.3	99.3	321.2	682
socialist	3	830.3	1190.0	148.6	296.0	1245

Panel C: Ministers

Political Affiliation	N	Mean	StdDev	p25	p50	p75
confessional	62	195.8	329.1	21.2	71.7	219
liberal	63	254.8	452.0	45.8	105.6	299
neutral	7	26.7	23.7	8.8	24.5	43
socialist	4	106.6	103.7	51.9	58.3	113

Panel D: Regional Executives

Political Affiliation	N	Mean	StdDev	p25	p50	p75
-	157	348.8	688.3	54.1	154.4	332

This table shows various statistics (mean, standard deviation, 25th, 50th (median), and 75th quantile) of net wealth at the age of death (in 1000 guilders, in values of 1900) for politicians according to representative body, and political affiliation. These numbers give a good idea of how wealthy the bulk of representatives were across the period 1870-1920. Note that the sample sizes does not add up to the unique amount of *Memories van Successie*, since some politicians were members of more than one representative body, and hence, have been taken into account more than once.

guilders, closer to the parliamentary average, would earn about 3,000 guilders in rent each year, again assuming a 3% real interest rate. That means that the average member of lower house could easily live independently, that is to say, without having to earn wage income in addition to capital income in order to maintain their living standard. Given the median wealth in the lower house of about 100,000 deflated guilders, more than half of lower house members belonged to that category of individu-

als.

For socialists, on the other hand, circumstances were different. The 25-th percentile socialist died with a wealth of only 3,000 guilders. Again assuming a 3% rate, his capital gains would only amount to 31% of an average Dutch income. Hence, those socialists needed the allowance of 2,000 guilders provided to Lower House members to secure their income (Van Den Berg, 1983). This also seems to be true for the median socialist. The 75-th percentile socialist however, is about as wealthy as the median confessional politician, and can live on the rent of their capital.

If I concentrate on the Upper House, I find that politicians of all affiliations are substantially richer than politicians in the lower house, consistent with electoral restrictions based on wealth, functioning for the largest part of the period under investigation (Moes, 1994). The 50% of observations around the median politician (the IQR), however, of socialists is substantially larger, and more skewed towards the lower end, than the IQR of liberals and confessional politicians, implying that the socialist senators were on average about as rich as their non-socialist colleagues, but there are relatively more socialists who are poorer than the median than there are non-socialists. Of course, the reason could be that socialists gained prominence in the Upper House after restrictions on wealth were abolished. The dimension of time will be further investigated in the next section.

Next, concerning the ministers, I notice that there have been no socialist ministers, and they were either confessional politicians, or liberals. Although coming largely from elite backgrounds, Ministers are substantially poorer than Upper House members (Secker, 1991). The wealth distributions of both liberal and confessional ministers are very similar, with liberals having had a few ministers in their ranks who died relatively poorly (with a wealth of around 3000 deflated guilders), but on average, liberals were slightly richer (the median of the distribution is higher).

The provincial executives seem to be more like the Upper House members than like ministers or lower house members in terms of wealth. On average, they are richer than lower house members, with their average wealth equaling about 160,000 deflated guilders, although there are both very poor and very wealthy outliers. Generally, it is not possible to find out the political affiliation of provincial executives.

Additionally, in Table 2.3, I provide a comparison of the wealth levels of politicians to the wealth levels of the general population. I use data

Table 2.3: Estimates of the Place of Politicians in the Population Wealth Distribution

Panel A: Lower House

Political Affiliation	Mean	Median	p25	p75	n
confessional	0.955	0.847	0.213	0.966	165
liberal	0.966	0.860	0.277	0.964	146
neutral	0.966	0.966	0.921	0.981	2
socialist	0.939	0.162	0.000	0.869	23

Panel B: Upper House

Political Affiliation	Mean	Median	p25	p75	n
confessional	0.980	0.942	0.776	0.989	78
liberal	0.987	0.966	0.854	0.989	82
socialist	0.992	0.963	0.909	0.996	3

Panel C: Ministers

Political Affiliation	Mean	Median	p25	p75	n
confessional	0.936	0.787	0.319	0.943	62
liberal	0.952	0.862	0.664	0.963	63
neutral	0.437	0.388	0.000	0.640	7
socialist	0.863	0.731	0.704	0.870	4

Panel D: Regional Executives

Political Affiliation	Mean	Median	p25	p75	n
-	0.968	0.913	0.714	0.967	157

This table shows the estimated quantiles of each of the statistics (mean, median, p25, and p75) in the general population, by representative body and by political affiliation. The numbers should be read as follows: for example, for lower house members, the average wealth at death of a confessional politician was such that, would they have died in 1900, they would be among 4.5% richest individuals of all individuals who died in the Netherlands in that year. The estimates are constructed using data from De Vicq et al. (2020).

from de Vicq et al., focusing on wealth inequality in the Netherlands in the long nineteenth and twentieth centuries, making use of the wealth distribution provided by the same archival source as used in this chapter: probate inventories.(De Vicq et al., 2020) These data allow us to make an estimate of where politicians belong in the wealth distribution of all individuals, conditional on them having died in a given year. As explained in the data section, I deflated the wealth levels to 1900 guilders. It is

therefore most natural to use the conditional wealth distribution in 1900, and hence, I show what quantiles politicians' net worth would take in the 1900 wealth distribution.

The Table shows some interesting results. First, if I take the average wealth of a politician, then, no matter what affiliation or representative bodies, their wealth is such that it belongs to the upper 5 to 10% of the estimated wealth distribution. This means that on average, politicians are exceptionally rich. Secondly, if I look at the median, I are offered a more nuanced picture : in the lower house, there is an enormous difference between the median confessional, liberal and neutral politicians on the one hand, and the median politicians on the other hand. The median socialist politician find themselves much lower in the wealth distribution, with only 16% being less wealthy than they, whereas the median confessional, liberal and neutral politicians find themselves in the upper 20% of the distribution. In the Upper House, where restrictions on the wealth of the MP are present for the larger part of the period (until 1917), this discrepancy is not present: here, socialist, confessional and liberal politicians are all about equally wealthy: according to these estimates, the median or mean politician roughly belongs to the 4-6% richest individuals in the wealth distribution. Even the 25th percentile Upper House politicians are comparatively wealthy: they have a net wealth of 69,100 deflated guilders, and belong to the richest 25% of the population. Strikingly, ministers seem to be substantially more diverse, in all political affiliations. Some ministers, especially ministers from confessional parties, were substantially less wealthy than their peers in the lower or Upper Houses. Regional executives, however, were almost always rich. A large majority of them belonged to the upper echelons of the wealth distribution, as evidence by the fact that, had someone died with the wealth level of the 25th percentile regional executive (54,100 deflated guilders), they would still belong to the richest 30% of the population.

Finally, in Table 2.4, I investigate the difference between politicians that died within 2 years of leaving office, and politicians that died longer than 2 years after leaving office. The purpose of such a comparison is to find out whether wealth at death of politicians is in fact representative of the wealth the possessed during their political career. If politicians are systematically wealthier, or have systematically different portfolios after they finished their political career, the conclusions and inferences that I draw, or might draw about their functioning, might not be valid.

I note that there are virtually no differences in average wealth be-

Table 2.4: Wealth according to having died shortly after leaving office

Panel A: Lower House

Harnas	Mean	Median	SD	AoD
> 2 Year	282.5	95.3	503.0	72.9
< 2 Year	278.7	84.3	491.4	61.1

Panel B: Upper House

Harnas	Mean	Median	SD	AoD
> 2 Year	552.5	291.1	887.0	76.6
< 2 Year	557.9	281.4	774.2	69.3

Panel C: Ministers

Harnas	Mean	Median	SD	AoD
> 2 Year	296.2	87.9	957.3	74.8
< 2 Year	71.0	29.2	145.8	61.3

Panel D: Regional Executives

Harnas	Mean	Median	SD	AoD
> 2 Year	452.2	232.0	881.3	
< 2 Year	234.2	100.3	354.3	

This table shows the average wealth (in 1000 guilders) of politicians conditional on having died two years after leaving office (indicated by *Harnas*), as well as its standard deviation, median, and the average age of death (AoD), to compare whether politicians that died recently after leaving office died on average earlier than politicians who died later after leaving office. The age of death of regional executives is not generally known.

tween lower house members who died more than two years after leaving office and lower house members that did not. The same is true for Upper House members. In both cases, medians and means are very close to each other. Thirdly, I note that in the cases of Ministers, and Provincial Executives, the mean differs sharply, but the medians are very close, and standard deviations are very large: hence, there is also no significant difference between politicians in those bodies that left more than two years before dying, and those that died relatively shortly after leaving office.

2.5.2 The Wealthiest Politicians

In Table 2.5, I provide a short overview, akin to the *Forbes 500*, of which politicians died with the largest estate value. In other words, which politi-

cians are most likely to have been among the richest individuals in the Netherlands? I show an overview of the five wealthiest politicians in the lower house, Upper House, among ministers and among provincial executives respectively.

Table 2.5: Five Richest Politicians in Each Function (1000 guilders)

Panel A: Lower House

Name	Begin	End	Death	Wealth
George Hermann Hintzen	1888	1897	1932	3,938.4
Carel Jan Emilius van Bylandt	1894	1901	1902	3,840.4
Willem van Heeckeren van Kell	1882	1884	1914	3,103.7
Willem Jan Roijaards van den Ham	1888	1897	1897	2,918.3
Henri François Rudolf Hubrecht	1901	1918	1926	2,221.3

Panel B: Upper House

Name	Begin	End	Death	Wealth
Gerrit Jan van Heek	1895	1903	1915	7,303.5
Dirk Laan	1897	1905	1905	4,749.5
Cornelis Jacob Arnold den Tex	1875	1882	1882	3,067.1
Jan Evert Scholten	1902	1910	1918	2,364.5
Jan van der Lande	1913	1932	1943	2,275.6

Panel C: Ministers

Name	Begin	End	Death	Wealth
Willem Heeckeren van Kell	1877	1879	1914	3,103.7
Robert Melvil baron van Lynden	1901	1905	1910	2,057.1
Johannes Pieter Roetert Tak van Poortvliet	1877	1894	1904	1,529.8
James Loudon	1861	1862	1900	861.5
Daniël Théodore Gevers van Endegeest	1856	1858	1877	833.8

Panel D: Provincial Executives

Name	Begin	End	Death	Wealth
H. Royaards	1873	1896	1898	5,310.2
D. Weel	1888	1901	1911	4,440.3
H.A. Steengracht van Duivenvoorde	1873	1880	1912	4,035.8
W. Heeckeren van Kell	1877	1884	1914	3,103.7
H.F.R. Hubrecht	1901	1918	1926	2,221.3

In this table, I show the richest politicians according to representative body, together with the period in which they were active, and their deflated (1900 guilders) wealth in 1000's guilders.

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In the Lower House, the richest politician was George Hermann Hintzen, with a deflated net estate value of almost 4 million guilders. Aside from being a politician, Hintzen was a banker and a trader, but he was no aristocrat: he originates from the well-off bourgeoisie, and his father was a businessman. The second richest Lower House member, C.J.E. van Bylandt, with a net estate value almost equaling that of Hintzen with 3.8 million guilders, was a conservative-liberal, and an aristocrat: he was member of the High Council of Nobility for several years. Several other politicians who figured in the top ten wealthiest politicians also were aristocrats, and several of them have been active for many years in politics: among others, Willem van Heeckeren van Kell and Henri François Rudolf Hubrecht, with a wealth of about 2,2 million guilders.

In the Upper House, by far the richest politician was Gerrit Jan van Heek, an industrialist and (at times) banker, who owned the largest industrial Dutch company at the time, *Van Heek & Co.*. Like the Lower House, the wealthiest senators are also mostly aristocrats. One of the few non-aristocrats is the politician taking second place, Dirk Laan, also an industrial from the *Zaanstreek* area. The same pattern dominates among Ministers and Provincial Executives. As a whole, the wealthiest ministers are less wealthy than politicians in other political functions. The fifth richest minister, Daniel van Endegeest, was part of the traditional, pre-reform elite, and thus closely connected to the king before entering politics, and died with an estate value of approx. 830,000 guilders, whereas the fifth richest Upper House member, J. van der Lande, a Catholic entrepreneur, died with an estate value of about two million guilders.

In sum, the richest politicians belonged almost certainly to the upper tail of the wealth distribution, but even among rich politicians, there is ample variation. Ministers are generally less rich than Upper House members, and the richest Lower House members are on par with the richest Lower House members, as are the provincial executives. Among the richest politicians, however, there are a few high-profile politicians, but most of the country's prominent political leaders were significantly less affluent than the richest politicians.

2.5.3   What do their investment portfolios look like?

In this subsection, I focus on the asset composition of politicians. The asset composition is measured as the value of real estate, shares, bonds, and other (miscellaneous) assets respectively over gross assets. I want

to gain insight in the composition of politicians' investments because it might betray something about their incentives and political behavior: for example, politicians with a high share of real estate might be opposed to the taxation of real estate. The most important reason as to why to expect significant differences in asset composition among politicians in different houses relates to the restrictions on Upper House membership until 1917 and the way the list that accorded eligibility to the Upper House was assembled, the *Hoogst aangeslagenen*. At least until the first income taxation law of 1893, real estate is most heavily taxed, leading to the suspicion that Upper House members must have higher real estate shares in their portfolios compared to Lower House members.

Table 2.6: Mean Portfolio Shares Before and After 1900

Panel A: Before 1900

House	RealEstate	Stocks	Bonds	Misc	N
Lower House	27.6%	19.1%	40.1%	13.2%	245
Upper House	44.3%	18.6%	30.3%	6.9%	99
Ministers	20.2%	19.7%	47.4%	12.8%	96
Provincial Executives	40.0%	13.5%	38.8%	7.8%	109

Panel B: After 1900

House	RealEstate	Stocks	Bonds	Misc	N
Lower House	28.0%	28.9%	33.7%	9.3%	73
Upper House	22.2%	27.7%	39.7%	10.4%	55
Ministers	14.2%	32.8%	39.3%	13.7%	38
Provincial Executives	31.9%	24.6%	37.2%	6.3%	45

I can immediately see from panel A in Table 2.6 that this suspicion is confirmed in the data: politicians from the Upper House, but also candidates to Provincial Estates, had higher real estate shares than Lower House members or ministers, and real estate encompassed about 40% of their investment portfolio's before 1900. After 1900, however, the real estate share declined by ten to twenty percentage points for provincial executives and Upper House members respectively: on average, an Upper House member invested only 22% of their assets in real estate, and a provincial executive only 32%. The real estate share of Lower House members remains roughly stable, at 28% of gross assets, whereas these same Lower House politicians increase their shareholdings by 10 percentage points on average in comparison to the pre-1900 era: their increased

investment in stocks goes at the expense of bonds, rather than at the expense of real estate. A practical reason might be that Lower House politicians, giving that politics became increasingly demanding, had to hold on to real estate in The Hague.

The second noticeable trend is that I see a shift in allocation towards stocks: politicians before 1900 hold about 19% of their wealth in stocks (with the exception of provincial executives, who invest significantly less), whereas after 1900, this is almost 30% of their portfolios on average. A reallocation of politicians' portfolios from real estate to stocks might have importance consequences for their willingness to tax real estate assets, for example.Additionally, politicians prefer to hold about 40% of their assets in bonds and other safe assets, a number which is consistent across time and across politicians in various functions.

In Table 2.7, I decompose the portfolio composition of politicians according to political color. I find that there are differences in average portfolios among politicians of different political ideologies, but not necessarily between houses. Socialists generally have a larger share of their portfolio in real estate, and a smaller share in stocks, whereas liberals hold the most stock, on average. As before, it becomes clear that a large part of politicians prefers to hold bonds and other safe assets, with typically approx. 35% of their assets invested in bonds.

Table 2.7: Portfolio Share according to Political Color and Organ

House	Party	RealEstate	Stocks	Bonds	Misc	N
Lower House	confessional	31.6%	19.5%	35.1%	13.8%	160
Lower House	liberal	23.3%	23.8%	42.8%	10.1%	134
Lower House	neutral	65.6%	8.9%	24.5%	1.0%	2
Lower House	socialist	22.0%	21.3%	40.8%	15.9%	22
Upper House	confessional	35.4%	18.9%	34.4%	11.3%	72
Upper House	liberal	36.7%	25.0%	33.1%	5.2%	79
Upper House	socialist	51.8%	9.7%	29.2%	9.3%	3
Ministers	confessional	23.8%	20.0%	42.2%	14.0%	61
Ministers	liberal	14.0%	25.9%	47.5%	12.6%	63
Ministers	neutral	10.4%	23.6%	53.3%	12.6%	6
Ministers	socialist	20.7%	35.6%	38.0%	5.7%	4

The limitation of this analysis is that I observe wealth at death: given that politicians could to some extent anticipate their own decease, and knew their assets were to be taxed, there is an incentive for them to reallocate their portfolio towards liquid assets that are harder to tax. Consequently, the real estate share could likely be an understatement of the real

estate share in their portfolios. On the other hand, it might also be costly to reallocate a portfolio from real estate to other, more liquid assets.

2.6 Wealth and Various Parliaments

2.6.1 Upper and Lower House

In this section, I proceed to investigate the average, and median wealth of parliaments over time. Discovering the trend of wealth over time can give important insights in the function of parliament: most historians know that the Dutch representative institutions became more diverse in the period leading up to and after universal suffrage, leading to a more diverse parliament in terms of social origin, but it is not generally known to what extent or at what pace. Additionally, politicians' personal wealth can serve as an additional explanatory factor of the trajectory that Dutch politics took: a wealthier parliament and government might have been less inclined to embark on a progressive path than a poorer one.
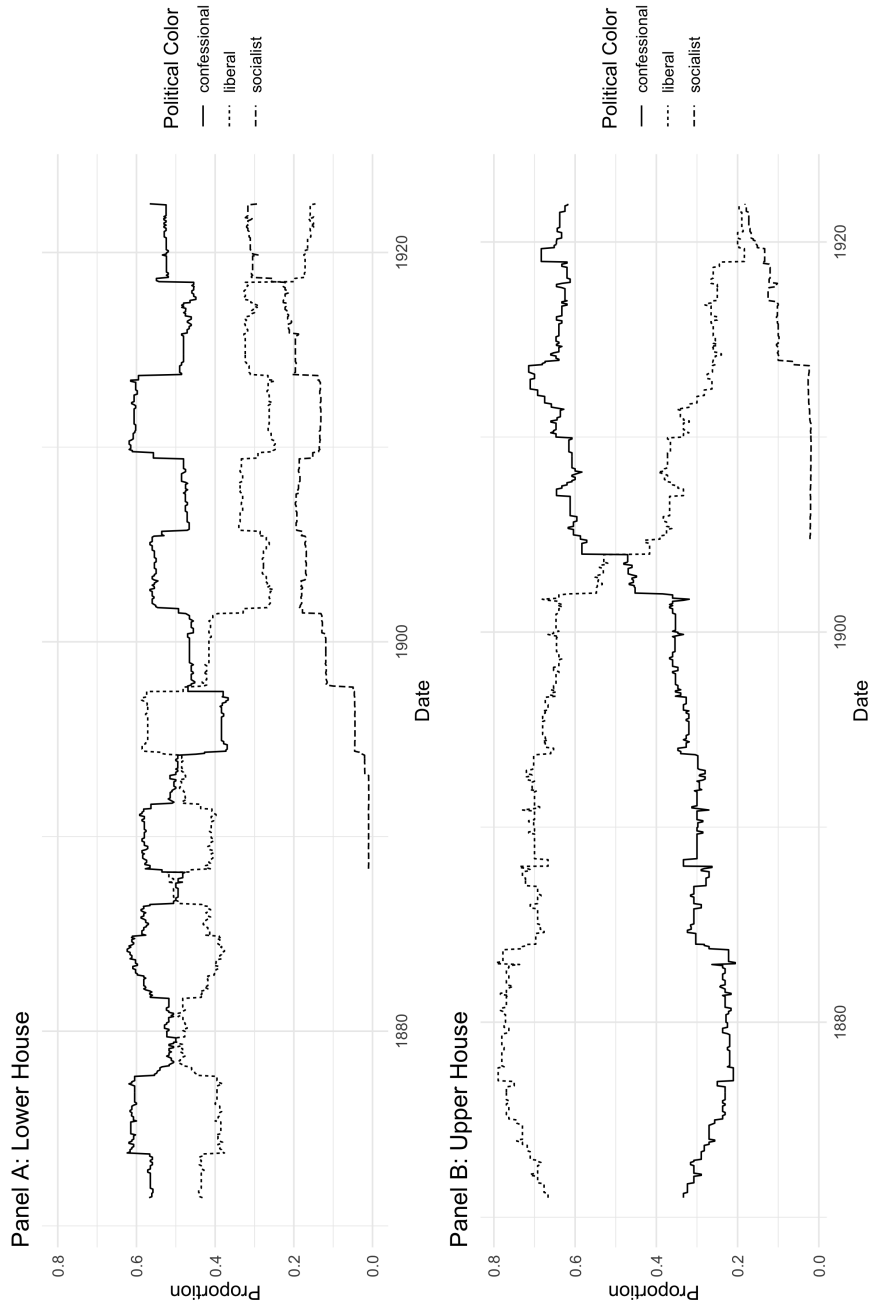
Figure 2.1: Political Color of Parliament over Time

First, in panel A of Figure 2.1, I observe the political affiliation of the Lower House of Parliament over time. I map a large set of political affiliations to three basic categories: confessional, liberal, and progressives/socialists. This figure corroborates well-known parliamentary history: confessional politicians held the a near-majority of seats most of the time, whereas liberals and socialists battled over the remainder. The well-known electoral loss of liberals following universal suffrage in 1918 is also well-documented. (Van Der Kolk et al., 2018)

In panel B, I observe the political affiliation of the Upper House of Parliament over time. I employ the same categorisation as in the case of the Lower House. First of all, I notice that, while the Lower House was dominated by confessional politicians until about 1890, the Upper House was populated by a liberal majority. The tide for liberals turn in about 1903, when the majority switched to confessional politicians. Afterwards, the Upper House remained majority-confessional, and the liberal share was further subsumed by upcoming socialists and progressive politicians. The demise of the liberals in the Upper House also happened faster relative to the Lower House.
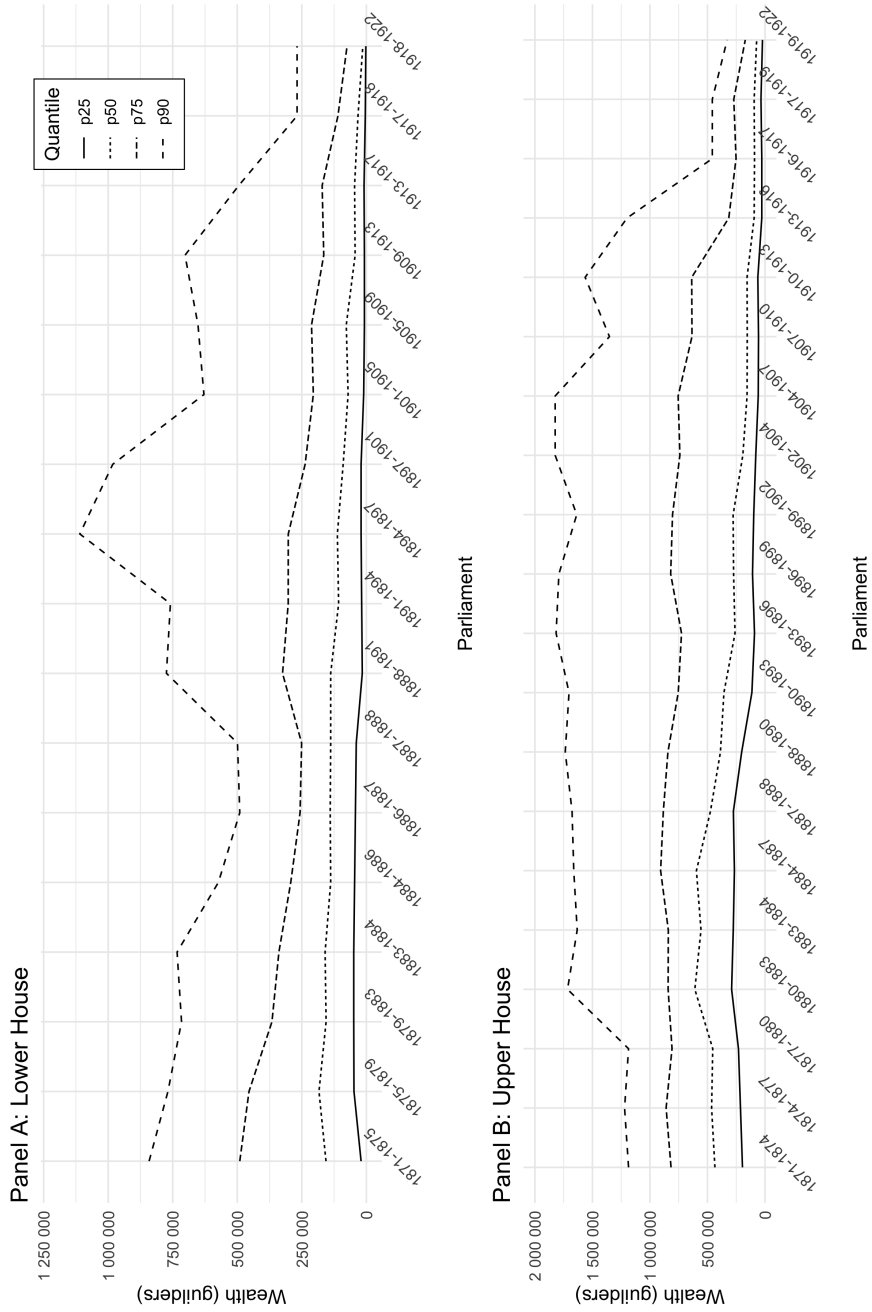
Figure 2.2: Wealth Distribution in Upper and Lower House over Time

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In panel A of Figure 2.2, I show the development of wealth and its distribution among politicians in the Lower House per parliamentary standing. First, I note that the mean is heavily skewed towards the upper percentiles as a result of high inter-parliamentary inequality. The distribution of wealth is heavily skewed towards the left, with a few extreme outliers on the right greatly influencing the average, which at times is almost equal or higher than the 75th percentile. For the sake of clarity, I do not report the mean. Focusing first on the 90th percentile, I observe that it fluctuates widely throughout the period, and only shows a decreasing trend after 1900, implying that the 10% wealthiest politicians in the Lower House still died with an extremely high net worth. The same appears to be true for the upper 25% of Lower House politicians, but to a lesser degree. There is no common trend before 1900, but after 1900, the wealth by the 75th percentile politician is steadily decreasing, although at a rate slower than the 90th percentile politician. The median wealth of parliament is steadily declining from about 1888, the time at which the first suffrage extensions were accepted by parliament: the median Lower House member of the Lower House standing from 1871-1875 dies with an estate value of about 150,000, whereas the estate value of the median Lower House member is only about 14,000 guilders in the 1918-1922 parliament.

In panel B, I show the distribution of wealth in the Upper House. Both average and median wealth are much higher than in the Lower House, consistent with what I noted in the preceding section. Similarly, the skewness of the data makes the mean less informative, and I omit it from the figure. In the Upper House, there is no trend towards less wealthy politicians in the nineteenth century, but in the twentieth century, the senate is being repopulated at a fast rate with poorer politicians. The median Upper House member is persistently richer than the median Lower House member: in 1870, the median estate value of an Upper House member was about 440,000 guilders, whereas the median Lower House member had an estate value of 150,000 guilders. In the parliament of 1918-1922, the median Lower House member had an estate value of only 14,000 guilders, whereas the median Upper House member died with a median net worth of 73,000 guilders. The absolute wealth of both groups of politicians has therefore decreased, whereas the relative estate value of an Upper House member to a Lower House member has increased. The trend towards less wealthy politicians is even more accentuated for the upper percentiles in the wealth distribution in the Upper House: the 90%-

percentile politician in the Lower House setting of 1913-1916 dies with an estate value of about one million (deflated) guilders, which decreases to about 500,000 guilders in the next standings, most likely a result of the abolition of entry restrictions on wealth in the Upper House.
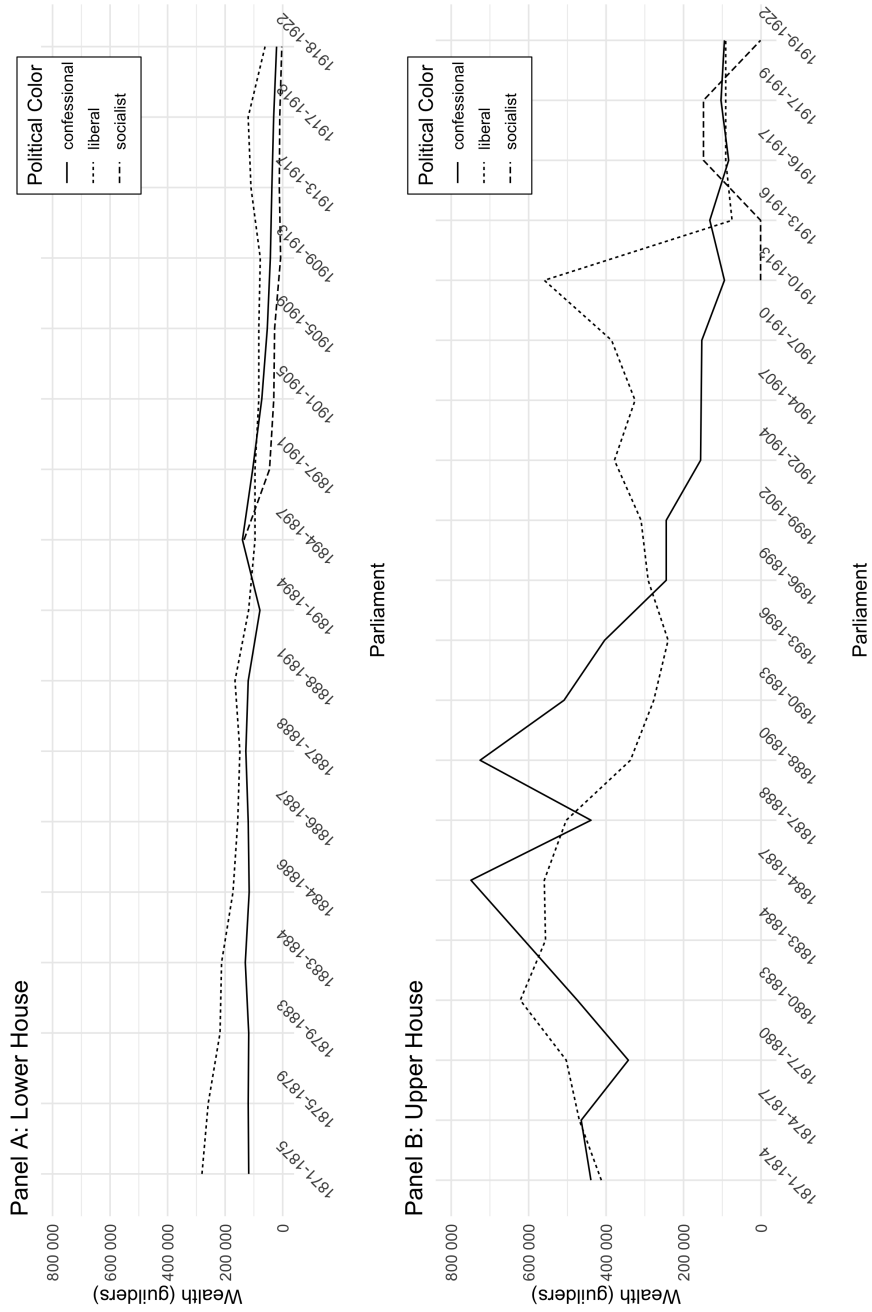
Figure 2.3: Median Wealth per Parliament per Party
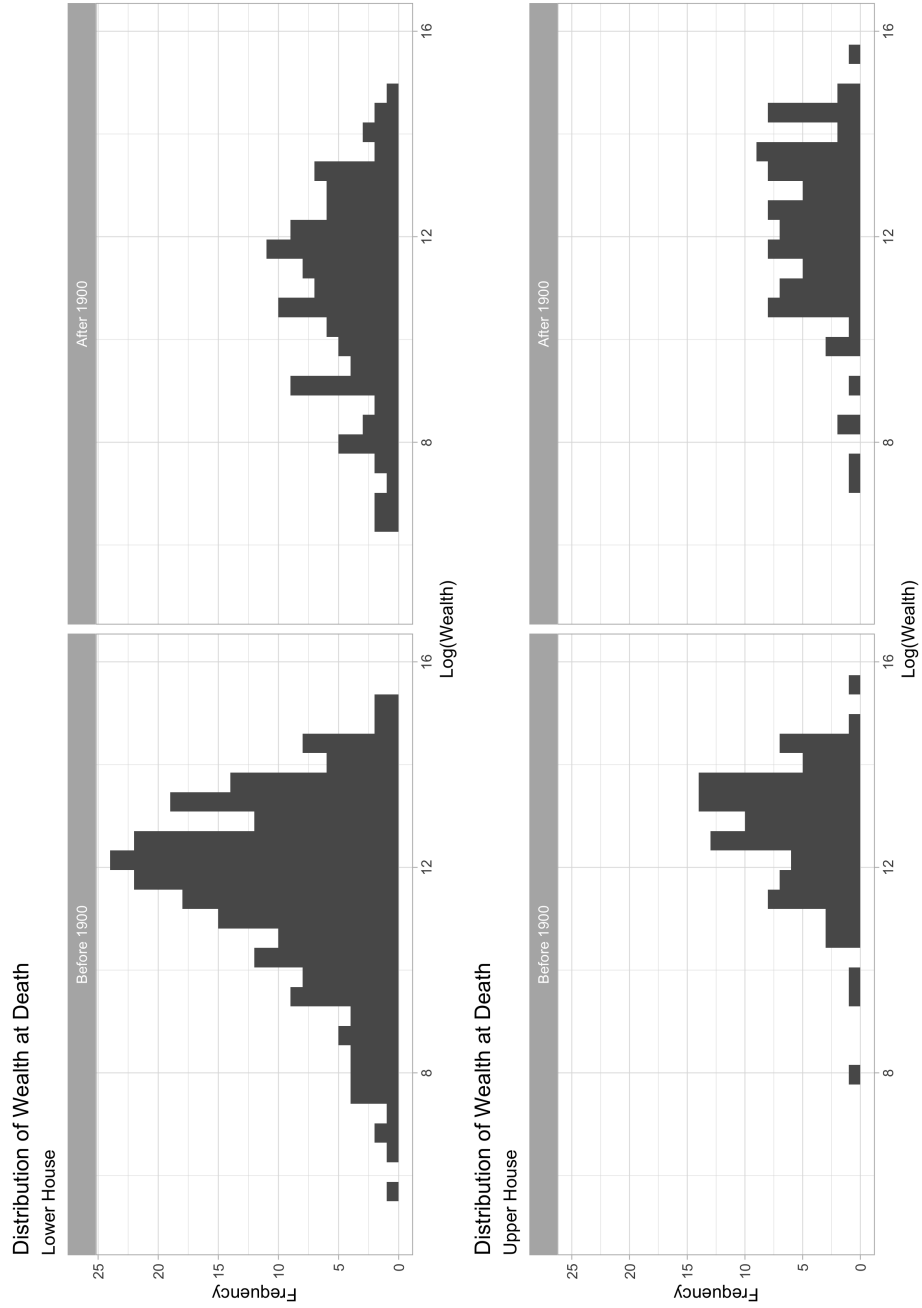
Figure 2.4: Wealth Distribution Before and After 1900 By House

In Figure 2.3, I observe the average wealth of Lower and Upper House members, this time decomposed according to political allegiance. I observe that there is no significant difference in wealth between the two major political factions of the period, liberals and confessional politics. In the Upper House, there is a highly volatile pattern, with sometimes the median confessional politician being more wealthy, and sometimes the median liberal. Socialists, however, are poorer: the median socialist is at almost all times poorer than the median liberal and conservatives, at least, in the Lower House. The Upper House seems to be populated by a more traditional, technocratic type of socialist politician, which is reflected by their wealth.

2.6.2 Central Government

I also investigate the wealth of the executive branch of government over time in Table 2.8. Similarly to the investigations of upper and Lower House, I have data regarding which ministers have served in which governments, so as to get a very nuanced overview of the average wealth of a government over time. The data is fairly complete: for each government, the data coverage is very high (only 1 or 2 ministers are missing), with the exception for the Ruijs van Beerenbrouck government, which has a coverage of 44%. I observe large variations in average wealth of governments over time: both confessional, coalitional and liberal governments have at times very wealthy executives, and at times quite poor executives. The first government under investigation, the liberal Thorbecke III, has a median wealth of around 100,000 guilders, and subsequent governments appear to be richer on average, culminating in the Kappeyne van de Coppello government, whose median wealth is over 400,000 guilders. The confessional governments by Heemskerk Azn., Mackay, Kuyper are relatively poor, but so are the liberal Pierson and Cort van den Linden governments (their median wealth at death is about 100,000 guilders). The liberal van Tienhoven government stands out by being wealthier than both its predecessors and successors.

In the last column, I also show the wealth of the government's prime minister, in case their *Memories* were found. The poorest prime minister was Theo de Meester, the liberal prime minister who governed from 1905 to 1908, while simultaneously serving as Minister of Finance. His government did not preside over a majority in parliament, and accomplished relatively little, and resigned over an unapproved military budget. Some

of the richest prime ministers were Constantijn Van Lynden van Sandenburg, an orthodox protestant Prime Minister, and Jan Heemskerk Azn., the liberal prime minister, who headed the government twice.

Table 2.8: Average Wealth of Governments (1000 guilders)

Government	Orientation	Period	Median	WealthPM	N
Thorbecke III	liberal	1870-1872	95.6	NA	7
De Vries/Fransen van de Putte	liberal	1872-1874	60.7	NA	7
Heemskerk/Van Lynden van Sandenburg	confessional	1874-1877	220.2	623.5	9
Kappeyne van de Coppello	liberal	1877-1879	446.6	485.7	10
Van Lynden van Sandenburg	confessional-liberal	1879-1883	160.3	748.9	10
Heemskerk Azn.	confessional-liberal	1883-1888	57.7	623.5	13
Mackay	confessional	1888-1891	81.0	246.8	8
Van Tienhoven	liberal	1891-1894	233.3	365.7	6
Röell	confessional-liberal	1894-1897	55.4	559.6	7
Pierson	liberal	1897-1901	100.3	NA	7
Kuyper	confessional	1901-1905	53.4	112.4	7
De Meester	liberal	1905-1908	63.4	36.1	9
Heemskerk	confessional	1908-1913	21.4	NA	10
Cort van der Linden	liberal	1913-1918	97.6	100.3	8
Ruijs de Beerenbrouck I	confessional	1918-1922	24.5	NA	7

This table shows the median wealth of governments, including, if available, the wealth of the Prime Minister (WealthPM),in 1000 guilders, in values of 1900.

The above discussion makes clear that there is ample variation in median wealth between various cabinets, and there is also variation in wealth between prime ministers. To put these numbers into perspective, let us again assume that politicians are able to realize a 3% return on their net wealth. Then, almost all prime ministers were almost surely independent, and could live on their capital income, with the possible exception of the aforementioned prime minister De Meester, who had a net wealth at time of death of 36,111 deflated guilders, which would have still earned him about four times the average income in capital income. However, on the other hand, the ministers' allowance of 12,000 guilders would make up the larger part of most of the ministers incomes, especially for cabinets towards the end of the 19th and early 20th centuries (Van Den Berg et al., 1999).[4] In those governments, the median wealth of a central government executive was about 100,000 guilders or lower, implying the 12,000 annual remittance made up the large majority part of their income, even if the interest rate were much higher than 3%.

2.6.3 Provincial Government

Finally, I also investigate the wealth of provincial executives over time. Since there is in general no available precise information about their period of activity, I must suffice myself with analyzing politicians' wealth as a function of time of death, rather than as a function of being active in a particular period. Provincial executives are much like Upper House members: on average, they are wealthy, their wealth equaling about 170,000 guilders, and there seems to be no tendency of them becoming less wealthy over time. If anything, the shape in Figure 2.5 appears to be parabolic: provincial executives seem to die richer over time until around 1900 or 1910, and provincial executives who die afterwards seem to die poorer. However, the regression coefficients for both quadratic and linear specifications are insignificant and close to zero. The lack of a similar trend that I observe in the Lower and Upper Houses, as well as in government, is remarkable. It could be that electoral competition and responsiveness are not yet as developed in the provincial political markets, compared with the national political market. As a result, there is no pressure towards a more meritocratic system, or a more representative supply of politicians. As usual, the variance in wealth is very large:

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[4]Their allowance, at times called *tractement, bezoldiging* or *jaarwedde* increased to 18,000 guilders after 1918.

deputies who die around 1910, for example, have estate values ranging from about 22,000 guilders to 4 million guilders.
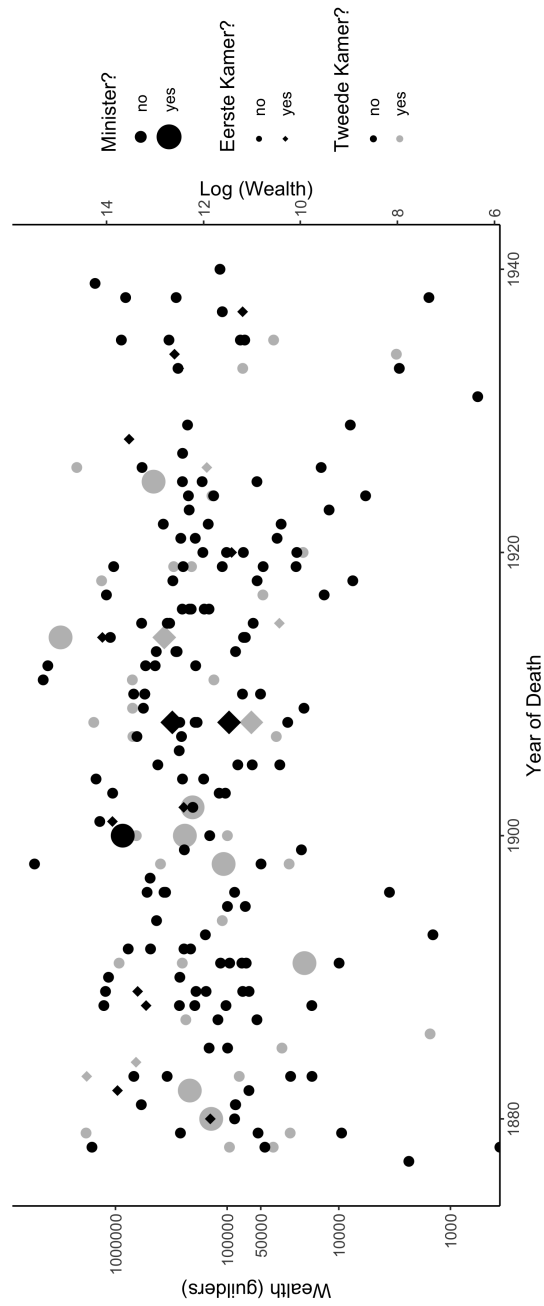
Figure 2.5: Wealth of Provincial Executives over Time

The figure also features a decomposition of provincial politicians as a function of their remaining political functions: ministers are differentiated from all other politicians by size: larger observations are data from provincial executives who were also Ministers at some point in their career. Similarly, the color separates Lower House members from non-Lower House members, and the shape of the dot indicates whether a provincial executive was also an Upper House members. There is a large heterogeneity of estate value of politicians among one group, with the exception of provincial executives that were also Upper House members. These were consistently rich, whereas the Lower House members and deputies do not own more real estate compared to non-Lower House members. Provincial executives who were Ministers at some point in their career do not seem to have been less wealthy or wealthier than their peers, and for neither of these groups, a trend towards a lower estate value over time can be discovered. Provincial politicians therefore remain very wealthy on average, and do not exhibit the same kinds of trends I have seen before in the Lower and Upper Houses.

2.6.4   The Distribution of Wealth among Politicians over Time

Table 2.9 gives us a birds-eye view of the wealth distribution among politicians: I show the Gini-coefficient of parliaments, and other measures of spread, over time. The pattern that I observe is remarkable: the estimated Gini-coefficients, closer to one meaning more unequal, show that the Lower House is constantly more unequal than the Upper House (even though the Upper House is, on average, much wealthier). To provide context, I also show the estate value of the poorest member of parliament, the 25th and 75th percentile, and the richest person in parliament. Throughout the nineteenth century, the Gini coefficient in the Lower House decreases, implying increased similarity among estate values of politicians, but rises again in the last decade of the nineteenth century and afterwards, implying increased inequality. Levels in the early twentieth century are very high, showing that the Lower House had a few politicians who held almost all wealth. The Upper House started originally had a moderate degree of inequality (0.45 in the 1871-1874 standing), which remained at the same level until about 1893, when less wealthy contenders managed to join, presumably following a change in the fiscal burden. In the years of democratization, until 1919, inequal-

ity among Upper House politicians kept almost monotonically increasing, culminating in a very unequal Upper House in 1919, after which inequality suddenly dropped to the level of about 1890.

Table 2.9: Wealth Distribution over Time (1000 Guilders)

Panel A:Lower House

parliament	min	p25	p75	max	gini	gini2
1871-1875	1.33	28.7	521.8	1834.6	0.606	0.598
1875-1879	1.33	61.8	469.7	1834.6	0.589	0.571
1879-1883	1.33	63.5	424.9	3103.7	0.602	0.572
1883-1884	1.33	65.2	413.8	3103.7	0.596	0.557
1884-1886	0.90	65.5	307.6	1178.6	0.528	0.514
1886-1887	0.90	84.3	269.9	1331.8	0.523	0.499
1887-1888	0.90	79.9	270.1	1565.3	0.542	0.512
1888-1891	0.75	58.8	393.7	3938.4	0.655	0.621
1891-1894	0.75	35.0	324.1	3938.4	0.692	0.661
1894-1897	0.75	34.1	302.9	3938.4	0.741	0.719
1897-1901	0.25	23.5	287.6	3938.4	0.755	0.736
1901-1905	0.73	23.5	277.2	2221.3	0.715	0.699
1905-1909	0.73	20.0	258.1	2221.3	0.721	0.715
1909-1913	0.73	15.1	181.6	2221.3	0.770	0.761
1913-1917	0.73	13.1	212.4	2221.3	0.725	0.691
1917-1918	0.73	9.8	133.2	2221.3	0.744	0.620
1918-1922	1.00	8.4	96.1	638.3	0.703	0.679

Panel B:Upper House

parliament	min	p25	p75	max	gini	gini2
1871-1874	3.04	244.6	821.1	1743.0	0.458	0.444
1874-1877	3.04	258.4	880.5	3067.1	0.487	0.445
1877-1880	11.53	272.1	812.5	3067.1	0.459	0.415
1880-1883	11.53	303.3	843.9	3067.1	0.445	0.410
1883-1884	11.53	281.4	842.2	1966.1	0.415	0.402
1884-1887	48.10	275.0	912.3	1966.1	0.418	0.409
1887-1888	48.10	276.9	903.0	2057.1	0.436	0.424
1888-1890	19.21	206.8	845.5	2057.1	0.499	0.493
1890-1893	19.21	123.0	789.8	2057.1	0.542	0.537
1893-1896	19.21	105.6	766.4	7303.5	0.654	0.574
1896-1899	39.49	122.8	832.8	7303.5	0.661	0.603
1899-1902	39.49	117.0	826.4	7303.5	0.656	0.596
1902-1904	4.53	90.9	743.7	7303.5	0.707	0.653
1904-1907	2.15	67.1	817.1	4749.5	0.680	0.646
1907-1910	2.15	68.2	641.7	2364.5	0.647	0.639
1910-1913	1.15	68.2	641.7	2364.5	0.654	0.647
1913-1916	1.15	33.4	335.4	2275.6	0.729	0.724
1916-1917	1.15	33.4	262.9	2193.8	0.731	0.692
1917-1919	1.15	39.1	277.7	2193.8	0.706	0.661
1919-1922	1.15	25.0	196.7	702.4	0.590	0.544

This table shows inequality per parliament in both the lower house (panel A) and the upper house (panel B). There are two columns that show the Gini coefficient: the first column (*gini*) shows Gini coefficients with all observations, and the second column, *gini2*, shows Gini coefficients with the two most extreme (highest and lowest) observations omitted.

I also observe that the lowest estate value is almost always only several hundreds of guilders, and proportionally speaking, practically zero compared to the highest values. It seems that throughout the twenty years from 1870 to roughly 1890, the poorest 25% of members of Lower House seem to get richer, whereas afterwards, their absolute estate value steadily declines, to the point where it is only several thousands of guilders in the last parliament under consideration (1918-1922). The richest politicians are almost always outliers, evidenced by the fact that in both houses, the richest politicians is always more than twice as rich as the 75% percentile, and in most cases, more than ten times.

The most unequal parliaments were the parliaments from 1900 to 1912, where the larger bulk of the wealth was only held by a few politicians. Comparing this to Figure 2.2, I see that this happens in spite of both houses generally having less wealthy politicians: even the 90th percentile Lower House politician's estate value decreases from around 750,000 guilders around 1895 to 250,000 guilders in 1918, and in the Upper House, from about 1 million guilders before 1913, to about 400,000 guilders in the standings of 1916-1917 and later.

2.7 Conclusion

This chapter investigated the wealth of the political elite in the Netherlands from 1870 to 1922, and argued that the political elite was extremely wealthy in comparison to the average citizen they represented. The wealth of politicians is analyzed over time, according to political affiliation, and according to specific representative body. I find that socialist politicians are in general poorer than their non-socialist colleagues, and this difference seems persistent. However, the wealth distribution is characterized by large standard deviations, and observed average differences are generally not statistically significant.

I also find that the gap between politicians and the population they represent does not appear to decrease over time throughout the 19th century, even in face of suffrage extensions and other measures promoting better democratic representation. It seems that only in the 1900's elected politicians appear to be getting significantly poorer than beforehand, but they are still wealthier than the average citizen by a large factor. There also seem to exist large differences between various representative bodies: whereas politicians serving in the Lower House seem to be the least wealthy, politicians in the Upper House seem to be the wealthiest, and although the gap between Upper House members and the general population decreases starting from the turn of the century, the relative gap between upper and Lower House members seems to increase.

Additionally, I investigated party and time-related differences in the portfolio composition. Polticians' portfolio seems to have been comparable with any other investor's. Paradoxically, both (generally wealthy) Upper House members have large shares of their wealth invested in real estate, and the same appears to be true for (generally less wealthy) socialists. One possible explanation for this fact is that the *Lijst van hoogst aangeslagenen* biased the eligible candidates for Upper House membership towards those wealthy persons with significant real estate shares, because taxes were levied principally on real estate. As the fiscal burden started to shift towards other assets, the average real estate share of Upper House politicians started to fell, as evidenced by the comparisons over time. As for socialist politicians, this reflects a well-known empirical fact in contemporary portfolio theory, namely that

Finally, I also made an attempt of finding the wealth of the most powerful politicians: government officials. I find that, although there are large differences between governments in terms of average and median

wealth, there appears to be no strong correlation between the private estate value of the executives and their political color, or law-making profile, although governments and parliaments responsible for the most significant increases in taxation (by means of the *Inkomenstenbelasting* in 1893 and 1914) were among the poorest on average. I also find that these politicians were the most dependent on their political salary, as it made up a very large share of their income, compared with capital income. The executives are also poorer on average than lower and Upper House members, especially towards the end of the nineteenth and start of the twentieth centuries.

This work contributes firstly to politico-historical research about the Dutch nineteenth and twentieth centuries focusing on the social origin of politicians, by asking how wealthy political elites are, and to which extent the wealth of the political elite is concentrated (Van Den Berg, 1983; Secker, 1989, 1991; Van Den Braak, 1999; Moes, 2012). In this way, this work adds another relevant dimension to the literature about the social origins of politicians, something which historians and political scientists have focused on since the 1960s (Dogan, 1967; Van Den Berg, 1983). Secondly, it contributes to a literature on inequality and political representation, providing evidence that even after a process of democratization, the political elite is far from representative of the general electorate in terms of wealth (Dalton, 1985).

The findings of this chapter call for further research into the discrepancy between politicians and the electorate: it is unlikely that the findings of this chapter can be generalized uncritically to other (Western) European countries. While the work by Piketty et al. on inequality in the modern era points to highly unequal societies in the late nineteenth and early twentieth centuries, it does not automatically follow that politicians always find themselves in the upper quantiles of the wealth distribution (Piketty, 2003; Piketty and Saez, 2014). It is plausible that there are large cross-country, and cross-regional variations, even among Western European countries, because of two reasons: first, each nascent democracy bears the marks of its own (unique) past, and second, institutional variation and cultural and religious heritage might have influenced the degree to which political elites are representative (Acemoglu et al., 2011).[5]

Furthermore, the findings also stress the need for research that inves-

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[5]Despite the Netherlands sharing a quite similar pattern of democratic transition with several other Western European countries, there are also countries in which democratic transition happened in a much more turbulent manner, e.g. France.

tigates the likely consequences of this discrepancy. More specifically, the influence of politicians' personal interest on their decision-making must be investigated, not only in a specific setting or country, but also much more generally. Contemporary research shows that politicians' wealth influences their decision-making, and the same could be true historically, which is all the more plausible given weaker constraints on governance, and an institutional context in which (nascent) democracies are less responsive (Tahoun and Van Lent, 2019). Similarly, the degree to which politicians' own interest dictate their decision-making might itself be dependent on a host of other factors: consistent with politicians being constrained by electorates and other mechanisms, the degree to which politicians can act according to their own interests might vary from country to country (Djankov et al., 2010).

More broadly, the findings call for further research into the extent and quality of representation and its effects as a function of various factors, of which wealth is but one aspect. It is also highly likely that the effect of the quality of representation on legislation or economic development is heterogeneous. It might, for example, vary strongly, depending on political institutions, democratic responsiveness, electoral competition, and dissemination of information by a functioning press. Research in Europe has recently taken into account characteristics such as political dynasties, the threat of revolution, and electoral opportunism (Aidt and Jensen, 2014; Oosterlinck et al., 2020; Aidt and Franck, 2019). Accordingly, this chapter suggests that the literature can be more attentive to explicit personal interests of politicians, such as wealth.

Coming back to the subject of wealth, it seems that it is possible to retrieve probate inventories of high-profile individuals in the UK, and in France, the *Archives départementales* shelter similar appraisals of assets and liabilities as do the Dutch *Memories van Successie,* which have been used by Estèbe (Estèbe, 1982; Bottomley, 2019).[6] Other countries might have archival sources similar to the aforementioned ones, and given the trend toward digitization that allows researchers to efficiently access international archives, finding relevant information about wealth, estate value, and the financial position of politicians in the late modern era may give us a nuanced and detailed view of the role of politicians in the political and economic development of Europe in the 19th and early 20th centuries.

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[6]Here is a document detailing how to find the French equivalents to the *Memories van Successie*.

Chapter 3

Democratization, Personal Wealth of Politicians and Voting Behavior

Abstract:

From about 1850 to 1920, a wave of democratization and liberalization swept over Western Europe, bringing about universal suffrage and an expansion of government. Using newly-collected probate inventories that provide a measure of politicians' personal wealth, this chapter investigates the role of personal wealth in this process illustrated by the case of the Netherlands. I show that parliaments became significantly less wealthy over time. I then analyze voting behavior of politicians on several laws extending the franchise and increasing taxes. I find that richer politicians were more likely to vote against fiscal legislation. The findings indicate that the personal wealth of politicians negatively influenced the probability of increasing taxes, and played an important role in determining government size. My analyses support a causal interpretation of these results. In contrast, I find no convincing relationship between politicians' personal wealth and their voting behavior on suffrage extensions.

JEL Classifications: N14, D72, H71

3.1 Introduction

One of the most important and influential developments in modern history has been the rise and gradual expansion of democratic governments in Western Europe. At the beginning of the 19th century most countries were ruled by oligarchical elites that were closely allied to an autocratic ruler, usually a king or emperor (Downing, 2020). After 1848 most of these countries adopted a parliamentary system with a separation of powers anchored in a constitution (Berman, 2019; Van Zanden and Van Riel, 2004; Persson and Tabellini, 2005). These were not yet parliamentary democracies, however. Rising incomes did lead to a gradual extension of the franchise in the second half of the nineteenth century but in most countries universal suffrage was only granted after 1900. Apart from these political changes, European states transitioned from minimalist governments raising taxes for military purposes only, to governments actively intervening in the lives of citizens, first through investments in public health, transportation, and communication, then through investments in public education, and finally through extensive welfare schemes including unemployment benefits and pensions. (Dincecco, 2011; Downing, 2020; Tilly et al., 1998; Lindert, 2004; Ziblatt, 2006).

The double transition from autocracy to parliamentary democracy, and from passive government to a welfare state, has been widely studied in various disciplines. Political scientists have identified various mechanisms to explain why incumbent politicians would agree to reforms that reduce their power, in particular the threat of revolution (Acemoglu and Robinson, 2000), electoral expedience (Lizzeri and Persico, 2004; Aidt et al., 2010), and electoral competition (Llavador and Oxoby, 2005; Galor and Moav, 2006)[1]. Subsequent empirical studies have found evidence for each of these mechanisms in specific historical settings (Ziblatt, 2008; Dincecco et al., 2011; Aidt and Jensen, 2014; Aidt and Franck, 2015; Dincecco, 2011; Aidt and Jensen, 2017; Przeworski, 2009; Capoccia, 2010). The conception of self-interest in these studies revolves around safeguarding political power. However, politicians might also care about a more superficial form of self-interest: their personal wealth (Ferraz and Finan, 2009; Tahoun and Van Lent, 2019).

There are several reasons to suspect that personal wealth of politicians is an important factor in their decision-making. Historically, the first decades after the installment of parliamentary regimes very little

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[1]For an overview: Przeworski (2009)

changed in the composition of the political elite (Clark, 2012; Mendoza et al., 2012; Querubin et al., 2016; Martinez-Bravo et al., 2017; Thompson et al., 2019). Members of parliament were often extremely wealthy (Piketty, 2013; Magraw, 1986; Machielsen, 2021) and in many countries the nobility remained overrepresented in parliamentary circles for a very long time (Bécarud, 1973; Moes, 2012; Linklater, 2013). After several decades, however, parliaments became more diverse: the first socialists entered parliament, and politicians were recruited from a larger group than only aristocrats and lawyers (Van Den Berg, 1983; Zévaès, 1908; Busky, 2000; Bevir, 2011), opening the door to less wealthy politicians. In addition, in the turbulent times surrounding World War I, Europe was confronted with several negative economic shocks, which likely reduced the value of politicians' portfolios (Piketty, 2003; Piketty et al., 2006; Piketty and Saez, 2014) and made them substantially poorer. The diversification of parliaments across Europe coincides with the period in which many changes to fiscal legislation and suffrage have been effectuated. Did the changing profile of politicians become the catalysts for the suffrage extensions and fiscal reforms that shaped democratization in the early twentieth century?

To answer this question, I turn to the case of the Netherlands. The Netherlands is an emblematic case from the perspective of European transition to democracy: the Netherlands became a constitutional monarchy in 1848, and took until 1918 to implement universal suffrage after World War I (Van Zanden and Van Riel, 2004). The first income tax was instigated in 1893, whereas substantial changes to the tax system were effectuated during World War I (Smit, 2002; Vrankrijker, 1967) and related to its pressures on a country that remained neutral. In the transition period, the political system shares many characteristics with other countries: it is a bicameral system, where lower house elections took place in a district system, and the parliamentary arena was initially populated by insiders, and gradually diversified (Van Den Berg and Vis, 2013). Suffrage was initially based on taxes paid (Van Der Kolk et al., 2018), requirements which were relaxed later. These characteristics makes the country similar to e.g. the United Kingdom, Germany (Prussia), and Sweden. On the other hand, the Netherlands shares explicit religious tensions with e.g. Belgium and Austria (Evans, 1999). There is ample variation in voting behavior and politicians likely voted as if their vote was pivotal. Due to the chaotic nature of parliament and relatively loose party discipline, very few laws were accepted as a *fait accompli,* and it was difficult to pre-

dict beforehand whether a law would pass or not (Van Den Berg and Vis, 2013).

I use the setting of the Netherlands to analyze politicians' voting behavior in parliament on all suffrage extensions and tax hikes between 1872-1921, some of which were accepted, and some of which were rejected. To identify the relationship between politicians' personal wealth and their voting behavior, I employ newly-collected probate inventories collected from various archival sources. Using data on the portfolio composition of politicians' wealth, I estimate their net wealth at the time of voting, and relate this to the voting outcome, controlling for many personal and district-level characteristics. Personal wealth might cause voting behavior because acceptance or rejection of reforms might influence politicians' future cash flows in various ways. In a present-day context, there is also evidence that politicians' self-interest might influence their decision-making (Ferraz and Finan, 2009; Fisman et al., 2014; Tahoun and Van Lent, 2019). To ensure a causal interpretation of the estimates, I employ several estimation procedures: I provide instrumental variable (IV) estimates of personal wealth on the propensity to vote for reforms, instrumenting politicians' wealth by an indicator whether the politician's father was also politically active. I also rely on various other alternatives to limit the bias caused by endogeneity by relying on (plausibly exogenous) timing of death among politicians.

My results show that personal wealth has a significant influence on politicians' voting behavior on fiscal legislation. Fiscal legislation has a nontrivial impact on politicians' personal wealth, and this impact on their personal wealth is strong enough for politicians to deviate from the party line. The results imply that even in a setting which is seemingly strongly determined by ideological tensions (Lijphart, 1975; Van Den Berg and Vis, 2013; De Rooy, 2014) and partisan alignment (De Jong, 2001), politicians still prioritize their own interests in parliament by deviating from the party line at times, at least when their personal finances are concerned. The counterfactual implies that, would parliament have been poorer in previous era's, tax hikes that were now rejected would have been accepted, and tax hikes that were accepted by a given parliament would likely have been rejected by a previous, wealthier parliament. This result has profound implications for the development literature: the personal wealth, and more broader, the personal profile of politicians matters for level of taxation. This result strongly suggests that fiscal policy outcomes should be modeled partly on the basis of politicians' personal inter-

ests in addition to electoral and other considerations (Persson et al., 2000; Besley and Persson, 2014; Kleven et al., 2016; Corvalan et al., 2016). The results demonstrate that politicians act opportunistically and thus support the view that politicians ought to be regulated (Djankov et al., 2010), or that fiscal policy ought to be depoliticized (Schmitt-Grohé and Uribe, 2007).

The results also show that there is weak evidence of any impact of personal wealth on voting behavior in suffrage extensions. This result is consistent with suffrage extensions having little direct and foreseeable impact on politicians' wealth, although I cannot rule out that politicians lack the foresight to factor in the wealth effects of suffrage. In the context of the Netherlands, this result corroborates the findings of political historians, who characterize the road to universal suffrage as one strongly dictated by ideology and compromise (Van Welderen Rengers and Romeijn, 1916; Lijphart, 1975; De Haan, 2003; De Rooy, 2014). Internationally, this result is consistent with models that characterize suffrage extensions as intra-elite bargaining, or as enfranchised-disenfranchised dynamics, but leave politicians' personal interests out of the picture. This analysis particularly finds limited support for the influence of revolutionary threats or peaceful agitation on the decision to extend the franchise (Acemoglu and Robinson, 2001; Acemoglu, 2008; Aidt and Franck, 2019).

In section 3.2, I describe the historical background and debates underlying the laws I analyze. I also make plausible that the acceptance of fiscal laws have financial consequences for politicians themselves. In section 3.2.3, I illustrate that these laws and votes coincide with the changing nature of the Dutch parliament over time in terms of composition and wealth levels. In section 3.3, I provide a closer look at the data sources, and I describe how I estimate politicians' wealth at the time of voting. I also illustrate my methodological approach. In section 3.4, I provide the descriptive statistics and baseline results, after which I elaborate on issues such as selection and identification (3.4.3). I close the analysis by providing an interpretation of the results for fiscal development and democratization. Finally, in section 3.5, I conclude. I provide several robustness checks in Appendix 3.A.

3.2 Transformation from Oligarchy to Democracy

3.2.1 The Road to Universal Suffrage

Before 1848, Dutch government institutions were centralized around the figure of the King, who held most of the power, surrounded by technocrats and loyalists. The revolutions and turmoil elsewhere in Europe in 1848 left the King frightened, and in their aftermaths, he requested the leading liberal politician to write a blueprint for a new constitution, signifying the end of the absolute monarchy and the beginning of a liberal, more democratic era. From 1848 onward, government formation and legislative power were subjected to parliamentary control. Parliament, in turn, consisted of the lower and upper houses: the lower house being a representative body, its delegate charged with representing electorates on the basis of a district system, whereas the upper house would occupy itself with legal coherence and would serve as a buffer against demagoguery and rash policy-making (De Jong, 1999), and did not itself fulfil a central political function. Van Den Berg and Vis (2013) characterize the period between 1848 and the first constitutional reforms in 1887 as a highly unpredictable period, where every roll call vote was crowded in uncertainty. Ministers could choose to either present the parliament with possibilities to introduce amendments, but they could also "try their luck", and mandate that the law would be subject to a vote right away. Both of these trajectories were frequently chosen. The relationship between parliament and executive government was yet to be fulled established and norms were being developed. For example, only in the 1870's it became the norm that governments resigned following general elections (Van Den Berg and Vis, 2013).

The political battle was far from over, however, in 1848. The 1848 Constitution marked a turning point after which it was anticipated that the country would embark on a trajectory towards suffrage expansion, and likely universal suffrage (Van Der Kolk et al., 2018). There were various law projects and attempts at constitutional revision that aimed at extending the franchise: the first attempt took place in 1872, and wanted to implement suffrage extension by lowering the census requirements. Mainly because the lower house could not agree on an adequate number, the proposal was rejected by the lower house. Plans were further complicated by the fact that suffrage extension and fiscal reform were

intertwined, which I explain in section 3.2.2.

The second attempt came to be only in 1887, after it became increasingly clear that the coupling of suffrage to the census excluded too high a proportion of the electorate. The attempt was hampered by the fact that confessional politicians required the position of Christian education to be taken into account into a new Constitutional revision, whereas the liberals wanted to only extend the franchise and decouple suffrage from taxation (Van Den Berg and Vis, 2013). Furthermore, politicians wished to end the continued electoral calculus around a variable number of districts and politicians per district as a result of continued population growth. Finally, a motive for revision was to provide an answer with respect to eligibility and suffrage of women. When the reforms were finally adopted, it became clear that female enfranchisement was prevented. The 1887 reforms also fixed the number of seats in parliament: before, it was considered that each approx. 45,000 inhabitants should have their own delegate, whereas afterwards, the number of lower house members was fixed at 100, and the number of upper house members at 50 (De Jong, 1999), the criteria for suffrage were augmented by a host of other criteria, including the notoriously vague stipulations of "fitness" and "societal standing" (Van Der Kolk et al., 2018). The educational question, however, was not yet resolved, although it was established that the new constitutional reforms did not contradict the ideas of confessional politicians.

Thirdly, plans by minister Tak van Poortvliet in 1892, aiming to address the vagueness of these criteria by changing not the Constitution, but the electoral law (*Kieswet*), were subjected to fierce criticism. His plans made the aforementioned criterion of "fitness" more concrete, by holding that in principle, all men who could read or write, and inhabited a living space ought to be enfranchised (De Jong, 1999). In this conception, about 800,000 male inhabitants were estimated to be enfranchised under the purported changes, compared with 300,000 *ex ante* (Van Der Kolk et al., 2018). After the project law was subjected to parliamentary debate, an amendment unacceptable to the minister was accepted, and his plans were rejected. After new elections, similar plans, however, in 1896 have turned out to be more fertile. The proposals of the new minister of internal affairs Van Houten introduced two categories for suffrage: paying direct taxation, and a miscellaneous category called 'declaration', which included paying rent, passing certain exams, or having savings or a pension.

As the incomes of the Dutch population steadily rose, while the fran-

chise requirements remained static, this also made that more and more inhabitants were enfranchised (Van Der Kolk et al., 2018). In the elections of 1897, about 575,000 men were enfranchised. This number rose to close to 1 million men in 1913, close to 50%. As a result, it became easier for opponents of universal suffrage to make concessions, and in 1917, confessional and liberal politicians were able to achieve a compromise by trading off universal male suffrage (wanted by liberals) and a constitutional foundation of the public funding of religiously-based schools (wanted by confessional politicians) (Lijphart, 2008). A year later, without significant controversy, women were also enfranchised.

3.2.2   Changing Fiscal Paradigms

After the 1848 Constitutional reforms, the fiscal system of the Netherlands bore many characteristics of its 17th and 18th century past. In particular, the country had various protectionist institutions, and many (unharmonized) excises and other regulations that were hampering virtually all product markets (Van Zanden and Van Riel, 2004). In contrast to many of its neighbours, the (mass) usage of the steam engine or other techniques of mass production made little sense, because markets were still very small and disposable income relatively low.

From the 1850's onward, the government oversaw liberalization and harmonization in all sorts of domains, economic, but also institutional (Knippenberg et al., 2000): a telegraph communication system was developed, coinage was standardized, railways and other infrastructural projects launched, and trade was liberalized, with less reliance on excise duties and toll payments, and more reliance on taxes on wealth and income. Nevertheless, government size was still very limited, and while defense spending slightly decreased following more modest geopolitical ambitions (Van Den Berg and Vis, 2013), government expenditures per capita did not see a structural increase (Van Riel, 2018). Starting from the 1870's, rising poverty and inequality brought about more and more social unrest, the ideological paradigm of *laissez-faire* started to crumble, and more and more politicians (particularly liberals), opinion leaders and public intellectuals convinced themselves of the necessity of government intervention. In the Netherlands, the 1854 Poor Laws and the 1874 law regulating child labor were earlier signs of this trend.

Two pieces of legislation have been subjected to major fiscal reform and revision in the period of interest: first, the establishment and later the

reform of the income tax (*Inkomstenbelasting*), and the establishment and reform of the inheritance tax (*Successiewet*). The income tax came into existence as a result of rising pressure on the government to reform the tax system, which, by then, consisted predominantly of taxes on real estate consumer goods, and entrepreneurial activity (a so-called *patent tax*), whereas shares and other financial assets were left virtually untouched (Vrankrijker 1967; Smit 2002). It turned out to be extremely difficult to change the fiscal system, partially because the question was intertwined with the question of suffrage - suffrage was principally granted only on the basis of paid taxation, so a change in the fiscal system would naturally have to address the way this change related to the suffrage question. The question proved to be particularly arduous in the 1870's and 1880's, after various attempts stranded.

In 1863, finance minister Betz attempted to reform the existing patent tax by making it a universal income tax, all while abolishing again many excises. The lower house ended up rejecting his plan, partially because it did not yet see the urgency, but also because compliance was dubious (Smit, 2002). In 1872, finance minister Blussé launched a similar attempt, which was rejected on the grounds that it could not unite various factions of parliament - some thought it too radical: it would tax real estate too heavily, according to some. Others thought it was too modest: there was too little progressivity in the proposal. In 1884, after a barrage of criticism, finance minister Grobbée had to withdraw a proposal that encompassed increasing excise duties, and he also failed to introduce a 'class tax', which would have implied progressive tax rates on income (Van Den Berg and Vis, 2013).

Meanwhile, the abolition of the *Cultuurstelsel* stalled revenue coming from the colonies, and, whereas economic growth and consumption made it possible to partially compensate for this loss by the existing tax system, this was not considered enough (Van Riel, 2018; Smits et al., 2000). The 1893 income tax changed that situation. Importantly, it was accomplished after 1887, the year in which constitutional reforms decoupled the question of fiscal reform from the question of suffrage expansion by adding more criteria on the basis of which suffrage was obtained - and effectively reducing the importance of the tax-based criterion. The 1893 income tax reform was introduced in two parts by its designer, the first of which encompassed taxation on (fictitious) income from wealth, and the second taxation on income from trade and profession (Fritschy, 1997). Nevertheless, the income tax remained very modest in its ambi-

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tions: the maximum tariff (for the highest incomes) implied liability of only 3,2% of yearly earned income, and the proceeds from the new taxation reached about 10% of government income in the first years after introduction (Bos, 2006).

The income tax was subsequently left intact for almost two decades, but during World War I, in the Netherlands, a neutral country, government finances came under increasing pressure. In this context, the acting finance minister Treub managed to pass a proposal that increased the progressivity by (i) increasing the rates for higher taxable incomes, and (ii) combining the two previously separate categories, so that total taxable income would be taxed at a higher rate (Slijkerman, 2016).

The other major pillar in the Dutch fiscal system, the *Successiewet*, taxed inheritances, and was modified three times after a 1877 amendment made bequeathing to lineal descendants liable for taxation (which made it applicable to virtually everyone). Beforehand, inheritances were only taxable in case of bequeathing to more distant family members, which happened relatively rarely. According to the 1877 amendment, inheritances of a net value lower than 1,000 guilders were exempt from taxation, about four times the annual wage of a worker. The rates for direct descendants were set at 1% of net wealth, whereas for ascendants, the tariff was set at 3%. Tariffs for non-direct family members or unrelated individuals were slightly higher. One characteristic of the amendment was that financial assets (debt and equity) were not subjected to the same rates, but under lower rates: 0.25% and 1% respectively.[2]

The *Successiewet* was changed three times over the course of the period of interest. In all cases, the primary reason behind this change was government finances: more taxes had to be raised with some urgency, and inheritance taxation was an easy way to accomplish this. In all occasions, tariffs were incrementally raised, but in some cases, some other tariffs were decreased, as a compensation. The first tariff hike occurred in 1911, which encompassed a sharp increase in rates for lineal descendants, to which the majority of wealth was bequeathed (Jacobs, 2003). The tariffs were again contingent on being a descendant or ascendant: descendants paid 1.5% of net wealth, and a higher tariff if inherited net wealth was higher than 50,000 guilders: the law thus implemented progressivity. This law change also changed the status of financial assets, so that they would be taxed under regular rates.

In 1916, the amendments integrated gifts into the inheritance tax.

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[2]This link contains a description (in Dutch) of different tariffs throughout time.

This amendment was implemented because the law-makers wanted to assure that individuals could not transfer assets as gifts to their heirs and thereby circumvent taxation. Additionally, the 1916 amendment also further increased the rates: the tariffs for direct descendants now ranged from 2% for the inheritance with the lowest net wealth (but above the 1,000 guilders threshold) to 6% for inheritances of over 500,000 guilders. Finally, in 1921, because government finances were in a dire state, a substantial hike in rates was again imposed: the hike meant that the minimal tariff was now set at 3,5%, even for inheritances worth less than 1,000 guilders, and, for direct descendants, could increase until 8% for inheritances worth more than 500,000 guilders. For non-direct descendants, rates were even higher. For example, if one bequeathed to brothers or sisters, the minimum rate (for inheritances worth less than 1,000 guilders) was 18%.
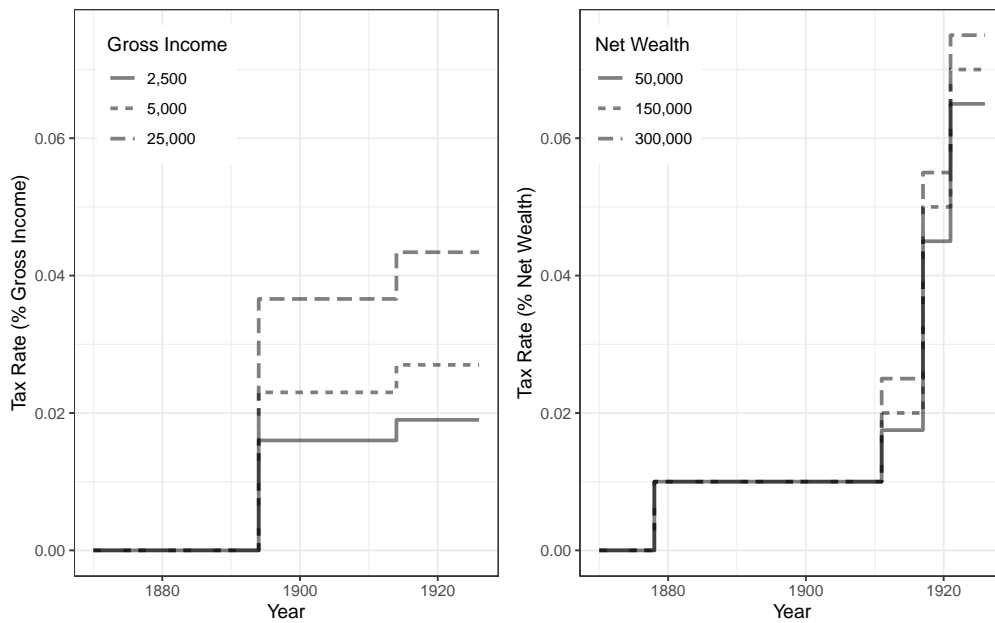
Figure 3.1: Tax Rates As A Function of Time, Income/Wealth

Extrapolating from the possibility that politicians might benefit from taxation in terms of public goods, they are personally confronted with direct costs when fiscal legislation is accepted. In Figure 3.1, I show the changing effective tax rates over time for both the income tax and the inheritance tax at different levels of income, corresponding to relatively poor, median, and relatively rich politicians. Under some assumptions, the financial consequences of the acceptance of the law can easily be

calculated. To illustrate, using the rates of the 1893 income tax and the 1911 succession law, an estimate of the present value of accepting the law, using $r = 0.03$ and $T = 20$ (the average age at the time of voting is 53, and the average age of death of a politician is 73), I find that the expected present value cost of the acceptance of the 1893 income tax for a politician who earned about 5,000 guilders per year was about 8,000 guilders, and the expected costs of the acceptance of the inheritance tax reforms for a politician with median wealth at death (150,000 guilders) was about 2,500 guilders. These amounts are not trivial: they amount to four times a politician's yearly formal income for the income tax, and one time a politician's formal yearly income for the initial inheritance tax.

3.2.3 Transformation in Parliament

In the meantime, parliamentary composition remained relatively static from the 1848 reforms up to the 1880's (Van Den Berg, 1983). Parliament was characterised by two factions: liberals and confessional (Christian) politicians. The confessional politicians consisted in turn of Protestants and Catholics, which formed a coalition with the aim of providing a counterweight to liberalism. Throughout the period, liberals were generally dominant in parliament. After the 1880's, election outcomes started to become more volatile, and parliament started to diversify: symbolically, this was marked by the entrance of the first socialists in the lower house in the early 1890's, but the dominance of men with a background in law or theology was also slowly unfolding. Within the confessional factions, the most prominent (and democratic-minded) leaders for the Catholics and Protestants respectively were Herman Schaepman and Abraham Kuyper, the one a priest and the other a vicar, both with modest family origin (Koch, 2020). In addition, the influence of the nobility began to decline. Moes (2012) illustrates that the (Protestant) nobility began to organize themselves under the banner of the Christian Historical Union as a response to nobility interests being insufficiently taken into account in the mainstream oriented (and Kuyper-led) Anti-Revolutionary Party. Furthermore, the role of networks arguably also diminished: whereas in the 1870's, about 50% of confessional politicians and 35% of liberal politicians' fathers had a background in law or politics, in 1911, this was the case for only 17% of confessional and 33% of liberal politicians. More generally, Van Den Berg (1983) documents a general increase in diversification in the parliament, where more and more men with diverse back-

grounds entered the lower house.

One aspect hitherto unexplored is the personal wealth of members of parliament over time. In Figure 3.2, I show some aspects of the wealth distribution of consecutive parliaments over time.[3] I focus on median wealth, as the mean is heavily skewed towards the upper quantiles as a result of high inter-parliamentary inequality. The trend in median wealth aligns very closely with the above description about parliamentary diversification. In particular, whereas there is no clear trend in median wealth before 1888, the median wealth of parliament is steadily declining after 1888, the year after which the first suffrage extensions were accepted. To illustrate, the median lower house member of the lower house standing from 1871-1875 dies with an estate value of about 150,000, whereas the estate value of the median lower house member is only about 14,000 guilders in the 1918-1922 parliament. Throughout the period of reforms, median parliamentary wealth has declined with a factor of 10.
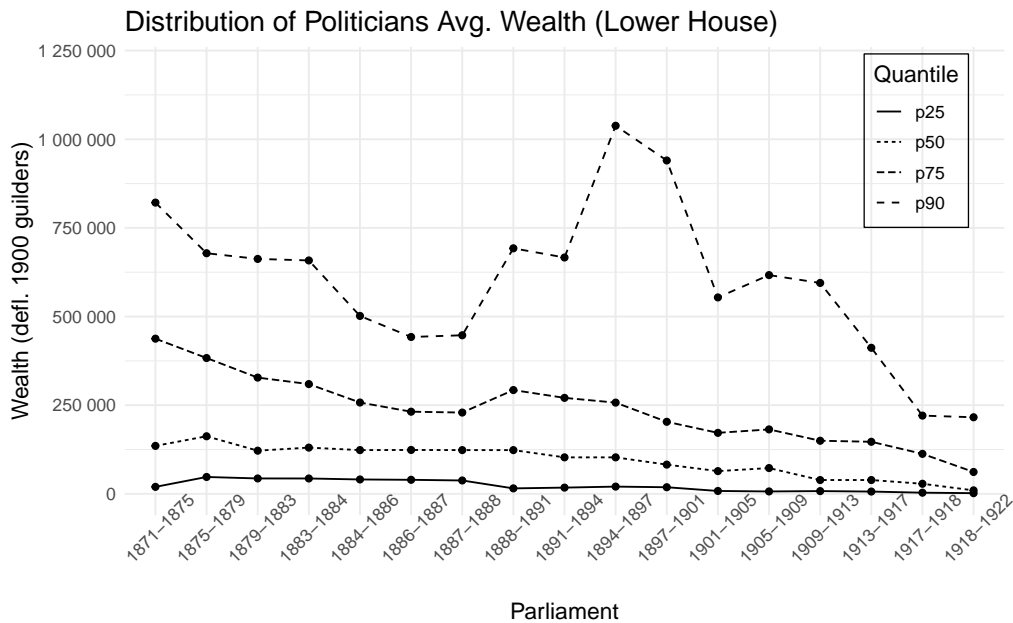
Figure 3.2: Wealth Distribution Lower House Over Time

Next, focusing on the 90th percentile, I observe that it fluctuates widely throughout the period, and only shows a decreasing trend after 1900, implying that the 10% wealthiest politicians in the lower house still

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[3]The distribution is for wealth at death in 1900 deflated guilders. Assuming that probate inventories are missing at random, this is an unbiased estimate for the entire parliament.

died with an extremely high net worth. The same appears to be true for the upper 25% of lower house politicians. Significantly, the bulk of fiscal legislation under scrutiny (the inheritance tax tariff hikes in 1911, 1916 and 1921, and the income tax reform in 1914) has been implemented in the period in which this trend is apparent, whereas the suffrage extensions have been granted by both relatively richer and relatively poorer parliaments. The 1872 income tax proposal was rejected by a wealthy parliament, whereas the 1893 and 1914 income taxes were accepted by relatively poor parliaments. In sum, there seems to be a correlation between parliamentary wealth and the timing and acceptance of important reforms, which is more pronounced in the case of fiscal legislation than in the case of suffrage extensions. In the next section, I address why that might be in a simple framework formalizing this intuition.

3.3 Methodology

3.3.1 Analytical Framework

To understand why politicians' personal wealth might influence their voting behavior, I capture the preceding discussion using a simple model. In the political economy literature, politicians' preferences are usually modeled through a random utility model, which consists of an ideological component, some component that reflects self-interest, and a random component. In this context, the decision to accept a law can influence politicians' utility in two ways: first, it is costly if they choose a voting outcome far away from their party ideology, $p_i^* \in [0, 1]$, reflected by the difference between p_i and p_i^*. Second, politicians are supposed to care about the personal financial consequences of accepting the law. Both considerations might lead them to decide upon accepting the laws according to the following framework, based on e.g. Snyder Jr (1991); Levitt (1996); Mian et al. (2010); Tahoun and Van Lent (2019):

$$U(p_i, C_i) = -(p_i - p_i^*)^2 + \beta \cdot f(p_i, C_i) + \epsilon_i^{p_i} \qquad (3.1)$$

where $p_i \in \{0, 1\}$ is the (observed) vote of politician i, and $f(p_i, C_i)$ is a function representing the impact of the acceptance of the law on their own wealth by taking into account potential *personal* cost to the politician C_i, which in turn might depend on their personal wealth. This framework accommodates parties' ideological considerations, reflected in p_i^*: politi-

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cal parties might have preferences over social and societal outcomes that are be affected by the law. For example, they might be convinced that the particular law increases equality and equity, helps poorer individuals in general, or helps a particular ethnic, religious or economic group. Keeping their moral values and preferences over social outcomes fixed, political parties might also not be convinced that the law in question solves the problem it attempts to solve, or indeed creates additional problems outweighing the initial problem. For this reason, their preferred outcome for such a law would be $p_i^* = 0$. In the Dutch context, opponents of establishing a state pension and other kinds of welfare feared structural government deficits (Slijkerman, 2016). Furthermore, they might be ideologically in favor of free markets, and any government intervention can be thought of as bringing disutility to this group of politicians, which would be reflected in $p_i^* = 1$. In the setting of the Netherlands, socialists frequently thought that government intervention did not go far enough, and confessional parties thought that it went too far (Van Der Kolk et al., 2018). This can be reflected in a $p_i^* \in (0, 1)$, meaning that the suffered utility loss is less than somebody who is absolutely against it if accepted or absolutely in favor of it when rejected.

I conjecture that $\beta < 0$, implying that the higher the personal costs for politicians, the lower the probability of voting against a law. Alternatively, if politicians' self-interest would not influence their decision ($\beta = 0$), there would be no relationship between a politician's personal wealth and the probability of voting in favor of a law, whatever the personal costs to a politician. In addition, I distinguish between personal costs to the politician in the case of fiscal legislation, and in the case of suffrage extensions. For fiscal legislation, I have shown in section 3.2.2 that there are likely direct costs to the acceptance of the laws. To make the structure correspond to the empirical specification in section 3.3.2, suppose that:

$$f(p_i, C_i) = \begin{cases} \text{ihs } W_i & \text{if } p_i = 1 \\ 0 & \text{if } p_i = 0 \end{cases}$$

This means that politicians would factor the cost of a law in their decision as if the acceptance would depend only on their vote, and that the costs are proportional to the inverse hyperbolic sine of W_i in case of acceptance.[4] In contrast, in the case of suffrage extensions, I conjecture

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[4]Bellemare and Wichman (2020) provide an overview of the properties of the inverse hyperbolic sine transformation. In my case, the interpretation coincides with an elasticity of voting behavior w.r.t. personal wealth, when the propensity to vote in favor

that $C(W_i)$ is close to zero, implying that politicians do not prioritize their own interests, irrespective of β.

3.3.2 Empirical Model

To find out whether self-interest plays a role in politicians' decision-making, corresponding to $\beta < 0$, I collect voting outcomes on the suffrage extensions and fiscal legislation. I use newly-collected probate inventories to obtain a measure of politicians personal wealth at the time of death.[5] The archival source, the *Memories van Successie* are publicly accessible probate inventories used by the tax administration to levy inheritance tax, and are available for my purposes from 1877 to 1927. Furthermore, I capture a politician's ideology by a classification on the basis of several works by political historians (Van Den Berg, 1983; Secker, 1991; Van Den Braak, 1999; Turpijn, 2017; Oomen, 2020), authors of detailed collective biographical works of Dutch politicians. The classification comes from a dataset by the *Parlementair Documentatie Centrum*, assembled on the basis of aforementioned works and under the supervision of the aforementioned authors, and is primarily based on close reading of parliamentary debates, secondary works, and biographical information. I map this very heterogeneous classification to the three basic ideological currents: {Liberal, Confessional, Socialist}.

In previous empirical studies of voting behavior (Kalt and Zupan, 1984; Peltzman, 1984, 1985; Levitt, 1996; Mian et al., 2010), separating ideology from personal and constituent interests has proven difficult because ideological interests and constituent interests were (nearly) perfectly correlated, e.g. richer and more confessional politicians represent districts in which religious shares are higher. In this chapter, however, I exploit many votes, with many different district-politician combinations, so that there is sufficient variation to separately identify the effects of constituencies, ideology, and personal wealth.

The baseline model involves analyzing the two sets of laws $k \in K = $ { Suffrage Extensions, Fiscal Legislation}, and then pooling the voting decisions on all laws within k. Indexing the vote by politicians i on a particular law $j \in k$ as p_{ij}, I model $V_{ij} = \text{Pr}(p_{ij} = 1)$ as a function of a

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would be close to one.

[5]In the past, researchers have considered indirect proxies of self-interest, such as ideology (Kalt and Zupan, 1984; Peltzman, 1985) or personal shareholdings (Duchin and Sosyura, 2012; Tahoun and Van Lent, 2019). This chapter arguably uses the most obvious proxy for self-interest, i.e. personal wealth.

politician's wealth and party, augmented by law fixed-effects and other controls:

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

I follow e.g. Mian et al. (2010); Nunn and Qian (2014); Aidt and Franck (2015) in estimating a linear probability model, as it is more straightforward to estimate and interpret a model with indicator variables, it is straightforward to interpret eventual interaction effects (as in Mian et al., 2010, but see also (Greene, 2010)), it allows for robust standard errors (Wooldridge, 2010), it easily incorporates law and party fixed effects, and it accommodates instrumental variables-analysis more easily. Furthermore, the estimator given by the linear probability model remains a consistent estimator if the distribution function is misspecified, unlike the logit and probit models (Cameron and Trivedi, 2005).

3.3.3   Control Variables

Aside from the party line and their personal financial interests, politicians also take into account other factors when deciding on their vote: many theories suggest that politicians take into account constituent interests (Barro, 1973; Ferejohn, 1986). To capture economic interests in a particular district, I include the share of the total labor force working in industry, services and agriculture in the closest available year preceding the vote. It is well-known from the historical literature that there are significant regional differences, and industry was located in a few regions (Knippenberg et al., 2000). Additionally, I include the proportion of tax-paying individuals as a proxy for local wealth. Regional and thus district-level inequality is likely to have been high: Moes (2012) documents that landed aristocrats were regionally concentrated in several provinces and thus, several constituencies. I also include a measure for a district's religious composition: depending on the specification, I include the percentage of Dutch Reformed or Roman Catholic inhabitants. In the Dutch context, religion is known to be the dominant factor in political life, which was expressed in the pillarization system (Lijphart, 2008).

Others argue that these interests might be more effective depending on electoral competition (Duggan and Martinelli, 2017). I additionally include various electoral variables (turnout, total vote margin, and nearest competitor margin) to control for possible effects of political competition,

and I add several demographic variables, a politician's age at the time of vote, and the age at the time of first entrance into the lower house, as well as a politician's long and short electoral horizons (days to the next election, and years until planned retirement).

Yet other theories imply that threats of instability or revolution might induce politicians to vote (Acemoglu and Robinson, 2000; Aidt et al., 2010). To capture revolutionary threat, I include a socialist dummy, indicating whether the politician competed against a socialist, as well as the voting share obtained by socialist candidates. Revolutionary threat has manifested itself during the 1918 attempt at revolution by leading socialist politician Troelstra (Wijne, 1999). The incentives to politicians to accomodate a revolutionary threat might also lead to less radical threats to be effective (Aidt and Franck, 2019). As a measure for peaceful agitation, I include a count of strikes in the year preceding the vote in a politician's district. In the late nineteenth century, strikes were increasingly used as a means of pressuring employers, but were geographically concentrated (see e.g. Van Der Velden, 2009).

In Table 3.1, I summarize all variables and sources used in this chapter.

Table 3.1: Variables used in the Analysis

Description	Source
Panel A: Dependent and Main Indep. Vars:	
Whether a politician voted in favor (1) or against (0) a law	Staten Generaal Digitaal
Wealth at the time of voting	Archival records + RoROE
Political affiliation	PDC
Panel B: District Characteristics	
Share of Labor Force in Agriculture (Nearest Year)	HDNG
Share of Labor Force in Industry (Nearest Year)	HDNG
Share of Labor Force in Services (Nearest Year)	HDNG
Share of District in Total Tax Rev.	HDNG
Share of Tax-liable Individuals in Municipality	HDNG
Number of Strikes in district in year $t-1$	IISG
Panel C: Electoral Characteristics	
Vote Share $= \frac{\text{Number of Votes in Election Preceding Vote}}{\text{Total Votes}}$	Repositorium Elections
Dummy whether Socialist was Balloteering in the District	Repositorium Elections
Percentage of Vote Garnered by Socialist Candidates	Repositorium Elections
Days Elapsed since Last Election	Repositorium Elections
Turnout $= \frac{\text{Turned out voters}}{\text{Eligible voters}}$	Repositorium Elections
Nearest Comp. Margin $= \frac{\text{Number of votes Politician - number of votes Runner-up}}{\text{Turnout}}$	Repositorium Elections
Panel D: Politician Characteristics	
Tenure (Time Active in Politics)	PDC
Long Electoral Horizon = Yrs Until Retirement from Politics	PDC
Age of Politician at the Time of Vote	PDC and Repositorium Elections
Age of Politician at First Entrance	PDC
Panel E: Demographic Characteristics	
Percentage Roman Catholic in district	HDNG
Percentage Reformed (Hervormd) Protestants in district	HDNG
Percentage Reformed (Gereformeerd) Protestant in district	HDNG
Panel F: IV-Related Variables	
Time Between Career Exit & Deaths	PDC
Father Politician	Genealogy sites, Dutch Biographical Dictionary
Parental Wealth	Archival Records
# Siblings	Genealogy websites

3.3.4 Empirical Challenges

Controlling for Differences in Portfolio Composition

I use probate inventories to measure the wealth of politicians. Probate inventories contain politicians' wealth at the time of decease, but also contain the asset composition. Wealth at the time of decease can be a distorted measure of wealth at the time of voting. However, using return rates, it is possible to adjust a politician's wealth for differential returns in asset classes, effectively controlling for the (potentially distorting) effects of portfolio composition on wealth. I use data on asset class returns provided by Jordà et al. (2019) to estimate a politician's wealth at the time of voting, thereby correcting for differential asset returns to which they might have been exposed over the course of their lifetime. Not doing so might risk overstating differences in wealth between politicians, and potentially overestimating the effect of personal wealth on voting behavior. This procedure also ensures comparability between the wealth levels of politicians who died (and whose wealth was observed) at different points in time. I start out by deflating all observed wealth to 1900 guilders. Then, I use the following recursive relationship to identify a politician's wealth at the time of voting on law k as a function of their (deflated) wealth at death:

$$\text{Wealth}_{i,t+1} = \sum_{J} \text{AssetShare}_{i,j,t} \cdot \text{AssetReturn}_{i,j,[t,t+1]} \qquad (3.2)$$

In words, since a politician's wealth at death, and their portfolio composition (in terms of asset classes) are known and observed, it is possible to estimate the wealth one year before using (average) real returns on asset class j. Applying this recursively yields an estimate of the wealth at the time of voting. Because my portfolio decomposition only makes a distinction between Dutch and non-Dutch assets, I employ weights according to which I estimate foreign portfolio's shares return. In line with evidence from Gelderblom et al. (2021), I accord weights of 20% to German returns, 20% to French returns, 10% to Belgian returns, 10% to US returns, 10% to British returns, 10% to Italian returns and 20% equal-weighted to all other countries, which amounts to 2% per country.

However, even after correcting for differential wealth returns, politicians' wealth could be endogenously determined, because particular voting behavior might be rewarded by interest groups, and other behavior is not (Ferraz and Finan, 2009; Fisman et al., 2014; Tahoun and Van Lent,

2019). Hence, both wealth and voting behavior could be simultaneously determined. To arrive at an estimate unbiased by this endogeneity, it is necessary to find a reliable measure of initial wealth that is measured before politicians' wealth is affected by their voting behavior. To test whether my estimate do so, I make use of politicians who died relatively recently after having cast their votes in any of these laws. If these deaths are random with respect to voting behavior, and if the relationship between wealth and voting behavior is the same for this subsample as for all other politicians, the distortion in estimates due to this kind of endogeneity is negligible. I use a dummy variable indicating whether a politician died within $x \in \{2, 5\}$ years after having cast the vote on a particular law, and estimate the following model:

$$V_{i,k} = \alpha + \beta_1 \cdot \text{ihs Wealth}_{i,j} + \beta_2 \cdot \text{Died within X years}_i +$$
$$\beta_3 \cdot \text{ihs Wealth x Died within X years }_{i,j} +$$
$$\beta_4 \cdot \text{Party}_i + \beta_5 \cdot \text{LawDum}_j + \gamma \cdot \text{Controls}_{i,j} + \varepsilon_{i,k} \quad (3.3)$$

A politician who died fairly recently after a certain vote has less time to accrue rents from voting behavior after their political career, for example, in a lucrative function that they have occupied after their political career. Hence, it is likely that the simultaneity bias is attenuated for these observations. Secondly, the fact that a politician died closely after voting makes their wealth at death a good proxy for their initial wealth, on the basis of which they initially decided to vote. If the bias is strong, we would observe a large discrepancy in the influence of wealth on voting behavior between politicians who died later after having voted, thus having enough time to accrue rents, and politicians who died relatively shortly after having voting. If endogeneity plays a small role, we expect β_3 to be insignificant. On the other hand, if the bias is large (and the effect of wealth on voting behavior is present) we would observe a β_1 and β_3 that are widely different in magnitude.

Endogeneity

I aim to eliminate endogeneity from the estimates using exogenous variation that is correlated to wealth, while at the same time being uncorrelated to a politician's ideology (Angrist and Pischke, 2008). To that end, I find the professions of the fathers of politicians, using mainly the

Biographical Dictionary of the Netherlands and genealogy websites, and construct an indicator variable, *Father Politician*, indicating whether the father of politician *i* was a politician's father has ever been a politician (at any level) or not:

$$Z_i = \begin{cases} 1 & \text{if father of politician } i \text{ was active in politics} \\ 0 & \text{otherwise} \end{cases}$$

Among comparable variables that I construct from professional information, this variable has the highest predictive power over the endogenous variable.[6] Politicians whose fathers were active in politics tend to be much wealthier than politicians whose fathers did not, and controlled for political party affiliation, it is not likely that having a father in politics influences politicians' voting behavior. Concerning the relevance of this instrument, politicians whose fathers were ever active in politics tend to be wealthier than politicians whose fathers were not. Validity of this instrument implies there is no direct effect of being a member of a political family on voting behavior, conditional on political party, and other controls. In the past, researchers have used similar instruments to account for the endogeneity of wealth. Meer et al. (2003) used inheritances as an instrument for wealth, whereas Tahoun and Van Lent (2019) uses returns from a retirement plan, and Hilber and Liu (2008) use the occupation of the parents, parental education level, and parental income.

Threats to identification imply that instrument might in itself suffer from endogeneity bias. For example, politicians whose fathers were politically active could share a latent encompassing ideology, say, statism, a penchant for increasing the size of the government, and could therefore be inclined to vote in favor of laws that expand government. If a similar explanation is true, there is a direct effect of the instrument on politcians' voting behavior, and the exclusion restriction is violated. The accounts of De Rooy (2014); Van Kersbergen (2009) strongly suggest that this is not the case, with party preferences and religion being the primary determinants: confessional parties took a more free-market stance, whereas liberal parties took a more interventionist stance from the 1870s onward. Nevertheless, there can be other latent commonalities between politicians

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[6]Intuitively, the father's profession might seem a better instrument, as it offers a general indication of a politician's wealth. The requirement, however, for IV estimation is that the variable not be directly related to the outcome (voting behavior). Hence, I condense all the information related to profession in the variable that has the highest explanatory power over the endogenous variable, wealth.

whose fathers were also politicians, such as a network (Van Den Berg, 1983), an interest in politics or a family culture of debate (Besley, 2005), or systematically higher human capital and a political vocation (Dal Bó et al., 2009).[7]

Secondly, it might be that richer politicians are also those politicians who inherently dislike expansion of the government, regardless of their own wealth. The relationship between wealth and voting behavior might reflect politicians' beliefs, which are coincidentally correlated with wealth. It is still unlikely that this has a direct influence on the voting behavior of politicians, especially conditional on political party, but I attempt to tackle this problem by analyzing results of roll call votes on other, unrelated laws, using the reduced-form equations for voting behavior with a political-family indicator as an explanatory variable.[8] Given that the nature of these laws is such that there is no clear relationship between politicians' wealth and their voting behavior in these laws, I assume the true effect of wealth is zero: under this assumption, any effect of the *Father Politician* variable on voting behavior would be due to the direct influence of the purported instrument. On the other hand, the absence of significance on this variable would make the exclusion restriction more plausible.

To this end, I collect data on a new set of laws on *government intervention*, laws which concern regulation of markets and other government intervention. In these laws, there is arguably a straightforward and plausible relationship between politicians beliefs, including the aforementioned statism, and the subjects of the laws. Hence, if the proposed instrument would in fact proxy for such beliefs, it would have predictive power over these voting outcomes. In this analysis, I also conduct tests corresponding to a zero first-stage test, as in Bound and Jaeger (2000), showing that in this sample, where if the coefficient in the first stage regression is zero, the coefficient in the reduced-form relationship is also zero. These results are shown in section 3.A.2.

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[7] It is known that the role of networks declined over time, with the entry of newer generations of politicians in the lower house (Machielsen, 2021). Secondly, human capital can come from many sources, for example, many parents of politicians were members of the clergy or educated as theologians, and not politicians. Hence, it is unlikely that human capital systematically differs between politicians whose fathers were politicians and those whose fathers weren't, but even if it did, it is unclear how that would translate into systematic voting behavior.

[8] Due to data constraints, this is not exactly the same variable definition as the parental indicator, but rather measures whether the frequency of last names in the database of all politicians is higher than one.

Finally, as another robustness check, I use *Expected Inheritance* as an instrument, defined as Parental Wealth over Amount of Siblings (including themselves). I collect these data from genealogy websites, and the probate inventories have been collected from the same archival sources as the original probate inventories of politicians. Because a significant share of politicians' parents have died outside the available period of 1877-1927, this entails a reduction in sample size, and this analysis can only be conducted on the votes on fiscal legislation. This instrument likely does not directly influence a politician's voting behavior directly, but does influence their own wealth in a straightforward, mechanical way. Due to data restrictions (the probate inventories are available for individuals who have died between 1877 and 1927), the number of observations is relatively small.

3.4 Analysis

3.4.1 Descriptive Statistics

In Table 3.2, I provide an overview of the laws I investigate and decompose the voting behavior of politicians on these laws. All of these laws are characterized by a high voting turnout within parliament. I show the status of the law, indicating whether it was accepted by a parliamentary majority in the lower house, or rejected. As mentioned before, the laws that were rejected include the proposal for suffrage extensions in 1872 and 1892, and the proposal for an income tax in 1872. All the other laws were accepted, although far from unanimously. This table also makes it clear that many laws were subject to dissent and that party or ideological affiliation did not fully determine voting behavior. Particularly among confessional politicians, which in turn consisted of Protestant and Catholic coalitions, dissent was high.

Focusing on suffrage extension, both Van Den Berg and Vis (2013) and Van Der Kolk et al. (2018) note that even within Catholics and Protestant, politicians were not unanimously in favor or against. Both factions included factions that were largely in favor, principally headed by leading Protestant politican Kuyper and Catholic politician Schaepman, but also incorporated factions that were largely against. Focusing on fiscal legislation, Smit (2002) documents that opposition was largely concentrated within the confessional block, although this table makes clear that also within the liberal faction, 12% of politicians voted against the law in the

end. In general, compared with confessional politicians, liberals seem to have exerted more party discipline, although at times, dissent was even higher than among confessional politicians: this is true in the case of the 1872 income tax proposal, and the 1921 inheritance tax law, in which the liberals were evenly split.

Table 3.2: Dissent in Voting Behavior in Key Laws

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

Party Line is defined as the median vote per party: 'Pro' if in favor, 'Con' if against, 'None' if no discerible party line (equally split), and '-' if N.A.
Dissent is defined as the percentage of politicians of each faction having voted against the party line.

In Table 3.3, I show the descriptive statistics of the variables used in the empirical analysis. First, we note that on average, parliaments in which these laws were voted on were dominated by confessional politicians: on average, confessional politicians made up 49% respectively 50% of parliamentary seats when votes on suffrage extensions and fiscal legislation were conducted, whereas liberals made up 43% and 38% of the votes. Hence, confessional dissent was likely pivotal. Additionally, liberal dissenting votes may have also been pivotal, especially taken into account the confessional disunity. In fact, (Van Der Kolk et al., 2018) illustrate that many liberal politicians sympathized with the confessional coalitional government's ideas on the prominent place of heads of households in the debate surrounding suffrage extension in 1887. This makes clear that despite party allegiance, many other aspects might have played a role.

In the present analysis, the focus is on politicians' personal wealth. In the votes surrounding suffrage extensions, politicians have a median wealth of about 50,000 deflated guilders, whereas the mean is 150,000 guilders. At the time of voting on fiscal legislation, politicians are on average slightly poorer, although the high standard deviation indicates that the differences between politicians are large. In panels B until E, I provide descriptive statistics of various control variables on various levels. In panel B, I provide information about the economic situation in districts: the decomposition of the labor force and variables proxying for the taxes capture economic interests of the district a politician represents, whereas the number of strikes in a district is motivated by the threat of revolution hypothesis.

Politicians on average obtained about 37% and 41% of the vote, corresponding to a voting system in which more than two individuals were candidates. In the suffrage extension analysis, no candidates competed against socialist candidates.[9] Politicians entered the lower house on average aged about 42, and were 52 years on average when they voted. After the vote, politicians stayed in the lower house for another 9 years on average. The religious composition also shows the expected patterns: in particular, districts are on average more Protestant than Catholic, although Catholics are a substantial minority. Catholics generally are also a large majority in districts where they are a majority (Knippenberg et al.,

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[9]This variable is only available until 1917, after which the district system was abolished and proportional representation was introduced, effectively making everyone a candidate against everyone else.

Table 3.3: Descriptive Statistics

	Suffrage Extension				Fiscal Legislation			
	N	Mean	Median	SD	N	Mean	Median	SD
Panel A: Dependent and Main Indep. Vars								
Vote	406	0.65	1.00	0.48	540	0.68	1.00	0.47
Personal Wealth	282	150 571.02	46 888.74	306 543.73	347	124 349.55	36 450.11	243 594.83
Liberal	406	0.43	0.00	0.50	540	0.38	0.00	0.49
Confessional	406	0.49	0.00	0.50	540	0.50	0.00	0.50
Socialist	406	0.08	0.00	0.27	540	0.12	0.00	0.32
Panel B: District Characteristics								
% District in Agriculture	283	0.09	0.06	0.10	356	0.10	0.06	0.11
% District in Industry	283	0.33	0.31	0.08	356	0.34	0.31	0.09
% District in Services	283	0.58	0.63	0.15	356	0.56	0.63	0.16
Share District in Tot. Taxes	316	0.02	0.00	0.04	406	0.01	0.00	0.03
Share Tax Liable in District	324	0.05	0.05	0.01	415	0.05	0.05	0.01
Number of Strikes	334	1.38	0.00	5.51	468	6.10	0.00	21.11
Panel C: Electoral Characteristics								
Vote Share	334	0.37	0.29	0.29	468	0.41	0.47	0.26
Competed Against Socialist	332	0.00	0.00	0.00	461	0.40	0.00	0.49
% Socialist Vote in District	332	0.00	0.00	0.00	461	0.12	0.00	0.21
Turnout	332	0.65	0.69	0.20	463	0.71	0.74	0.18
Margin to Nearest Competitor	334	0.13	0.03	0.22	468	0.16	0.06	0.22
Panel D: Politician Characteristics								
Tenure	406	8.72	6.23	7.88	540	9.79	7.58	8.59
Long Electoral Horizon	406	9.77	6.99	8.74	540	9.37	7.07	8.21
Age at Time of Vote	406	52.02	51.14	9.69	540	52.69	51.81	10.19
Age at Entry	406	43.30	41.57	8.88	540	42.91	41.42	8.69
Panel E: Demographic Characteristics								
% Catholic	329	0.34	0.25	0.30	452	0.34	0.26	0.28
% Dutch Reformed (Hervormd)	329	0.50	0.56	0.24	452	0.50	0.55	0.23
% Dutch Reformed (Geref.)	329	0.08	0.07	0.07	452	0.08	0.07	0.07
Panel F: IV-Related Variables								
Harnas 2	406	0.32	0.00	0.47	540	0.32	0.00	0.47
Harnas 5	406	0.41	0.00	0.49	540	0.40	0.00	0.49
Father Politician	298	0.25	0.00	0.43	501	0.19	0.00	0.39
Expected Inheritance	120	81 466.62	18 664.06	309 766.89	171	66 420.90	8983.11	263 701.20

2000). Finally, panel F shows the variables used in the endogeneity test and the IV estimates. About 32% of the politicians died within 2 years, and 40% within 5 years after the end of their political career. For the fiscal legislation, I have found information on politicians' fathers' professions, whereas in the suffrage extension case, I found information for 298 politicians. The alternative instrument, Expected Inheritance, can be collected for politicians (one of) whose parents died between 1877 and 1927, the period in which the probate inventories are publicly available.

3.4.2 Baseline Model

In Table 3.4, I show the baseline estimates of the effect of personal wealth on voting behavior while pooling all laws. Model 1 is a specification with only party and law dummies: it shows that the variation in voting behavior on a specific law can be explained for 35% by party dummies. This confirms what I noted in section 3.4.1: there is a significant degree of

freedom to dissent in voting behavior, consistent with the general characterization of the Dutch political system in the late nineteenth century as not being subject to strong electoral pressures. To explain the remaining variation, I focus on the role of politicians' personal wealth. In model 2, I show a first estimate of the effect of personal wealth. The coefficient is highly significant (at the 1%-level), but the point estimate is not large. An increase in 1% in personal wealth is correlated with a 0.07 percentage point decrease in the propensity to vote in favor of fiscal legislation and suffrage extension, or a 100% percent increase in personal wealth would imply a 7 percentage point decrease in the propensity to vote in favor of these laws for the politicians who voted in favor. In models 4 and 5, I split up the analyses of suffrage extensions and fiscal legislation, and I find that the coefficient on fiscal legislation retains significance. Both coefficients, however, retain roughly the same magnitude as before.

The most important control variables in the analysis have the expected sign: liberals and socialists are more likely to vote for the legislation than confessional politicians. There are also a few exceptions: first, the number of strikes in the year preceding the politician's election is supposed to induce politicians to be more favorable to reform (Acemoglu, 2008; Aidt and Franck, 2019). The coefficient in model 6, however, is negative, indicating that a higher number of strikes is correlated with the politician being more likely to vote against. As no attempt is made to isolate the impact of strikes, this is merely a correlation[10]. The Catholic share indicator is consistently negative in the fiscal legislation analyses, indicating that representatives of Catholic districts were persistently less willing to increase taxes. A possible explanation is that Catholic electorate or representatives, being a minority, felt that public goods would be disproportionally benefit the Protestant majority (Guiso et al., 2003). Secondly, the Catholic church provided public goods, effectively serving as a substitute for public goods provided by the central government (Sengers, 2003). In the suffrage extension analyses, however, this is lacking, even though historians have noted that the most conservative corners of the lower house were usually dominated by Catholic politicians, although not exclusively (Van Der Kolk et al., 2018). Other variables, related to either electoral incentives or personal characteristics do not seem to be able to predict politicians' voting behavior on these laws, again consistent

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[10]One example through which a negative correlation might arise is workers anticipating, or already being dissatisfied with, their representatives' behavior on the particular law. Strikes might also be faced with opposition from another part of the electorate with which the representative is aligned.

with the Dutch political system's electoral incentives not being binding for politicians.

Table 3.4: OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation

	Pooled			Suffrage	Fiscal
	Model 1	Model 2	Model 3	Model 4	Model 5
Personal Wealth		−0.007***		−0.008	−0.009*
		(0.003)		(0.005)	(0.005)
Personal Wealth x Fiscal			−0.007**		
			(0.004)		
Personal Wealth x Suffrage			−0.007*		
			(0.004)		
Number of Strikes				0.002	−0.003*
				(0.003)	(0.002)
Vote Share				−0.121	0.044
				(0.146)	(0.130)
Turnout				−0.120	−0.061
				(0.156)	(0.137)
Margin to Nearest Competitor				−0.134	0.006
				(0.171)	(0.157)
Tenure				−0.003	−0.004
				(0.004)	(0.003)
Share Catholic				−0.040	−0.465***
				(0.119)	(0.097)
Share Tax Liable in District				0.595	3.369
				(2.852)	(2.051)
Liberal	0.385***	0.433***	0.433***	0.383***	0.373***
	(0.027)	(0.033)	(0.033)	(0.071)	(0.062)
Socialist	0.523***	0.602***	0.602***	0.568***	0.281***
	(0.034)	(0.047)	(0.047)	(0.113)	(0.080)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes
N	1028	675	675	249	270
Adj. R2	0.35	0.36	0.36	0.29	0.43

Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
The reference political allegiance is confessional. Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

In Table 3.5, I show more extensive analyses of the separate set of laws. I also include slightly different control variables, as the entire set of control variables is subject to high correlations. There are minor differences between the pooled model and the decomposed model. First, in the most extensive model, the coefficient on personal wealth on fiscal legislation is negative and attains significance, whereas the coefficient on personal wealth in suffrage extensions is negative, but is not significant at the 10% level in the most extensive specification. However, both coefficients seem to be bordering on significance in most specifications. Effectively, the estimates are not particularly sensitive to the specific model: most of the estimates for personal wealth hover around -0.010. As in Table 3.4, most of the control variables again seem to have a negligible effect in

Table 3.5: OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation

	Suffrage Extension			Fiscal Legislation		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Personal Wealth	−0.007*	−0.008*	−0.008	−0.007*	−0.007	−0.009*
	(0.004)	(0.005)	(0.005)	(0.004)	(0.004)	(0.005)
Number of Strikes		0.003	0.002		0.000	−0.003*
		(0.003)	(0.003)		(0.001)	(0.002)
Vote Share		−0.095	−0.121		0.039	0.044
		(0.148)	(0.146)		(0.126)	(0.130)
Turnout		−0.078	−0.120		−0.080	−0.061
		(0.155)	(0.156)		(0.131)	(0.137)
Margin to Nearest Competitor		−0.135	−0.134		−0.032	0.006
		(0.169)	(0.171)		(0.155)	(0.157)
Tenure		−0.003	−0.003		−0.003	−0.004
		(0.004)	(0.004)		(0.003)	(0.003)
Share Catholic		−0.040	−0.040		−0.426***	−0.465***
		(0.117)	(0.119)		(0.096)	(0.097)
Share Tax Liable in District			0.595			3.369
			(2.852)			(2.051)
Liberal	0.421***	0.389***	0.383***	0.488***	0.395***	0.373***
	(0.052)	(0.068)	(0.071)	(0.046)	(0.058)	(0.062)
Socialist	0.498***	0.584***	0.568***	0.506***	0.344***	0.281***
	(0.080)	(0.108)	(0.113)	(0.051)	(0.069)	(0.080)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	282	257	249	342	309	270
Adj. R2	0.30	0.29	0.29	0.36	0.42	0.43

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

The reference political allegiance is confessional. Personal Wealth is defined as ihs(Wealth at Time of Vote).

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

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

explaining the variation in voting behavior, conditional on party and law dummies. The party indicators show that liberals and socialist are more likely to vote in favor of the legislation than confessional politicians, both in the case of suffrage extensions and in the case of fiscal legislation. As before, Catholic share is a predictor with a negative effect in the case of fiscal legislation, but not in the case of suffrage extensions.

3.4.3 Endogeneity and Selection

There are various reasons why the estimates in Tables 3.4 and 3.5 might not be trustworthy. One particular explanation of the correlation between politicians' personal wealth and voting behavior could be that politicians might be rewarded for their votes or voting profiles (and subsequently accumulate that wealth), so that the causal relationship runs in the reverse direction (see e.g. Fisman et al., 2014). As a first attempt to isolate the variation in voting behaving driven by personal wealth, rather than the other way around, I make use of the arguably random timing of

death among politicians. Some politicians have died relatively recently after their political career, leaving them little time to accumulate additional wealth or otherwise reap the rewards of their voting behavior. If the aforementioned explanation plays a large role in driving the results, there should be a large difference between the subsample of politicians that died within two years of ending their political career and politicians who did not.

In Table 3.6, I perform a difference-in-differences analysis, contrasting the two subpopulations of politicians. The results show convincingly that this explanation does not play a large effect in driving the correlation between wealth and voting behavior. All the interaction effects with the dummy *Died W 2 Yrs* are insignificant, as are the dummies reflecting an average difference in wealth between politicians who died early, and those who did not. Compared to the analysis in Tables 3.4 and 3.5, the point estimates on personal wealth are slightly higher, point in the hypothesized direction, and five out of six models show significance. On the other hand, the significance is fragile, and the point estimates appear to be sensitive to the inclusion of controls. In the analyses of suffrage extension, the point estimates of the interaction effect between personal wealth and dying shortly after career end in the analyses of suffrage extension is also about as large in magnitude as the original coefficient on personal wealth, hinting that the actual effect might be close to zero. On the other hand, this coefficient is never significant. For both suffrage extension and fiscal legislation, after the addition of control variables, the results are significant at the 10% level.

Despite some initial evidence confirming the relevance of personal interests in both suffrage extensions, but especially fiscal legislation, there might still be many reasons why the this approach does not isolate the effect of personal wealth on voting behavior. More specifically, there are various explanations making it plausible that the coefficient is biased towards zero. For example, politicians' consumption and investment behavior might be correlated with their voting behavior, such that politicians who likely vote against might have consumed more of their income, reducing the correlation between personal wealth and voting behavior. Similarly, voting behavior and wealth could both be a consequence of regional alignments (Knippenberg et al., 2000). I partially control for the influence of regional (district-level) inequalities by including a proxy of the districts' economic activity and professional composition, which likely captures economic, but not other kinds (spiritual, ideological) of attach-

Table 3.6: Endogeneity Test for Suffrage Extension and Fiscal Legislation

	Pooled		Suffrage		Fiscal	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Personal Wealth	−0.008*	−0.010**	−0.012*	−0.013*	−0.009	−0.016*
	(0.004)	(0.004)	(0.007)	(0.007)	(0.006)	(0.008)
Died W 2 Yrs	0.028	0.033	0.032	0.023	0.031	−0.036
	(0.063)	(0.069)	(0.109)	(0.107)	(0.095)	(0.107)
Personal Wealth x Died W 2 Yrs	0.002	0.006	0.011	0.013	0.002	0.009
	(0.006)	(0.006)	(0.009)	(0.009)	(0.008)	(0.009)
Number of Strikes		0.000	0.004	0.003	0.000	−0.004**
		(0.001)	(0.003)	(0.004)	(0.001)	(0.002)
Vote Share		−0.055	−0.121	−0.144	0.027	0.033
		(0.101)	(0.143)	(0.140)	(0.127)	(0.131)
Turnout		−0.138	−0.153	−0.196	−0.085	−0.086
		(0.105)	(0.153)	(0.152)	(0.135)	(0.140)
Margin to Nearest Competitor		−0.074	−0.143	−0.148	−0.025	0.016
		(0.116)	(0.168)	(0.170)	(0.154)	(0.157)
Tenure		−0.004*	−0.004	−0.004	−0.004	−0.005*
		(0.002)	(0.004)	(0.004)	(0.003)	(0.003)
Share Catholic		−0.281***	−0.130	−0.130	−0.443***	−0.485***
		(0.077)	(0.120)	(0.121)	(0.096)	(0.097)
Share Tax Liable in District				0.661		3.343
				(2.826)		(2.051)
Liberal	0.457***	0.376***	0.365***	0.361***	0.389***	0.368***
	(0.034)	(0.045)	(0.070)	(0.072)	(0.058)	(0.061)
Socialist	0.496***	0.381***	0.612***	0.600***	0.327***	0.277***
	(0.043)	(0.060)	(0.106)	(0.111)	(0.072)	(0.086)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
N	629	571	257	249	314	275
Adj. R2	0.33	0.36	0.30	0.31	0.41	0.42

Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
The reference political allegiance is confessional. Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

ments towards a region. Finally, politicians might decide on the basis of politician-specific, rather than party, ideology. A correlation between wealth and politician-specific ideology can also potentially cause a downward bias of the (ceteris paribus) effect of wealth on voting behavior.

To isolate the impact from all of the aforementioned threats to identification, I employ an instrumental variable strategy, using an indicator whether the father of a politician was himself politically active as an instrument. First, I report the results on suffrage extensions, in Table 3.7 and then I report the results for fiscal legislation in Table 3.8.

When focusing on the first-stage results, it becomes clear that *Father Politician* is a significant predictor for Politicians' Wealth. This is especially clear in the analyses of fiscal legislation (Table 3.8), where the Kleibergen-Paap statistic is generally high and the *p*-value < 0.01. In the case of suffrage extension, the statistics are generally lower, hinting at the possible presence of a weak instrument problem (Hahn and Haus-

Table 3.7: IV Estimates of Wealth on the Propensity to Vote for Suffrage Extensions

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Father Politician	2.125***		1.826**		1.329*	
	(0.676)		(0.788)		(0.793)	
Personal Wealth		−0.028		−0.046		−0.085
		(0.030)		(0.042)		(0.076)
Vote Share			−3.982*	−0.318	−3.999*	−0.608
			(2.061)	(0.249)	(2.302)	(0.376)
Turnout			2.707	0.029	2.994**	0.203
			(1.673)	(0.219)	(1.457)	(0.317)
Margin to Nearest Competitor			1.060	−0.018	0.470	0.049
			(3.208)	(0.235)	(3.400)	(0.345)
Tenure			0.022	−0.002	0.047	0.000
			(0.037)	(0.005)	(0.037)	(0.008)
Share Catholic			−0.187	−0.088	−2.074*	−0.247
			(1.016)	(0.137)	(1.181)	(0.268)
Share District in Industry					−1.502	−0.279
					(3.999)	(0.658)
Share Tax Liable in District					−1.083**	−0.078
					(0.513)	(0.087)
Liberal	1.376**	0.446***	0.930	0.394***	1.134*	0.400***
	(0.667)	(0.069)	(0.667)	(0.086)	(0.683)	(0.120)
Socialist	0.768	0.500***	3.782***	0.699***	4.397***	0.847**
	(1.800)	(0.107)	(0.992)	(0.183)	(1.375)	(0.338)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		9.5		6.43		3.77
N	236	236	213	213	180	180
Adj. R2	0.05	0.23	0.07	0.13	0.17	−0.16

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
Personal Wealth is defined as ihs(Wealth at Time of Vote), and instrumented by Fathers profession.
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

man, 2003), but even in the worst case, the statistic is still significant at the 5%-level. In any case, when focusing on the second stage, the results between fiscal legislation and suffrage extension begin to diverge. In the analysis of suffrage extension, the standard errors on the estimated coefficient on personal wealth are very high, and the corresponding coefficients lack significance. In the analysis of fiscal legislation, the coefficients are highly significant and in the expected direction. The coefficient estimate for personal wealth in Table 3.8, model 4, for example, implies that a 1% increase in a politician's personal wealth would decrease their propensity to vote in favor of fiscal legislation with 0.5 percentage points. This is a potentially large effect. I focus on the interpretation in detail in section 3.4.4.

There is a possibility that the instrument violates the exclusion restrictions, and the IV estimates thus suffer from endogeneity bias themselves. I undertake two strategies to counter this conjecture. First, I make more plausible that the instrument satisfies the exclusion restricting by conducting an analysis on a set of placebo laws concerning government in-

Table 3.8: IV Estimates of Wealth on the Propensity to Vote for Fiscal Reforms

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Father Politician	2.965***		2.424***		2.156***	
	(0.497)		(0.515)		(0.570)	
Personal Wealth		−0.041**		−0.049**		−0.062**
		(0.018)		(0.023)		(0.031)
Vote Share			−2.929	−0.131	−2.959	−0.156
			(2.175)	(0.177)	(2.357)	(0.229)
Turnout			4.646**	0.129	3.937**	0.082
			(2.088)	(0.201)	(1.888)	(0.225)
Margin to Nearest Competitor			1.162	0.042	2.416	0.108
			(2.426)	(0.186)	(2.292)	(0.234)
Tenure			0.038	−0.001	0.013	−0.005
			(0.035)	(0.003)	(0.041)	(0.004)
Share Socialist Vote in District			−4.242*	−0.185	−5.647**	−0.267
			(2.448)	(0.182)	(2.860)	(0.259)
Share Catholic			1.478	−0.372***	0.427	−0.432***
			(1.265)	(0.113)	(1.355)	(0.130)
Share District in Industry					3.975	−0.235
					(5.581)	(0.425)
Liberal	1.349**	0.522***	1.971***	0.454***	1.567**	0.448***
	(0.592)	(0.052)	(0.745)	(0.078)	(0.766)	(0.086)
Socialist	1.977*	0.534***	3.823**	0.450***	3.957**	0.447***
	(1.125)	(0.067)	(1.547)	(0.120)	(1.687)	(0.150)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		20.58		13.41		12.36
Selection Ratio				20.88		1.04
N	346	346	312	312	240	240
Adj. R2	0.11	0.22	0.11	0.22	0.13	0.18

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
Personal Wealth is defined as ihs(Wealth at Time of Vote), and instrumented by Fathers profession.
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

tervention in appendix 3.A. Second, I use a second, completely unrelated, instrument: *Expected Inheritance*. Due to data restrictions[11], this entails a sharp reduction in sample size, and this model can only be reliably estimated for the subsample of votes on fiscal legislation. However, as the analysis in Table 3.9 show, the results show that *Expected Inheritance* is strongly and significantly related to personal wealth, and that the results are again highly significant and in line with the results in Table 3.8. The results in Table 3.9 strongly corroborate the results in Table 3.8, indicating that there is a strong and significant negative effect of personal wealth on the likelihood of adopting fiscal legislation. The result is such that a 1% increase in wealth would cause a 0.4 percentage point decline in the propensity to vote in favor of fiscal legislation, all else equal. The magnitude of the most elaborate specification, Model 6, is also very similar to the magnitudes of the coefficients estimated in Table 3.8. The

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[11]The archival sources for probate inventories are publicly available for deceased persons between 1877 and 1927. A significant part of the parents of politicians died before or after this period.

results show that the coefficient sign is stable over various models, and the coefficient is significant in the three IV-specifications I report, despite the relatively low number of observations and the non-rejection of the null hypothesis of weak instruments. In the last two columns, I report the reduced-form estimates for models 4 and 6 respectively. The reduced form estimates show a negative sign, and in case of model 8, is highly significant.

Table 3.9: IV Estimates of Wealth on the Propensity to Vote for Fiscal Reforms

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote	Reduced Form	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Expected Inheritance	0.262***		0.237**		0.235***		−0.008	−0.010**
	(0.088)		(0.111)		(0.084)		(0.006)	(0.005)
Personal Wealth		−0.031*		−0.033*		−0.041**		
		(0.017)		(0.017)		(0.020)		
Vote Share			−8.924**	−0.067	−8.873**	−0.097	0.224	0.270
			(3.811)	(0.235)	(4.007)	(0.282)	(0.178)	(0.187)
Turnout			8.527**	0.276	6.486*	0.352	−0.002	0.084
			(4.009)	(0.301)	(3.482)	(0.336)	(0.188)	(0.217)
Margin to Nearest Competitor			7.188*	−0.034	4.884	0.018	−0.269	−0.184
			(4.056)	(0.265)	(3.732)	(0.300)	(0.251)	(0.265)
Tenure			0.006	0.001	−0.045	−0.004	0.001	−0.002
			(0.055)	(0.004)	(0.061)	(0.005)	(0.003)	(0.004)
Share Socialist Vote in District			−3.727	−0.176	−2.349	−0.398*	−0.054	−0.301
			(2.307)	(0.194)	(2.806)	(0.220)	(0.143)	(0.198)
Share Catholic			2.536	−0.064	−0.565	−0.391*	−0.147	−0.368*
			(2.272)	(0.187)	(1.821)	(0.222)	(0.166)	(0.196)
Share District in Agriculture					2.255	−0.316		−0.409
					(5.626)	(0.428)		(0.451)
Share Tax Liable in District					−57.883	1.934		4.326
					(66.802)	(3.668)		(2.963)
Liberal	1.573	0.544***	2.389*	0.545***	0.754	0.401***	0.467***	0.370***
	(1.042)	(0.073)	(1.318)	(0.124)	(0.899)	(0.141)	(0.097)	(0.127)
Socialist	0.082	0.511***	1.440	0.478***	0.029	0.349**	0.431***	0.348**
	(1.553)	(0.087)	(1.993)	(0.144)	(1.623)	(0.163)	(0.111)	(0.137)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		2.33		2.1		2.41	8.14	5.64
Selection Ratio				0.63		0.55		
N	171	171	152	152	108	108	152	108
Adj. R2	0.07	0.27	0.08	0.28	0.14	0.29	0.40	0.41

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
Personal Wealth is defined as ihs(Wealth at Time of Vote), and instrumented by Exp. Inheritance.
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Finally, there are two concerns related to selection: first, there is a concern that the omitted observations due to the unavailability of probate inventories introduce a selection bias in the sample, such that the politicians who end up in the sample are perhaps more susceptible towards being influenced by personal wealth. The direction of the bias could also be the opposite: politicians that are less susceptible to be influenced by personal wealth ended up disproportionally in the sample. In Table 3.10, I show that politicians are virtually missing at random with respect to many observable characteristics, conditional on law. Significantly, I do not oversample liberal, confessional or socialist politicians relative to the population, conditional on law and other factors. The only

reservations in this respect are that I am more likely to observe politicians who are younger, for which the coefficient is statistically significant but economically not meaningful, and that my sample is slightly skewed towards politicians who represent more Catholic districts. The reason for this is the limited availability of the archival sources: politicians who died later are more likely to have died after 1927, which means their probate inventories could not have been found.

Table 3.10: Selection Equations for Suffrage Extension and Fiscal Legislation

	Pooled			Suffrage		Fiscal	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Died W 2 Yrs		0.078**	0.073**	−0.005	−0.086	0.132***	0.112**
		(0.033)	(0.035)	(0.049)	(0.055)	(0.044)	(0.052)
Number of Strikes		0.001	−0.001	−0.002	−0.002	0.001	0.000
		(0.001)	(0.003)	(0.005)	(0.005)	(0.001)	(0.003)
Vote Share		0.011	−0.011	0.120	0.180	−0.111	−0.136
		(0.081)	(0.084)	(0.114)	(0.123)	(0.119)	(0.129)
Age at Time of Vote		0.008***	0.007***	0.010***	0.010***	0.008***	0.005*
		(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)
Turnout		−0.020	0.011	0.045	0.054	−0.104	−0.146
		(0.091)	(0.097)	(0.118)	(0.129)	(0.144)	(0.159)
Margin to Nearest Competitor		0.091	0.092	−0.017	−0.021	0.184	0.162
		(0.091)	(0.095)	(0.139)	(0.150)	(0.127)	(0.133)
Tenure		−0.002	0.001	0.002	0.003	−0.005	−0.001
		(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)
Share Catholic			0.107		0.186*		0.212**
			(0.066)		(0.101)		(0.097)
Share District in Agriculture					0.001		0.005
					(0.003)		(0.003)
Share Tax Liable in District			0.084		−0.913		2.802
			(1.481)		(2.527)		(2.629)
Liberal	0.033	0.009	0.038	0.005	0.102*	0.019	0.085
	(0.031)	(0.032)	(0.040)	(0.045)	(0.059)	(0.045)	(0.058)
Socialist	−0.005	0.038	0.125	0.170	0.213	0.000	0.124
	(0.057)	(0.076)	(0.090)	(0.177)	(0.180)	(0.084)	(0.114)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	946	795	725	332	280	463	343
Adj. R2	0.13	0.07	0.07	0.03	0.04	0.08	0.08

The reference political allegiance is confessional. The dependent variable is 1 if wealth observed, 0 otherwise. Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Secondly, there is a concern that unobservables (omitted variables) are in fact responsible for the observed effects in these analysis. The R-squared of most of the models hovers around 30 to 40%, implying that party indicators explain about 30 to 40% of the variation in voting behavior on suffrage and fiscal laws. In the remainder of the models, the coefficient is fairly stable across models and robust to the inclusion of controls. However, the explanatory power of the additional variables is very marginal. To test the robustness of the estimated effect to selection

bias caused by omitted variables, I also employ the method suggested by
Altonji et al. (2005) and Oster (2019) to account for selection on unob-
servables. Specifically, I proceed starting from the model conditional on
law and party, and I suppose that a maximum R-squared is about 0.75,
so about twice the R-squared of the minimal model, and calculate how
strong the selection on unobservables (the correlation between wealth
and the unobserved variables) should be in relation to selection on ob-
servables such that the estimated coefficient on personal wealth equal
zero. I report this statistic under *Selection Ratio* in Tables 3.8 and 3.9.
This ratio indicates that the correlation between unobservable variables
and personal wealth should be x times stronger than the correlation be-
tween the observable control variables and personal wealth in order to
explain away the effect attributed to personal wealth on voting behavior.
In Table 3.8, I find that both selection ratios are greater than 1, indi-
cating that the correlation between wealth and unobservables has to be
higher than the correlation between the observables and wealth. Given
that the correlation between observables and wealth is generally high (as
evidenced by the first-stage regressions), I consider the results robust to
omitted variable bias. In Table 3.9, the critical δ is smaller than one in
both cases, but again, given that the selection on observables is strong, I
consider it unlikely that selection on unobservables is responsible for the
coefficient estimates.

3.4.4 Interpretation

The above results show a statistically significant effect of politicians' per-
sonal wealth on their voting behavior. The instrumental variable analysis
provide ample evidence that the relationship is causal instead of merely
correlation. A causal interpretation also allows for counterfactuals, so as
to investigate what would have happened, had politicians been wealthier
(or poorer), all else equal. This also helps obtain a comprehensive view
of the *economic* impact of personal wealth under the estimates implied by
these models. I interpret the impact of the personal wealth on the voting
propensity by means of the predicted probabilities, and then focus on the
aggregate effect of these predictions on the overall acceptance of the laws.
More specifically, the probability of acceptance on each law on which N
politicians vote, is characterized by the probability that $k > \frac{N}{2}$ in a Pois-
son binomial distribution consisting of the sum of N Bernoulli variables,
each independently distributed according to the predicted probability for

politician i, $\hat{p}_i$, meaning that the majority of politicians vote in favor of the law. In Figure 3.3, I plot this probability, corresponding to the probability of acceptance of the laws calculated by the distribution implied by the predicted $\hat{p}_i = f(W_i, X_i)$, against $\alpha \cdot W_i$, with $\alpha \in [1, 10]$, keeping all the control variables constant. I focus on the fiscal laws, for which the effects are the most pronounced and use the coefficients of the IV specification in Table 3.8, Model 4 for panel A. The plot in Figure 3.3 represents the change in the probability of acceptance of the law if politicians all get richer by a factor α.
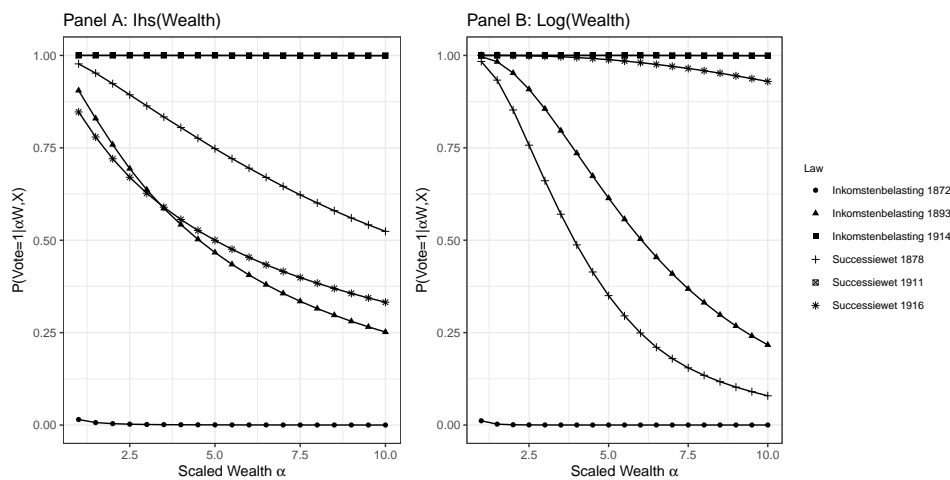
Figure 3.3: Probability of Acceptance for Various Laws

The results show that the influence of wealth on the probability of acceptance is also economically significant. Specifically, panel A of the figure computes the probability of acceptances given the predicted p_i's based on a scaled wealth level for all the politicians. In section 3.2, I described that the median lower house member was about 10 times poorer in 1910 than in 1870, so an $\alpha = 10$ roughly corresponds to the counterfactual situation where a member of parliament in 1910 would act under exactly the same constraints as in 1910, only then while being as wealthy as a member of parliament in 1870. The results show that this would have made a significant difference, specifically in the case of three laws: the introduction of the inheritance tax for lineal descendants in 1878, the introduction of income tax in 1893, and a rate hike on the inheritance tax in 1916. In panel B, I show the results implied by another, comparable model, Model 4 in Appendix Table 3.A.3. The results in panel B show a pattern similar to the results in panel A. The influence of wealth on the acceptance of the inheritance tax rate hike in 1916, however, is

much more pronounced in panel A than in panel B. Arguably, the most important result from panels A and B is that the laws in which personal interests mattered most are the laws that pioneer the inheritance tax and the income tax. These laws both represented a paradigm shift, and it is precisely here that politicians' personal wealth levels would have made a difference: if politicians would have been substantially richer, these laws would not have been accepted at all. Apart from representing a paradigm shift, Figure 3.1 also implies that the *marginal* increase in taxes (and thus in expected personal costs) was the highest precisely for these three laws. Indirectly, this also supports my interpretation for the lack of a robust effect for the suffrage extension votes, as the expected personal costs carried by politicians was likely to be low. The effects of personal wealth for the outcome of 1872 income tax, which was rejected, are also strong. Calculations that imply *ceteris paribus* politicians, only less wealthy, would have increased the probability of acceptance of that law substantially. All in all, these results show that the effect of personal wealth on voting behavior in fiscal legislation is economically meaningful and that this result is driven by a few particular laws that pioneered legislation in this area. In appendix 3.A, I conduct robustness checks of various kind to show that these results are not sensitive to alternative specifications and definitions, and I expand on instrumental validity, providing several tests that make it more plausible that instrument validity is satisfied. In addition, I include falsification exercises with laws that have an ideological charge, but do not plausibly have an impact on politicians' finances.

3.5   Conclusion

Wealthier politicians were less likely to vote in favor of fiscal legislation than less wealthy politicians, controlled for a wide array of other explanatory variables, most notably political party alignment. In the analyses of suffrage extensions, the correlation between politicians' personal wealth and their voting behavior is not entirely absent, but closer to zero and often fails to attain significance. I have undertaken several steps to argue for a causal interpretation of the results in section 3.4. I started by undertaking a basic control-based approach, isolating the effect of wealth from potentially correlated factors, such as district-specific factors or political competition. Nevertheless, it could still be a possibility that politician-specific effects are correlated with wealth, rendering the results spurious or non-causal. One of the ways in which this correlation can arise is when

politicians are rewarded in some way for their voting behavior by interest groups (Fisman et al., 2014). I investigated the possibility by comparing the relationship between wealth and voting behavior between two groups: politicians who died relatively quickly after terminating their political career, and politicians who did not. The effect size for the effect of personal wealth is slightly larger in magnitude than the OLS results, potentially indicating a potential downward bias in the OLS estimates.

Afterwards, to further isolate the influence of personal wealth from other effects induced by endogeneity, I used instrumental variable estimation with a variety of plausible instruments, isolating the direct influence of personal wealth on voting behavior through exploiting variation in wealth that likely does not have a direct effect on voting behavior. The results of these analyses show a significant negative relationship between personal wealth and voting behavior on fiscal legislation. Furthermore, the results are consistent across models, and across instruments, making it unlikely that endogeneity bias is responsible for the results. I also run various placebo tests in appendix 3.A, analyzing laws that do not plausible affect a politicians' personal finances after accepting, and I find the effect is absent there. This dispels fears such as the results being generated by another, latent part of ideology or peer effects, since these mechanisms should also systematically be related to voting behavior on non-fiscal laws. Concerning the magnitude of the effect of self-interest on political decision-making, the results in this chapter are likely a lower bound. The reason is that all the estimates are conditional on political party membership, and there likely is also a relationship between self-interest and political party choice.

The findings have several implications. First, the analysis makes it likely that the domination of parliament by wealthy individuals might have obstructed and delayed fiscal expansion in the context of nineteenth-century transition from oligarchy to democracy. Subsequently, the secular decline in wealth of political elites has facilitated the transition to a larger government. While this trend has been noted by economic historians (Piketty et al., 2006), the theoretical political economy literature has typically not focused on its implications (cf. Acemoglu and Robinson, 2001; Besley, 2004; Lizzeri and Persico, 2004). To my knowledge, this is the first study to sketch a simple mechanism through which personal wealth impacts political decision-making using a simple framework, and to quantitatively assess such a claim. This analysis also shows that, at least in the context of the Netherlands, these trends in parliamentary

composition have no immediate effects on suffrage extensions, as these institutional changes do not readily affect politicians' personal finances. This finding also contributes to the literature on the determinants of taxation (Besley and Persson, 2013) and particularly identifies the influence of parliamentary composition.

Additionally, the analysis relates to the Dutch political history literature (Lijphart, 1975; De Rooy, 2014; Turpijn, 2017) by introducing a previously overlooked factor that could determine politicians' decision-making: personal wealth. At the same time, this chapter illustrates that personal wealth plays an important, but limited role in politicians' decision-making, and that ultimately, political historians have fairly characterized the Dutch political transition by being primarily driven by ideological factors and party alignment.

Due to limited availability of data, the results could potentially be skewed towards politicians for which the effect was present. There are several arguments against this explanation. Theoretically, it is implausible that the probate inventories of politicians who prioritized personal wealth should be easier to find than probate inventories of politicians who did not. Practically, I empirically investigate whether data collection was skewed towards certain politicians in Table 3.10. Conditional on a particular law, I find that there is no meaningful relationship between observable characteristics and being present in the sample.

Appendix

3.A Robustness Checks

3.A.1 Alternative Specifications and Definitions

I proceed to show that the results in the previous section are not particularly sensitive to the modeling strategies employed in this chapter. To that end, I first show fixed-effect logit regressions, stratified according to law and party (Verbeek, 2008). I estimate separate models for suffrage extension and fiscal legislation in Table 3.A.1. The distinction between politicians' susceptibility to personal interests is also clear from these regressions: in all of the models analyzing suffrage extension, the coefficient shows the expected sign, but is never statistically significant, whereas in the analyses of fiscal legislation, the coefficient on personal wealth is negative, and significant in all models. The control variables also correspond to the controls in the linear probability model: the variable that stands out is again the share of Catholic inhabitants of a district, which has strong negative predictive power for the acceptance probability of fiscal legislation.

Secondly, a key part of the methodology, isolating the influence of personal wealth from the influence of portfolio returns and investment behavior of politicians, encompassed an estimation of a politician's wealth at the time of voting. In Table 3.A.2, I show the results of OLS and IV regressions using not estimated wealth at the time vote, but actual (deflated) wealth at the time of death. The results are not sensitive to the procedure, and show the same coefficient estimates in the analysis conducted by OLS (models 1-3), and also in IV analyses (models 4-6). As in Table 3.8, the addition of control variables make the effect stronger than in the uncontrolled case. Additionally, several control variables are significant: as before, the share of Catholics in a district has a negative influence on the acceptance probability, but surprisingly, a district's wealth

Table 3.A.1: Logit Analysis of Suffrage Extension and Fiscal Legislation

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

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

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

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

is positively correlated with the probability of acceptance by their representative.

Furthermore, throughout the analysis, I have employed the inverse hyperbolic sine transformation for wealth. In panel B in Figure 3.3, I have already contrasted results from this transformation to results employing a natural logarithm to transform wealth. This goes at the cost of several observations, as inverse hyperbolic sine is defined for negative net wealth, whereas the natural log is not. Nevertheless, I employ the natural log in OLS and IV regressions in Table 3.A.3. Again, the results are not at all sensitive to the particular transformation. The analyses show again a strong negative effect of personal wealth on voting behavior, such that a 1% increase in wealth would cause a 0.1% decrease in the propensity to vote for fiscal laws, all else equal.

Additionally, I have employed a classification of political parties into three main factions: confessional politicians, liberals and socialists. I have also explored the robustness of my analysis to a more heterogeneous classification of political parties. In particular, I have split up confessional

Table 3.A.2: IV Analysis of Fiscal Legislation - Robustness Check

	OLS			IV		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Personal Wealth	−0.007*	−0.006	−0.009*	−0.037**	−0.046**	−0.049**
	(0.004)	(0.004)	(0.004)	(0.016)	(0.021)	(0.022)
Number of Strikes		0.000	−0.002		−0.001	−0.012*
		(0.001)	(0.004)		(0.001)	(0.007)
Vote Share		0.009	0.013		−0.126	−0.089
		(0.125)	(0.131)		(0.159)	(0.158)
Turnout		−0.096	−0.055		0.128	0.183
		(0.144)	(0.150)		(0.201)	(0.213)
Margin to Nearest Competitor		−0.018	0.022		0.041	0.052
		(0.144)	(0.148)		(0.166)	(0.170)
Tenure		−0.003	−0.005*		−0.002	−0.004
		(0.003)	(0.003)		(0.003)	(0.003)
Share Socialist Vote in District		0.016	−0.202		−0.183	−0.275
		(0.160)	(0.193)		(0.208)	(0.223)
Share Catholic		−0.430***	−0.473***		−0.378***	−0.420***
		(0.092)	(0.094)		(0.110)	(0.113)
Share Tax Liable in District			4.324*			6.088**
			(2.244)			(2.798)
Liberal	0.482***	0.384***	0.373***	0.510***	0.456***	0.420***
	(0.043)	(0.054)	(0.057)	(0.051)	(0.074)	(0.070)
Socialist	0.518***	0.337***	0.332***	0.558***	0.482***	0.482***
	(0.077)	(0.103)	(0.119)	(0.089)	(0.144)	(0.160)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.				20.46	13.01	13.5
N	347	311	272	351	316	277
Adj. R2	0.36	0.41	0.43	0.22	0.20	0.24

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

The reference political allegiance is confessional.

Personal Wealth is defined as ihs(Wealth at Death), and instrumented by Father Politician.

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

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

politicians into Protestants and Catholics. All the results are invariant to this classification, which I demonstrate in Tables 3.A.4, 3.A.5 and 3.A.6.

The tables show a replication of the results in the main text, for the OLS analyses as well as the IV analysis: there is again no discernible effect of personal wealth on voting behavior for suffrage extensions, but the effect of personal wealth on the likelihood of accepting fiscal legislation is again there. The coefficient estimates are also highly similar to the coefficient estimates in the parallel analyses in the main text.

Finally, in most specifications, I have opted for law fixed-effects and party fixed-effects, while not considering law-party fixed-effects. In Tables 3.A.7 and 3.A.8, I show that the main results are invariant to the incorporation of these additional dummies. At times, the statistical significance even improves compared to the main results, but the magnitudes are very similar, indicating that party behavior is generally consis-

Table 3.A.3: IV Estimates of Wealth on the Propensity to Vote for Fiscal Reforms

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Father Politician	1.368***		1.287***		1.567***	
	(0.177)		(0.189)		(0.221)	
Personal Wealth		−0.084**		−0.093**		−0.091**
		(0.038)		(0.043)		(0.040)
Vote Share			−0.034	0.025	−0.132	0.004
			(0.690)	(0.154)	(0.719)	(0.173)
Turnout			0.920	0.002	1.197	−0.056
			(0.804)	(0.171)	(0.846)	(0.189)
Margin to Nearest Competitor			0.238	−0.050	0.223	−0.006
			(0.755)	(0.191)	(0.784)	(0.210)
Tenure			0.026**	0.000	0.027*	−0.003
			(0.012)	(0.003)	(0.014)	(0.004)
Share Socialist Vote in District			−0.833	0.013	−1.868**	−0.066
			(0.818)	(0.147)	(0.827)	(0.203)
Share Catholic			−0.356	−0.509***	−0.528	−0.531***
			(0.421)	(0.105)	(0.484)	(0.119)
Share District in Industry					0.443	−0.439
					(1.223)	(0.342)
Liberal	0.406**	0.520***	0.377	0.384***	0.348	0.380***
	(0.189)	(0.050)	(0.247)	(0.064)	(0.280)	(0.073)
Socialist	−0.679	0.423***	−0.062	0.249**	1.462**	0.341***
	(0.427)	(0.078)	(0.624)	(0.098)	(0.601)	(0.113)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		43.07		33.97		42.59
N	321	321	292	292	230	230
Adj. R2	0.20	0.31	0.15	0.33	0.19	0.33

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise. Personal Wealth is defined as log(1+Wealth at Time of Vote), and instrumented by Fathers profession.
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

tent across laws.

3.A.2 Instrument Validity

One of the threats to identification is invalidity of the instrumental variable, which happens if there is a direct causal link between the instrument and the outcome variable (Angrist and Pischke, 2008; Wooldridge, 2010). This exclusion restriction cannot readily be tested, because any significant correlation between the instrument and outcome variable could be interpreted as the effect through the endogenous variable, whereas the absence of correlation merely indicates the instrument is likely weak. The instrument that I use, *Father Politician*, could theoretically be an endogenous variable if being a member of a political family instills certain values that are reflected in voting behavior, even after controlling for political party and other confounding factors, distorting the coefficient estimates in the IV regressions. I have already undertaken a first step to make this explanation less likely: using a completely unrelated instrument gives similar coefficient estimates in Table 3.9.

Table 3.A.4: OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation

	Pooled			Suffrage	Fiscal
	Model 1	Model 2	Model 3	Model 4	Model 5
Personal Wealth		−0.008***		−0.009*	−0.010**
		(0.003)		(0.005)	(0.005)
Personal Wealth x Fiscal			−0.008**		
			(0.004)		
Personal Wealth x Suffrage			−0.009**		
			(0.004)		
Number of Strikes				0.001	−0.004***
				(0.002)	(0.001)
Vote Share				−0.149	−0.034
				(0.149)	(0.107)
Turnout				−0.065	0.074
				(0.154)	(0.135)
Margin to Nearest Competitor				−0.130	0.049
				(0.175)	(0.126)
Tenure				−0.004	−0.004
				(0.003)	(0.003)
Share Catholic				−0.007	−0.268*
				(0.177)	(0.146)
Share Tax Liable in District				−1.744	−0.051
				(3.050)	(1.961)
Liberal	0.388***	0.486***	0.487***	0.443***	0.469***
	(0.032)	(0.037)	(0.037)	(0.136)	(0.109)
Socialist	0.495***	0.622***	0.622***	0.474***	0.467***
	(0.038)	(0.056)	(0.056)	(0.181)	(0.139)
Protestant	−0.083**	−0.024	−0.023	−0.032	−0.064
	(0.039)	(0.049)	(0.050)	(0.141)	(0.113)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes
N	1017	675	675	253	308
Adj. R2	0.38	0.41	0.41	0.32	0.52

Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
The reference political allegiance is Catholic. Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Secondly, as a placebo test, I analyze voting behavior on a set of laws considering *government regulation*, i.e., government regulating and intervening markets without bringing forth obvious personal costs to politicians. Importantly, these laws are supposed to be object of the specific beliefs by politicians. For example, if descendants of political families are *ceteris paribus* either more statist or more anti-statist, it is likely to be expressed in these particular votes. On the other hand, it is very unlikely that politicians' personal wealth directly influences voting behavior in these laws, as there are no apparent personal costs or benefits to politicians. Hence, any effect of *Political Families* would be a direct *ceteris paribus* effect of political families' beliefs on voting behavior, rather than an indirect effect through wealth. If that is the case, the exclusion

Table 3.A.5: IV Estimates of Wealth on the Propensity to Vote for Suffrage Extensions

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Father Politician	1.933***		1.708**		1.412*	
	(0.665)		(0.779)		(0.787)	
Personal Wealth		−0.020		−0.029		−0.050
		(0.031)		(0.041)		(0.059)
Vote Share			−3.446*	−0.263	−3.379*	−0.468*
			(1.903)	(0.219)	(1.860)	(0.269)
Turnout			2.639	0.059	3.197**	0.204
			(1.662)	(0.200)	(1.467)	(0.259)
Margin to Nearest Competitor			1.194	−0.022	0.447	0.021
			(3.013)	(0.210)	(3.076)	(0.257)
Tenure			0.008	−0.005	0.034	−0.005
			(0.036)	(0.005)	(0.037)	(0.006)
Share Catholic			4.585*	0.060	2.834	0.041
			(2.446)	(0.278)	(2.354)	(0.290)
Share District in Industry					−1.737	−0.298
					(3.734)	(0.568)
Share Tax Liable in District					−1.330***	−0.072
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		8.06		5.58		4.23
					(0.497)	(0.081)
Liberal	2.754***	0.460***	5.046**	0.503*	5.557**	0.574
	(1.011)	(0.109)	(2.190)	(0.257)	(2.369)	(0.368)
Socialist	0.448	0.359***	8.444***	0.579	9.656***	0.706
	(2.543)	(0.114)	(2.564)	(0.394)	(2.877)	(0.603)
Protestant	2.459**	−0.028	4.149*	0.044	3.909*	0.082
	(1.092)	(0.136)	(2.241)	(0.258)	(2.307)	(0.329)
N	236	236	213	213	180	180
Adj. R2	0.09	0.28	0.10	0.25	0.20	0.16

The reference political allegiance is Catholic. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise. Personal Wealth is defined as ihs(Wealth at Time of Vote), and instrumented by Fathers profession. Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

restriction would be likely violated.

Table 3.A.9 shows that there is no evidence that Political Families have a direct effect on the voting behavior. I first show that there is no correlation between personal wealth and voting behavior on these laws. Afterwards, I employ two different definitions of belonging to a political family, a count variable, indicating how many family members of politician i have also been lower house members, and afterwards a dummy, taking on the value 1 if the count variable ≥ 1, 0 otherwise. These analyses show that there is no discernible direct effect of being a member of a political family on voting behavior, conditional on party and other controls. In the last two columns, model 6 and model 7, I show instrumental variable estimates of the propensity to vote in favor of government intervention. In Model 6, I estimate a model which instruments personal wealth by *Father Politician*, as in earlier analyses, and in Model 7, I instrument personal wealth by *Political Family*. In all analysis, the coefficients on both personal wealth and political family are insignificant, and the point esti-

Table 3.A.6: IV Estimates of Wealth on the Propensity to Vote for Fiscal Reforms

	Personal Wealth	Vote	Personal Wealth	Vote	Personal Wealth	Vote
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Father Politician	2.951***		2.535***		2.216***	
	(0.493)		(0.537)		(0.579)	
Personal Wealth		−0.029*		−0.032*		−0.036
		(0.016)		(0.019)		(0.025)
Vote Share			−2.908	−0.142	−3.086	−0.150
			(2.081)	(0.129)	(2.188)	(0.159)
Turnout			4.838**	0.195	4.359**	0.141
			(2.082)	(0.164)	(1.836)	(0.175)
Margin to Nearest Competitor			1.475	0.061	2.619	0.093
			(2.293)	(0.133)	(2.131)	(0.162)
Tenure			0.039	−0.003	0.014	−0.006*
			(0.034)	(0.003)	(0.039)	(0.003)
Share Socialist Vote in District			−4.967**	−0.231	−5.792**	−0.262
			(2.398)	(0.155)	(2.727)	(0.200)
Share Catholic			5.615***	−0.262	2.027	−0.383**
			(2.041)	(0.189)	(1.601)	(0.178)
Share District in Industry					5.093	−0.141
					(5.345)	(0.344)
Liberal	2.158***	0.624***	5.415***	0.545***	3.049**	0.488***
	(0.805)	(0.059)	(1.608)	(0.147)	(1.363)	(0.140)
Socialist	2.214*	0.570***	7.153***	0.467**	5.046**	0.371**
	(1.242)	(0.073)	(2.242)	(0.181)	(2.261)	(0.188)
Protestant	1.094	0.038	3.239**	−0.078	0.995	−0.143
	(1.069)	(0.077)	(1.534)	(0.138)	(1.133)	(0.137)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.		20.61		15.06		13.04
Selection Ratio				0.96		1.91
N	346	346	312	312	240	240
Adj. R2	0.12	0.40	0.14	0.44	0.14	0.45

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
Personal Wealth is defined as ihs(Wealth at Time of Vote), and instrumented by Fathers profession.
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

mates are close to zero. This indicates there is no likely direct relationship between political family membership and voting behavior, and that this extrapolates to fiscal legislation and suffrage extension, rendering it more likely that the instrument meets the exclusion restriction.

Table 3.A.7: OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation

| | Pooled | | | Suffrage | Fiscal |
	Model 1	Model 2	Model 3	Model 4	Model 5
Personal Wealth		−0.007**		−0.006	−0.010**
		(0.003)		(0.005)	(0.005)
Personal Wealth x Fiscal			−0.007*		
			(0.004)		
Personal Wealth x Suffrage			−0.007		
			(0.004)		
Number of Strikes				0.003	−0.003
				(0.005)	(0.004)
Vote Share				−0.106	0.047
				(0.137)	(0.129)
Turnout				−0.081	−0.026
				(0.155)	(0.149)
Margin to Nearest Competitor				−0.127	−0.005
				(0.173)	(0.145)
Tenure				−0.003	−0.003
				(0.004)	(0.003)
Share Catholic				−0.051	−0.457***
				(0.113)	(0.093)
Share Tax Liable in District				1.004	3.320
				(2.746)	(2.197)
Liberal	0.307***	0.254**	0.255**	0.509***	0.151
	(0.088)	(0.104)	(0.104)	(0.123)	(0.102)
Socialist	0.262**	0.373**	0.373**	0.353	0.629***
	(0.103)	(0.182)	(0.183)	(0.263)	(0.180)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes
Law x Party Fixed Effects	Yes	Yes	Yes	Yes	Yes
N	1028	675	675	249	270
Adj. R2	0.42	0.40	0.40	0.29	0.46

Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
The reference political allegiance is confessional. Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3.A.8: OLS Estimates of Wealth on the Propensity to Vote for Suffrage and Fiscal Legislation

	Pooled			Suffrage	Fiscal
	Model 1	Model 2	Model 3	Model 4	Model 5
Personal Wealth		−0.006**		−0.005	−0.008**
		(0.003)		(0.005)	(0.004)
Personal Wealth x Fiscal			−0.006*		
			(0.003)		
Personal Wealth x Suffrage			−0.005		
			(0.004)		
Number of Strikes				0.004	−0.002
				(0.005)	(0.002)
Vote Share				−0.158	−0.022
				(0.121)	(0.114)
Turnout				0.030	0.185
				(0.140)	(0.135)
Margin to Nearest Competitor				−0.087	0.003
				(0.152)	(0.126)
Tenure				−0.004	−0.004*
				(0.003)	(0.002)
Share Catholic				−0.086	−0.220*
				(0.156)	(0.127)
Share Tax Liable in District				0.391	0.125
				(2.534)	(1.877)
Liberal	0.532***	0.531***	0.531***	0.636***	0.415***
	(0.121)	(0.125)	(0.125)	(0.182)	(0.153)
Socialist	0.200**	0.156	0.156	−0.076	0.711***
	(0.100)	(0.173)	(0.173)	(0.404)	(0.203)
Protestant	0.071	0.106	0.107	−0.100	−0.023
	(0.142)	(0.153)	(0.153)	(0.198)	(0.174)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes
Law x Party Fixed Effects	Yes	Yes	Yes	Yes	Yes
N	1017	675	675	253	308
Adj. R2	0.52	0.53	0.53	0.44	0.59

Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
The reference political allegiance is Catholic. Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3.A.9: OLS and IV Estimates of Wealth on the Propensity to Vote for Gov't Intervention

	OLS					IV	
	-	Count	Dummy	Count	Dummy	-	Dummy
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Personal Wealth	0.000	0.001	0.001	−0.001	−0.001	−0.039	0.002
	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.143)	(0.014)
Political Family		−0.007	−0.017	−0.009	−0.010		
		(0.015)	(0.029)	(0.021)	(0.038)		
Number of Strikes				0.002	0.002	0.000	0.002
				(0.002)	(0.002)	(0.003)	(0.002)
Vote Share				0.067	0.067	0.023	0.090
				(0.108)	(0.109)	(0.349)	(0.119)
Turnout				0.298**	0.299**	0.457	0.281**
				(0.130)	(0.131)	(0.621)	(0.142)
Margin to Nearest Competitor				−0.019	−0.017	−0.095	−0.073
				(0.132)	(0.132)	(0.212)	(0.133)
Tenure				−0.001	−0.001	−0.003	−0.001
				(0.003)	(0.003)	(0.004)	(0.003)
Share Socialist Vote in District				−0.184	−0.185	−0.354	−0.164
				(0.142)	(0.142)	(0.565)	(0.158)
Share Catholic				0.050	0.050	0.010	0.069
				(0.077)	(0.077)	(0.324)	(0.086)
Share District in Industry				−0.034	−0.032	0.096	−0.078
				(0.195)	(0.195)	(0.748)	(0.220)
Liberal	0.432***	0.430***	0.431***	0.444***	0.445***	0.531	0.434***
	(0.031)	(0.031)	(0.031)	(0.047)	(0.046)	(0.383)	(0.060)
Socialist	0.518***	0.519***	0.519***	0.518***	0.517***	0.616	0.496***
	(0.039)	(0.040)	(0.039)	(0.066)	(0.066)	(0.439)	(0.082)
Law Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Kleibergen-Paap F Stat.						0.4	27.95
N	727	727	727	469	469	334	399
Adj. R2	0.46	0.46	0.46	0.43	0.43	0.22	0.42

The reference political allegiance is confessional. Vote is defined as 1 if the politician is in favor of the reform, 0 otherwise.
Personal Wealth is instrumented by Father Politician (Model 6) and Political Family (Model 7).
Personal Wealth is defined as ihs(Wealth at Time of Vote).
Heteroskedasticity-robust standard errors in parentheses. Results for lower house voting outcomes.
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Chapter 4

Returns to Politics Under A Changing Political System

Abstract:

Economists frequently assert that politicians derive financial returns from a political career, but it is unclear what allows them to do so. In this chapter, I derive estimates of the returns to consecutive Lower House mandates exploiting the repeated treatment assignment resulting from Dutch district-level elections (1860-1917). Based on newly-collected data from probate inventories, I obtain a measure of personal wealth for a sample of just-elected politicians and their losing contenders. Using a dynamic regression discontinuity methodology, I document that politicians' returns to politics are concentrated in the first period of political activity. The results show that politicians who were elected once accumulated wealth with a rate that is about 5 percentage points per annum higher than their nearly-elected counterparts. I also investigate the role of political parties in constraining politicians' ability to benefit financially from their political career. I find that after the establishment of political parties, there is only limited evidence of politicians being able to profit from their political career, suggesting political parties discipline politicians' in-office behavior.

JEL Classifications: N14, D72, H71

4.1 Introduction

Politicians are generally expected to act in the interest of those who elected them (Persson and Tabellini, 2002; Duggan and Martinelli, 2017). In many real-life cases, this turns out to be only partially true. Politicians are often suspected to use and abuse their political position for private gain, or otherwise pursue policies that are counter to the interests of their constituents. Throughout history, there have been many attempts to regulate politicians' behavior (see e.g. Djankov et al., 2010, for a survey). However, empirically, several studies have shown that politicians can still pursue their own self-interest. The literature has documented the existence of particular forms of returns to politics, that is to say, benefits accruing to politicians beyond their formal compensation. Most authors documents private returns to politics in monetary forms (Svaleryd and Vlachos, 2009; Eggers and Hainmueller, 2009; Amore and Bennedsen, 2013; Fisman et al., 2014), but others also find more subtle private returns in the form of prioritizing one's ideology over electoral preferences (Peltzman, 1984; Mian et al., 2010), or prioritizing family members (Folke et al., 2017).

However, there is no clear consensus when it comes to explaining these empirical findings. Some authors argue that the benefits of a political career are mostly accrued during a political career (Amore and Bennedsen, 2013; Fisman et al., 2014; Bourveau et al., 2021), whereas others argue that the benefits can be cristallized over a longer period of time (Querubin and Snyder Jr, 2009), in the form of nepotism (Dal Bó et al., 2009), or can even be channeled to other individuals, e.g. relatives (Fafchamps and Labonne, 2017; Folke et al., 2017). Furthermore, it is not clear what determines the magnitude of returns to politics. Eggers and Hainmueller (2009) suggest that party organization might be a significant determinant of the extent to which politicians can prioritize their own interests. Fisman et al. (2014) find a differential effect in various Indian states that have different levels of corruption. Querubin et al. (2011) hint at the influence of government size and monitoring by the media as possible determinants of returns to a political career. These explanations are difficult to verify, as most research exploits a static setting to estimate the returns to politics.

This study takes a long-term perspective and explicitly investigates the institutional determinants of returns to politics in the Netherlands from 1848-1917. I make use of close elections to establish the existence and

magnitude of returns to politics using a dynamic regression discontinuity strategy (Cellini et al., 2010). The Netherlands employed a district system (De Jong, 1999). In each district, a small number of candidates took part, and these elections were frequently hotly contested. This setting enables me to to tie the returns to politics to several changing institutions, most notably, the establishment of political parties (De Jong, 2001). I empirically investigate whether political parties are able to curb the returns to politics for individual politicians, by making use of data on *newspaper recommendations* for politicians, which allow me to identify political allegiance before political parties were established. Furthermore, several franchise extensions enlarged the electorates in every district (Van Den Berg and Vis, 2013). Finally, this period saw the appearance of 'career politicians' and 'political careers' in the spirit of Mattozzi and Merlo (2008).

Methodologically, I use a dynamic regression discontinuity design, exploiting repeated quasi-random treatment assignment of being elected using close elections between individuals who were never elected before, but also between individuals who were elected the same number of times before. I investigate whether treatment assignment is as good as random by gathering a sizeable dataset containing information about the candidates' background, origin, political orientation and demographics, as well as the district characteristics in which close elections took place. This situation allows me to reliably estimate the returns to consecutive periods of holding political office. The interpretation of the analysis is complicated by the presence of incumbency advantages (Lee, 2008). Any estimated total effect of being elected on personal wealth contains a *ceteris paribus* effect, but also the incumbency advantages times the future *ceteris paribus* effects. Using a procedure similar to Cellini et al. (2010), I retrieve recursive estimates of the *ceteris paribus* effects from the estimated total effects to each political term, and the incumbency advantages. These estimates can be interpreted as a 'marginal return curve' to consecutive terms of political office.

The analysis shows that the private returns to politics were concentrated in the first term of office. Politicians who won their first mandate with a very small margin were significantly wealthier at the end of their life than politicians who narrowly lost their first election. In absolute terms this extra wealth amounted to 100,000 guilders, or eight times the salary of a cabinet minister. In relative terms it meant five percentage points additional wealth accumulation per annum for the winners

of close elections – similar to the effect Fisman et al. (2014) observe in present-day India. The results are robust to the inclusion of covariates, many parameter choices, and also pass various placebo tests. In the second and further periods, the results are no longer statistically significant. The point estimates are also close to zero in many cases, implying little or no returns to second or longer stays in the Lower House. This finding is consistent with the view that politics provides (exhaustive) human capital, but also with a view of rent-seeking politicians being able to accrue rents in only one term. The result challenges explanations that imply a constant marginal return curve to political office (Persson and Tabellini, 2002; Caselli and Morelli, 2004; Baltrunaite, 2020; Bourveau et al., 2021).

Afterwards, I set out to find the institutional determinants of the returns to politics. I find that the establishment of political parties decreases the returns to politics significantly, to the point that the point estimate is close to zero. These results are not driven by a change in individuals deciding to run for office (Besley, 2005), as there is no relationship between being elected into politics, and the likelihood of a lucrative business career after politics, either before or after the establishment of political parties. Neither is there any evidence of Lower House politics being a stepping stone to different, potentially more lucrative political functions, thus ruling out explanations that imply returns to politics are collected only indirectly, after a political career. This also implies that political careers were not valuable to potential future employers, making a human capital-based explanation (cf. Diermeier et al., 2005; Mattozzi and Merlo, 2008) less plausible. I also investigate whether suffrage extensions, bringing about a substantial increase in monitoring, influence political rents, but I find no substantial evidence of their influence.

The Netherlands, in parallel to other European countries, underwent various important changes in the late 19th and early 20th centuries (Przeworski, 2009): in particular, the country started out as a country under absolute monarchy in the early 19th century, but switched to constitutional monarchy and parliamentary control following liberal reforms in 1848 (Aerts, 2018). Even then, there were severe restrictions to suffrage in the most important governmental bodies: one had to be male, and pay a minimum amount of taxes to be accorded the right to vote, although eligibility was (formally) unconstrained (Van Der Kolk et al., 2018). Throughout the late 19th and early 20th centuries, politicians and activists have campaigned for, and ultimately achieved, universal suf-

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frage. A better understanding of the interplay between politicians' personal interests at hand and their decision-making might shed new light on explanations regarding politicians' decisions to extend the franchise (Lizzeri and Persico, 2004; Besley, 2005; Becker and Hornung, 2020).

The same period also saw the development and rise in popularity of political parties. As the differences between liberal and Christian factions of parliament mounted, politicians and politically conscious citizens began to organize themselves into electoral associations (*Kiesvereenigingen*), the existence of which was quickly superseded by political parties (De Jong, 1999). The first political party, the Anti-Revolutionary Party, was founded in 1879 and its liberal counterpart, the Liberal Union, in 1885 (De Jong, 2001; Voerman, 1989). The Catholic electoral associations united themselves somewhat later, in 1897. Before this era, candidates who aligned with a particular political agenda were usually supported by newspapers (De Jong, 1999). Political parties may exert party discipline and party affiliation may be an important determinant of political voting behavior, thereby possibly constraining financial returns to politics (see e.g. Aidt and Franck, 2015, 2019; Becker and Hornung, 2020). The staggered establishment of political parties thus allows me to empirically identify the influence of party discipline while keeping political affiliation constant, and thereby shed light on how political parties changed the political landscape.

The remainder of this study is structured as follows. First, in section 4.2, I discuss the historical background by focusing on the development of the district system and political party formation. In section 4.3, I introduce the data. In section 4.4, I describe the empirical strategy, and in section 4.5, I show the main regression discontinuity results. In section 4.5.3, I investigate various alternative explanations. After concluding in section 4.6, I provide various robustness checks in Appendix 4.A.

4.2   Historical Background

In the period 1848-1917, all elections to the Lower House were organized in the framework of a district system. Before 1848, the year in which constitutional reforms liberalized the electoral system and political institutions of the country, delegates to the Lower House were elected indirectly: the enfranchised electorate elected delegates to the Provincial Estates, which then elected delegates to the Lower House. Delegates to the upper house were elected in a similar way, and in contrast to the Lower

House elections, the 1848 constitution left this system intact for the elections to the upper house, whereas the elections to the Lower House were subject to reform, effectively rendering them direct, and more democratic (Blok, 1987). From 1849 onward, Lower House elections took place biannually. Every two years, half of the seats were up for contest. In almost all cases, districts featured two seats, and in each election, one seat was up for election (De Jong, 1999). Thus, a Lower House member was elected for four years.

Candidacy was individual-based: initially, political parties were wholly absent. After political differences became more salient in the 1860's and 1870's (De Jong, 2001), electoral associations (Dutch: *Kiesvereenigingen*) started to play a role: these associations were the precursors of political parties. Gradually, these associations formed explicit political parties with a clear ideology, based around the cultural-religious landscape of the Netherlands: Protestant, Catholic, Liberal parties became the largest political actors of the country.

The elections themselves were determined following an absolute majority logic. When no candidate in the first round obtained an absolute majority, a second round would be organized, with the two candidates with the highest amount of votes (De Jong, 1999). Candidates would remain in office for a four year term, but a constitutional provision, which remained in force for the entire period, stipulated that members of parliament who would accept a second remunerated function in government lost membership by default. They could, however, stand for reelection (De Jong, 1999; Loots, 2004). Apart from untimely death of a Lower House member, this was the principal reason that some elections occurred at times other than the officially stipulated election moments. In addition, there was a population-dependent electoral threshold, and elections were nullified in case of insufficient turnout, irrespective of the outcome.

The precise mapping from municipality (the lowest-level administrative unit of the Netherlands) to district was stipulated in the electoral law (*Kieswet*), with the stated objective that each district, and consequently each representative, represented about 45,000 inhabitants (De Jong, 1999). Accordingly, after the constitutional revision in 1848, the Lower House had 68 seats, corresponding roughly to the representation of 45,000 inhabitants by each of those seats. In the meantime, however, population growth had taken off, making it more and more difficult to apply this rule. The lawmakers responded by increasing the number of seats, creating and changing the composition of districts: the number of Lower House

seats increased from 68 to 86 in about 10 years. However, because of the stakes involved (issues related to gerrymandering), it became more and more difficult to agree upon a given composition, effectively delaying any reform to 1887, when it was fixed at 100. The constitutional revision in 1887 also implied that the Lower House members were elected at the same time, while keeping intact the 4-year term, and that there would be one district for one representative, implying the break-up of previously large districts into various smaller ones, e.g. Amsterdam or Rotterdam. At the same time, as the population continued to grow, the reallocation of districts became more difficult, and imbalances between districts become more and more salient. This particularly favored sparsely over densely populated districts. Even the electoral law reforms of 1896, which encompassed, among other reforms, a partition of the largest cities into various districts, effectively increasing their representation, could not change the imbalance that disfavored them (De Jong, 1999).

While in principle, candidacy was open to any male aged thirty or older throughout the period, suffrage rights were severely restricted. The 1848 Constitution left suffrage and eligibility requirements to the electoral law *Kieswet*, which in turn stipulated that men who paid more taxes than a certain threshold, called a *census* (De Vries, 1971; De Haan, 2003). This census, in turn, was determined on a municipal level. In some municipalities, such as Amsterdam, where the population was relatively rich, the threshold was higher, and the censuses were generally coordinated to be such that about 1 in 3,000 individuals was enfranchised. Van Der Kolk et al. (2018) note that about 85,000 men on a population of over 2.5 million had the right to active suffrage for both upper and Lower Houses. The constitutional changes and changes in the electoral law in 1887 in effect encompassed a lowering of census requirements, which was the principal mechanism through which a larger share of the population was enfranchised (about 25% after 1887 according to Van Der Kolk et al. (2018)), although besides taxes, there were various other means of acquiring the right to vote. The changes in the electoral law in 1896 added many more grounds other than income as a criterion to be enfranchised, such as having a particular set of degrees, paying a certain amount of rent or having a savings account. De Jong (1999) notes that about 48,6% of all Dutch men aged 25 and over were enfranchised by 1900.

Throughout the period from 1848 to 1917, the electoral system in the Netherlands after 1848 was centered on individual delegates, not political parties. Politicians were supposed to be independent, not least

with respect to their own delegates, and to promote the common interests of the country (De Jong, 2001). Political parties were preceded by *Kiesvereenigingen*, electoral unions, of enfranchised individuals with (generally) the same political orientation, intending to coordinate their voting behavior. *Kiesvereenigingen* were a way to improve the dissemination of information and aggregate electoral preferences in a more effective way. A special role in information provision was taken up by national newspapers: the editorial boards of several large national newspapers with a clear ideological background regularly endorse candidates they thought reflected their politics best (De Jong, 1999).

These ideological backgrounds also served as the basis for the party landscape that was arising. The first player to take the initiative towards party formation was the Protestant politician Abraham Kuyper, who founded the Anti-Revolutionary Party (ARP) in 1879 after British model (Koch, 2020). His program centered on obtaining autonomy for the country's different religions, particularly in education (De Jong, 2001), but also in other social, economic and political institutions. Parties soon proved to be the natural means of coordination, both between politicians with a similar ideology, and between politicians and electorates: the liberal counterpart to the ARP was founded in 1885, and the Catholic union of electoral associations was founded in 1893. An overwhelming majority of incumbent politicians joined political parties, and, since it was nearly impossible to be elected without the support of a party, after the formation of parties, there were almost no unaffiliated politicians. The strong ideology-based political landscape was also the reason why there very few cases of politicians switching political parties. (e.g. De Haan and Te Velde, 1996; De Jong, 1997)

4.3 Data and Sources

4.3.1 Electoral Data

The *Repositorium Tweede Kamerverkiezingen 1848-1917* (Repository Lower House Elections) contains information about all elections to the Dutch Lower House over the period 1848-1917, in which elections were organized at the district-level. This dataset contains the district, date, and type of election (regular, intermediate, second round), as well as the names of the candidates. In addition, the dataset contains the amount of votes they obtained, the number of enfranchised individuals in this

district, voter turnout, and also some metadata, including the amount of seats that are contested in the particular election, the type of election, and the election date. I want to focus my attention on elections that directly lead to a winner. Based on these data, I first exclude elections that did not lead directly to a winner (i.e. first rounds of elections which had second rounds, or nullified elections that did not reach the electoral threshold). In total, there are about 2100 unique elections in the district system over the period 1860-1917. In line with other studies using close elections (e.g. Lee, 2008), I use a vote margin-based approach to identify which elections are close: in particular, I first find the *marginal winner (MW)* in the election, which is defined as a winning candidate with the lowest number of votes from all winning candidates. In the vast majority of cases, this amounts to the only winner, because the election had only one seat up for election, but in a minority of the cases, this yields a different candidate. The set $\{\text{Winners}\}_e$ then consists of all election winners in election e. Then, at the candidate-district level (candidate i, district e), I define and compute vote margins as follows:

$$\text{Margin}_{ie} = \begin{cases} \frac{\text{Amount of Votes}_{ie} - \text{Amount of Votes}_{MW}}{\text{Amount of Votes}_e} & \text{if } i \in \{\text{Winners}\}_e \\ \frac{\text{Amount of Votes}_{MW} - \text{Amount of Votes}_{ie}}{\text{Amount of Votes}_e} & \text{if } i \notin \{\text{Winners}\}_e \end{cases}$$

This way of defining the margin ensures symmetry and simplifies to the conventional definition of margin in case of two candidates. In Figures 4.3.1 and 4.3.2, I show the geographical distribution of close elections, taken to be elections where one or more candidates were elected with a margin of less than 20 percentage points. Close elections seem to be balanced across the country.

4.3.2 Politician Data

I retrieve a proprietary dataset from the *Politiek Documentatiecentrum* (PDC)[1], a think-tank focused on Dutch politics. The data encompass various demographic variables related to a politicians' life, including their birth and death date and place, and detailed data about career paths they have undertaken over the course of their life. I use these data to match politicians to candidate-election pairs in the election data using a rule-based approach (Abramitzky et al., 2021) based on active period

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[1]Information about the PDC is accessible here

Figure 4.3.1: Close Elections Per District
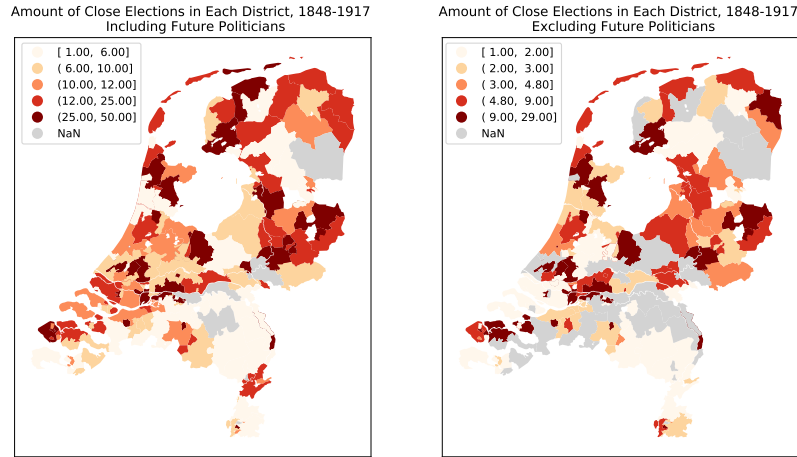
Figure shows the regional spread of elections for the full sample and for the full sample excluding politicians. Since district composition is not static, but changes over time, the data is aggregated to, and displayed as the situation in 1895.

Figure 4.3.2: Close Elections over Time
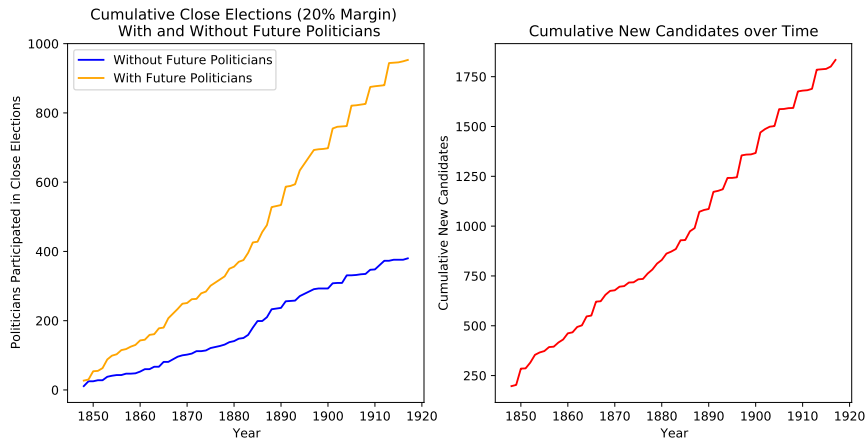
The left panel of the figure shows the count of close elections over time, indicating that they are distributed relatively evenly over time. The right panel shows the cumulative number of new (i.e. never seen before) candidates over time.

and fuzzy string matching. In addition to election-candidate specific information, I also collect newspaper recommendations for individual i in

election *e* from the *Repositorium*. Local newspapers reported who would be the contestants in upcoming elections, which frequently went hand in hand with an endorsement by the editorial board of a particular candidate (Oud, 1997; De Jong, 1999).

4.3.3 Non-Politician Data

Similar to the politicians, i.e. individuals who were elected at least once in their lifetime, I also retrieve data for non-politicians, whose data are not collected by the PDC due to them never being elected into politics. Hence, I make use of online genealogical sources, such as *genealogieonline.nl*, *Geni.com*, the historical newspaper search engine *Delpher*, local provincial archives to identify the birth date and place and date and place of decease for non-politicians and *Wikipedia*. In addition, I collect information on their career paths, where specifically, I look for information whether they have worked in politics, business or the colonies after being a candidate.

4.3.4 Personal Wealth

I use archival data from probate inventories that contain the personal wealth of candidates at time of decease from provincial archives, called the *Memories van Successie* (MVS). The MVS primarily contain documents specifying the appraisal of a deceased individual's assets and liabilities with the purpose of levying inheritance taxes (Bos, 1990). This source is generally regarded as a highly reliable source of individuals' net worth. Descendants had to declare under oath in court that the list of assets and liabilities they submitted was truthful (Moes, 2012). Several miscellaneous documents containing internal correspondence within the tax agency also indicate that taxation was approached with care and legal requirements were paid attention to. The MVS are publicly available from 1877 to 1927. There are various studies outside of the Netherlands that use similar sources. Eggers and Hainmueller (2009) use a very similar source for their study about British MPs, and Fisman et al. (2014) use mandatory asset declaration forms for Indian MPs, and Bottomley (2019) uses probate inventories to investigate the returns to inventions.

Since I am focusing on close elections, I have prioritized collecting wealth data for candidates whose margins were closer to zero. In total, out of 6,197 candidate-election pairs, I collected probate inventories for

2,893 candidate-election pairs. These pertain to 515 unique candidates, whereas in total, there are 1,590 unique candidates. There are 2,877 candidate-election pairs who took place in relatively close elections, for 1,527 of which I collected their personal wealth (53%). The main reason of absence is the aforementioned limited availability of the archival data. Machielsen (2021) shows that there is no relationship between many characteristics and the likelihood of finding a probate inventory, implying that the inventories I wasn't able to find are missing at random. Out of the 1,590 unique candidates, 620 of them succeeded in getting elected at least once. I was able to collect the personal wealth for 371 out of these individuals (55%). Out of the 970 unique candidates that were never elected, I was able to collect the personal wealth for 144 out of them. Out of the 382 non-politicians who were not elected with a margin of at most 20%, I collected the personal wealth for 123 candidates. Finally, the election dynamics are such that out of 620 politicians who have been elected at least once, 467 of them succeeded in getting elected twice, 356 three times, 297 four times, and 254 more than four times.

4.3.5 Other Covariates

I obtain control variables at the district-level from *HDNG*, a database containing information about Dutch municipalities. I use a dynamic mapping to aggregate data on the municipality-level to the district-level, contingent on the year in which the election took place, after which I construct variables that measure the religious composition (% Catholic and Protestant), the composition of the labor force (% in industry, services, agriculture) and the share of taxes per capita in two available years, 1859 and 1889 as a proxy for district economic activity.

4.4 Method

4.4.1 A Dynamic Regression Discontinuity Design

I use quasi-random variation induced by close elections to estimate the effect of being politically active on end-of-life wealth. The analysis of these returns to politics is complicated by two features: first, because individuals can be elected multiple times, I have to take into account the dynamic nature of the treatment assignment to individuals. Concretely, an estimate of the effect of being elected for the first time on end-of-life wealth

contains not only the *ceteris paribus* effect, but also the dynamic effects of having an altered probability of being re-elected and accruing returns to a prolonged stay in the Lower House. Secondly, comparing candidates who ran for office more frequently with candidates who did not exert the same effort might result in biased estimates to the extent the effort undertaken in getting elected is correlated with wealth-accumulating capacity, even if there is no discontinuity at the cut-off point.

I follow an approach similar to Cellini et al. (2010) to disentangle these effects. More precisely, consider the following model[2], which incorporates the possibility that politicians who are first elected at different tries can realize different initial wealth effects:

$$w_i = \sum_{\tau=1}^{\infty} \theta_\tau b_{i,\tau} + \sum_{t=2}^{\infty} \gamma_t c_{i,t} + u_i \tag{4.1}$$

where w_i is a candidate's end-of-life wealth, $b_{i,\tau}$ is an indicator reflecting whether candidate i is first elected at their τ'th try. In this model, θ_τ represents the ceteris paribus impact on wealth after being elected *for the first time* after trying τ times. This ensures that similar candidates in terms of effort are compared. Note that in this setup, this effect is independent of actual calendar time. In section 4.5.3, I investigate whether suffrage extensions represent a structural break in this relationship. Secondly, $c_{i,t}$ is an indicator reflecting whether a politician is elected for the t'th time after having been elected initially. I restrict the structure such that γ_t does not depend on the number of tries τ. Consequently, γ_t represents the effect on wealth effect of being elected for the t'th time *after* having been elected once. I detail how I estimate the parameters γ_t in section 4.4.2. Differentiating both sides of equation 4.1 with respect to a particular $b_{i,\tau}$ then gives the so-called "intent-to-treat" (ITT) effect of being elected once at the τ'th try:

$$\theta_\tau^{ITT} = \frac{dw_i}{db_{i,\tau}} = \frac{\partial w_i}{\partial b_{i,\tau}} + \left(\sum_{t=2}^{\infty} \frac{dc_{i,t}}{db_{i,\tau}} \cdot \gamma_t \right) \tag{4.2}$$

$$= \theta_\tau^{ATT} + \left(\sum_{t=2}^{\infty} \pi_t \cdot \gamma_t \right)$$

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[2]This model is estimated using a RD-strategy with close elections, making sure that $\mathbf{E}[u_i b_{i,\tau}] = 0$, so that the parameters θ_τ can be estimated consistently.

where $dc_{i,t}/db_{i,\tau}$ represents the incumbency advantage (Lee, 2008), the change in the probability of being elected on the probability of being reelected. In the last line, I make the assumption that this fraction $\pi_{\tau,t} = \pi_t$ for all τ, indicating that the incumbency advantage in the t'th election after having won once is the same for candidates elected for the first time at different tries τ and τ'. [3] In other words, the estimand for the effect of being elected once (at the τ'th try) on end-of-life wealth contains a combination of the ceteris paribus effect θ_τ^{ATT} and the probability-weighted *wealth effects of increased tenure*, reflected by the γ_t.

First, I set out by estimating the θ_τ^{ITT} for different τ. I do this by employing a regression discontinuity approach similar to Eggers and Hainmueller (2009), Fisman et al. (2014) and Fafchamps and Labonne (2017). The basic specification that I use, for a particular τ, is:

$$\log(w_i) = \alpha + \theta_\tau^{ITT} \cdot 1_{\text{Margin}_i > 0} + \eta \cdot f(\text{Margin}_i) + X_i \beta + \epsilon_i \tag{4.3}$$

I estimate θ_τ^{ITT} using local linear polynomial regression on each side of the threshold, following Gelman and Imbens (2019) and Cattaneo et al. (2019), and describe the default choice of parameters in section 4.4.3.

In terms of interpretation, these θ_τ^{ITT}'s are likely an overestimate for the θ_τ^{ATT}, given a hypothesized positive incumbency advantage and returns to political activity. Afterwards, I investigate whether the θ_τ^{ITT} are different for different τ's, i.e. whether there are notable differences in returns to politics between politicians elected who tried hard and those who had it easy. In order to retrieve estimates of θ_τ^{ATT}, I also need to estimate the t'th period ATT returns γ_t and the incumbency advantages π_t, which I describe in the next section. The effects γ_t are also of theoretical interest, as they describe the marginal return curve to a political career.

4.4.2 Estimating Incumbency Advantage and Returns to Politics

Estimating the incumbency advantages π_t is relatively straightforward, using the following specification for the k'th election after a winning elec-

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[3]I also assume that the incumbency advantage is independent of calendar time, and that there are no dynamic incumbency advantages, i.e., there is no *additional* incumbency advantage after being elected twice in a row, as opposed to an incumbency advantage in the third election after initially having won one (the latter of which is among the π_t I estimate).

tion e for candidate i:

$$\mathcal{I}[c_{i,k} = 1] = \alpha + \pi_{i,k} \cdot 1_{\text{Margin}_{i,e} > 0} + \eta \cdot f(\text{Margin}_{i,e}) + X_i \beta + \epsilon_i \qquad (4.4)$$

where the dependent variable is 1 if candidate i won an election k, 0 if a candidate loses. I include a constant term, and focus on close elections to identify the ceteris paribus influence of winning on the probability of winning the k'th election afterwards. I also include various covariates at the individual level. The estimation procedure is described in section 4.4.3. Estimating equation 4.4 for each $k \in \{2, 3, \dots\}$ then gives estimates for the incumbency advantages for the k'th election in the future.

Estimating the returns to subsequent periods in the Lower House is somewhat more challenging. Conditional on being elected $t - 1$ times, and on choosing to stand as a candidate again, the structure for end-of-life wealth is as follows:

$$w_i = \sum_{k=t}^{\infty} \gamma_k c_{i,k} + u_i \qquad (4.5)$$

Again, focusing on an RD-implementation so that $\mathbb{E}[u_i c_{i,k}] = 0$, and differentiating equation 4.5 with respect to the independent variable $c_{i,k}$ makes clear the same issue as in section 4.4.1 is at hand:

$$\begin{aligned}
\gamma_k^{ITT} = \frac{dw_i}{dc_{i,k}} &= \frac{\partial \gamma_{i,k}}{\partial c_{i,k}} + \sum_{t' > t} \gamma_{t'} \cdot \frac{\partial c_{i,t'}}{\partial c_{i,k}} \qquad (4.6) \\
&= \gamma_k^{ATT} + \sum_{t' > t} \gamma_{t'}^{ATT} \cdot \pi_{(t'-k)}
\end{aligned}$$

Unlike Cellini et al. (2010), I do not have a panel data dependent variable, and cannot identify one t for which the estimand $\gamma_t^{ITT} = \gamma_t^{ATT}$. This means that the ceteris paribus period effects are only identified under the assumption that for some acceptably large t^*, $\gamma_{t*}^{ITT} = \gamma_{t*}^{ATT}$. In the analysis, I employ this assumption and test its sensitivity for the estimates of γ_t^{ATT} and θ_τ^{ATT}. Furthermore, the recursion in equation 4.6 is valid if politicians choose to participate in subsequent elections without ever skipping one. If incumbency advantages are monotonically decreasing, the resulting estimates for the γ_t^{ATT} are lower bounds. Additionally, for sufficiently precise estimation of the γ_t^{ITT}, conditionally on being elected

$t - 1$ times in the Lower House, politicians must have participated in close elections afterwards (and a certain share of them must win). I then use these politicians who have been elected $t - 1$ times to estimate γ_t^{ITT} as follows:

$$\log(w_i) = \alpha + \gamma_t^{ITT} \cdot 1_{\text{Margin}_i > 0} + \eta \cdot f(\text{Margin}_i) + X_i \beta + \epsilon_i \qquad (4.7)$$

Hence, under the condition that after some t^* the incumbency advantage is statistically not different from zero, and the assumption that $\gamma_t^{ITT} = \gamma_t^{ATT}$ for some t, I can recursively estimate the γ_t^{ATT} using equation 4.6, and compute standard errors using the delta method. These estimates in turn allow me to estimate the θ_τ^{ATT} in equation 4.2.

4.4.3 Regression Discontinuity Parameters

All of the estimands in equations 4.3, 4.4 and 4.7 are estimated using a regression discontinuity-based estimation procedure. I follow Lowes and Montero (2021), by requiring that bandwidth selection be effectuated according to the MSE-minimizing procedure in Cattaneo et al. (2019), where I force the bandwidth to be equal at both sides of the cut-off point. I use a triangular kernel in the baseline specification, and I report standard errors based on bias-corrected confidence intervals (Calonico et al., 2015). In robustness analyses, I use other types of kernels, and use similar fixed as well as flexible bandwidths, e.g. the bandwidth selection procedure in Imbens and Kalyanaraman (2012). These results are reported in Appendix 4.A.

4.5 Analysis

4.5.1 Dynamic Returns to Politcs

Descriptive Statistics and Covariate Balance

The regression discontinuity approach implies a random allocation of politician status close to the threshold with respect to pre-treatment variables, meaning that these pre-treatment characteristics should be roughly equal in treatment (politician) and control (non-politician) groups. Following concerns raised about the possible non-randomness of close elections by Caughey and Sekhon (2011), I use the same logic as do Lowes

and Montero (2021), who estimate the RD-effect on pre-treatment characteristics at the cut-off as well as within different margins, to investigate patterns of convergence. To investigate the validity of the RD design, I first show descriptive statistics of the pooled data in Table 4.5.1, and then show various pre-determined potential covariates relating to pre-treatment characteristics in Table 4.5.2. For brevity, I confine the analysis of covariate balance to a dataset with candidates who have never been elected before. In Appendix 4.A, I also investigate covariate balance tables for different subsamples.

Table 4.5.1 shows the descriptive statistics of the dataset. In panel A, I show the newspaper recommendations. It shows that Catholic, Liberal and Protestant newspaper recommendations are comparable in frequency, whereas recommendations by Socialist newspapers were less frequent. These shares correspond roughly to the balance of power in the Dutch political system. A significant fraction of the candidates, about 40%, was not backed by a (politically-oriented) newspaper. In panel B, I show demographic characteristics: politicians are on average 49.4 years old when elected, and live another 22.4 years after an election. The average turnout in a district was about 2,500, and the average size of the electorate in 1859 was about 12,500. In panel D, the birthplace characteristics, I show certain demographic factors. The religious denominations roughly represent those of the country as a whole: on average 62% of the average politicians' birthplace are Protestants, 35% are Catholic. Similar numbers apply not only to the birthplaces, but also to the districts they are running for office in. The average wealth at death of a candidate was about 70,000 guilders, which is equal to about 6 times a Minister's salary in 1900, and is about equal to 1 million euros in present-day terms[4].

Table 4.5.2 shows the distribution of several covariates in the treatment and control groups for all candidates who have never been elected before. The second to fourth columns show the sample means, conditional on the absolute value of the margin being < 0.2. The fifth to seventh columns show sample means conditional on a tighter margin, 0.05. In panel A, the results show that there is no difference in political affiliation between politicians and non-politicians, as evidenced by a balance in newspaper recommendations. Similarly, elected politicians and their runners-up have comparable demographic characteristics (panel C). The turnout in the districts is statistically indistinguishable, and so are other district characteristics (panel E). Some birthplace characteristics,

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[4]According to the IISG currency conversion tool

Table 4.5.1: Descriptive Statistics

	Mean	SD	Min	Max	N
Panel A: Newspaper Recommendations					
Rec.: Protestant	0.16	0.37	0.00	1.00	6197
Rec.: Liberal	0.19	0.39	0.00	1.00	6197
Rec.: Socialist	0.06	0.24	0.00	1.00	6197
Rec: Catholic	0.18	0.38	0.00	1.00	6197
Panel B: Demographic Characteristics Politicians					
Lifespan	19.82	10.42	0.06	39.99	4389
Age at Election	49.32	11.35	1.41	106.51	4690
Year of Death	1902.32	23.31	1837.00	1986.00	4993
Year of Election	1880.61	19.88	1848.00	1918.00	6197
Panel C: Election Characteristics					
Log Turnout	7.98	0.92	5.70	11.85	6197
Log Turnout Previous	7.88	0.92	5.81	11.85	5747
Log Population 1859	9.43	1.87	0.00	12.03	4058
Panel D: Birthplace Characteristics					
Share Protestant	0.62	0.25	0.00	1.00	3879
Share Catholic	0.35	0.26	0.00	1.00	3879
Labor Force Share Agricul.	0.06	0.12	0.00	0.62	4022
Labor Force Share Industry	0.19	0.10	0.00	0.59	4022
Taxes Per Capita 1859	4.06	1.60	0.37	7.27	4008
Taxes Per Capita 1889	4.95	1.61	0.67	10.34	4022
Distance to the Hague	91.17	65.26	0.00	250.00	4700
Panel E: District Characteristics					
Share Protestant	0.64	0.26	0.00	1.00	5780
Share Catholic	0.33	0.27	0.00	1.00	5780
Labor Force Share Agricul.	0.06	0.09	0.00	0.47	5916
Labor Force Share Industry	0.22	0.10	0.00	0.60	5916
Panel F: Ex-Post Characteristics					
Log Deflated Wealth	11.17	2.25	0.00	15.05	2893
Age of Death	71.45	10.27	38.04	99.80	4709
Panel G: Party and Career Characteristics					
Election After ARP	0.56	0.50	0.00	1.00	6197
Election After RK	0.30	0.46	0.00	1.00	6197
Election After Lib	0.46	0.50	0.00	1.00	6197
Liberal	0.30	0.46	0.00	1.00	6197
Protestant	0.24	0.43	0.00	1.00	6197
Catholic	0.09	0.29	0.00	1.00	6197
Panel H: Career Paths					
Profession: Business	0.01	0.11	0.00	1.00	4711
Profession: Mayor	0.05	0.21	0.00	1.00	4711
Profession: Colonial	0.02	0.14	0.00	1.00	4711

Note: This table shows descriptive statistics for all observations. In panel A, I show newspaper recommendations for each major political faction. Panel B discusses demographic characteristics, and panel C discusses characteristics related to elections. Panels D and E contain birthplace and district characteristics. Panel F contains ex-post variables and Panel G and H contain several variables related to party and career characteristics.

the share of the labor force working in agriculture and taxes per capita, seem to differ somewhat between politicians and non-politicians (panel D). However, at the margin, these imbalances between politicians and runners-up vanish. In Appendix 4.A, I repeat this analysis for other terms.

Table 4.5.2: Covariate Balance - First Term

| | Margin < 0.2 | | | Margin < 0.05 | | | |
	Politicians	Non-Politicians	p-val.	Politicians	Non-Politicians	p-val.	RD Estimate (SD)
Panel A: Newspaper Recommendations							
Rec.: Protestant	0.13	0.12	0.855	0.12	0.11	0.759	-0.175 (0.043)
Rec.: Liberal	0.14	0.10	0.036**	0.14	0.06	0.012**	0.034 (0.053)
Rec.: Socialist	0.08	0.07	0.760	0.07	0.13	0.106	0.007 (0.035)
Rec: Catholic	0.11	0.11	0.844	0.11	0.09	0.563	-0.163 (0.046)
Panel B: Demographic Characteristics							
Lifespan	21.55	21.92	0.669	22.55	20.79	0.286	1.915 (1.520)
Age at Election	45.93	45.08	0.349	44.93	44.92	0.998	2.246 (1.572)
Year of Death	1904.22	1899.64	0.015**	1905.69	1900.02	0.108	4.047 (3.617)
Year of Election	1880.31	1876.81	0.009***	1881.05	1879.42	0.529	-0.204 (2.495)
Panel C: Election Characteristics							
Log Turnout	7.88	7.81	0.178	7.84	7.83	0.917	-0.568 (0.133)
Log Turnout Previous	7.82	7.70	0.042**	7.84	7.81	0.790	-0.424 (0.118)
Panel D: Birthplace Characteristics							
Log Population 1859	9.52	9.63	0.586	9.33	9.70	0.319	-0.153 (0.335)
Share Protestant	0.63	0.63	0.858	0.63	0.55	0.125	0.019 (0.040)
Share Catholic	0.34	0.33	0.783	0.34	0.41	0.189	-0.013 (0.042)
Labor Force Share Agricul.	0.05	0.04	0.019**	0.06	0.03	0.002***	0.007 (0.017)
Labor Force Share Industry	0.20	0.19	0.173	0.20	0.19	0.796	-0.011 (0.016)
Taxes Per Capita 1859	4.03	4.36	0.018**	3.68	4.57	0.001***	-0.040 (0.277)
Taxes Per Capita 1889	4.89	5.26	0.007***	4.71	5.42	0.008***	-0.001 (0.247)
Distance to the Hague	95.24	89.69	0.325	106.59	90.60	0.148	6.476 (9.331)
Panel E: District Characteristics							
Share Protestant	0.63	0.62	0.774	0.60	0.55	0.190	-0.004 (0.032)
Share Catholic	0.34	0.35	0.697	0.37	0.43	0.182	0.014 (0.033)
Labor Force Share Agricul.	0.06	0.07	0.206	0.06	0.05	0.178	0.020 (0.014)
Labor Force Share Industry	0.21	0.22	0.218	0.20	0.21	0.577	-0.004 (0.012)

Note: The table contains means for various sets of variables conditioned on the absolute margin being < 0.2 (left panel) and <0.05 (right panel). The first two columns represent the means for subsequent politicians and non-politicians respectively, and the third column shows the p-value of a Welch two-sample t-test. The last column shows the local non-parametric RD estimate, estimated by the procedure in Cattaneo et al. (2019). HC-Robust standard errors are shown between brackets. Significance is indicated by *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

Returns to a Political Career

In Table 4.5.3, I show the estimates of equation 4.3. These estimates correspond to the "Intent-to-Treat" (ITT) effect of being elected on personal wealth, implying these are the total returns to a political career of least one period. The first four columns focus on the candidates who run for office for the first time. In the first two columns, I show estimates without covariates under the optimal, and twice the optimal bandwidth. In the third and fourth column, I add covariates. In the fifth and sixth column, I focus on all candidates who tried for a second time (after failing the first time), and in columns 7 and 8, I pool all candidates that, if elected, would be elected for the first time, irrespective of the number of tries. Columns 5 to 8 include several covariates.

The point estimates are all very similar in magnitude. In column 1, for example, the point estimate of 1.731 implies that politicians who had just been elected are almost 100,000 1900 guilders wealthier than if they had not been elected. That number is equal to approx. 8 minister's salaries, and equal to about 1.5 million present-day euros. This was not because politicians were well-paid: it is significantly more than can be explained

by wealth accumulation through politicians' formal remuneration. After the 1848 Constitution, politicians received remuneration of 2000 guilders per year (Elzinga, 1985).[5] In addition, (former) members of parliament were awarded a pension (Kan, 1916) of 100 guilders for each active year in parliament, with a maximum total pension of 2,000 guilders. These numbers are still far from being able to explain the much higher wealth accumulation among politicians. The results also approximately match the results obtained in Fisman et al. (2014), who report an asset growth premium of 5% for politicians relative to their nearly-elected counterparts. The estimates in column 7, for example, also imply a yearly asset growth premium of about 5%, given that politicians live for another twenty years on average. The results are in the same order of magnitude as those of Eggers and Hainmueller (2009), who report a coefficient estimate of around 0.65 for a sample comparable to the sample in column 7 and 8 in Table 4.5.3.

Table 4.5.3: Main RD Estimates - 1st Term

	First Triers				Second Triers		All Triers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Coefficient (ITT)	1.731	1.861	2.041	2.123	1.446	1.256	0.995	0.754
SE (BC)	(0.716)*	(0.539)***	(0.784)**	(0.600)***	(0.910)	(0.716)*	(0.496)**	(0.377)**
Mean DV Treated (1%)	12.849	12.849	12.901	12.901	11.059	11.059	12.375	12.375
Mean DV Control (1%)	10.193	10.193	10.887	10.887	9.759	9.759	10.706	10.706
N (Politicians)	103	103	86	86	65	65	295	295
N (Non-Politicians)	172	172	158	158	182	182	774	774
Bandwidth	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal

Note: Table showing Bias-corrected standard errors clustered at the individual-level. The first two columns show univariate regressions under the optimal MSE bandwidth, and twice the optimal bandwidth. In columns 3 and 4, selected covariates are added, in particular, covariates that seemed to be unbalanced at the 2% cutoff. In particular, the regression controls for birthplace population, birthplace characteristics, age at election, and socialist recommendations. In addition, I control for politicians' lifespan. Columns 5 and 6 focus on second-triers and columns 7 and 8 pool all attempts. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

The differences in wealth accumulation between elected politicians and runners-up can also be shown to good effect graphically in Figure 4.5.1. I show the estimated conditional expectation function left and right of the cut-off point for two of the estimates in Table 4.5.3. The results are conditional on the inclusion of the same covariates as in Table 4.5.3 and show two settings, one for first triers, and one for all triers, who, if elected, would be elected for the first time. It becomes clear that the conditional expectation function itself is volatile, meaning there is

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[5]If we compare these numbers to the work of Van Zanden (1983) and Van Riel (2018), who provide wage data for different professions in the Netherlands from 1819-1913, we find that the lump sum amounts to approx. 9 times the yearly wage of an average worker in 1850. Rising wages made this sum equal to about 5 times the average wage in 1890. In Appendix 4.B, I describe politicians' compensation in more detail.

no clear relationship between the margin a candidate obtained at elections and end-of-life wealth in general, as is expected for various reasons. However, at the cut-off point, there is an evident jump in the conditional expectation function, such that nearly-elected politicians end up much wealthier than their non-elected counterparts.
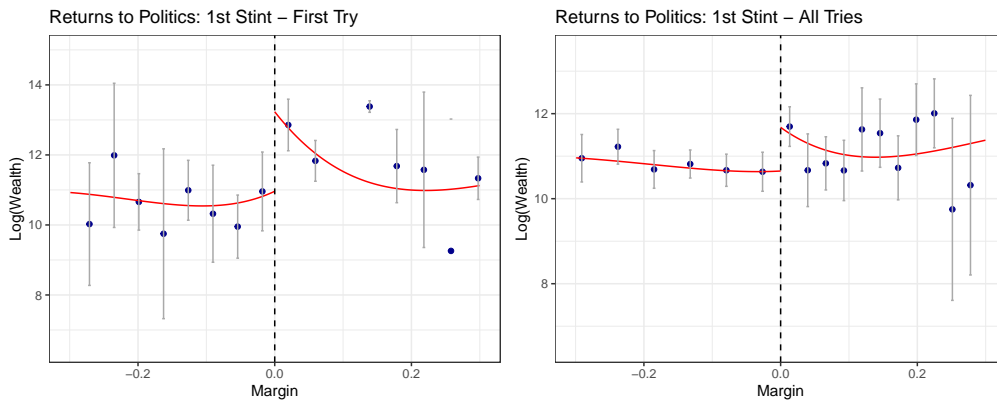
Figure 4.5.1: Estimates of Returns to Politics

I then decompose these total wealth effect of a political career into various average treatment effects of being elected for the τ'th time, everything else equal. These results are displayed in Table 4.5.4. In these analyses, I notably control for the number of elections a candidate has already participated in before. I first report coefficient estimates for ITT effects, and then report the estimate for the average treatment effect on the treated (ATT), using the recursion defined in equation 4.2, for $t^* = \{4, 7\}$[6]. Standard errors for the estimates of the ATTs are obtained by the delta method. The obtained estimates are remarkably consistent for different t^*: in both reported cases, as well as in the unreported intermediate cases, the point estimates for the ATT in the first period are statistically significant and hover around 1.1. This number represents the *ceteris paribus* effect of being elected once on end-of-life wealth. The effect size corresponds to about 60,000 guilders, equaling 5 minister's salaries and the equivalent of about 850,000 contemporary euros. For all other periods, the estimate of the ATT is close to zero, and never statistically significant, implying the absence of a discontinuity around the cut-off point.

Strikingly, the ATT effect is insignificantly different from zero for all subsequent elections, no matter the t^*. This means that the returns to politics found in Table 4.5.3 are principally due to the returns in the first

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[6]The parameter t^* is the term for which the estimated ATT is equal to the ITT

period: politicians do not gain any financial advantage by being elected two or more times. In Figure 4.5.2, I graphically show the robustness of these estimates for the ATT to t^*. This figure shows the estimated ATTs and ITTs for being elected for the τ'th time. These results corroborate that the estimated ATT's are very similar to the estimated ITTs, and that the total effects reported in Table 4.5.3 are mostly due to the effect of being elected once. This is due to the incumbency advantages being rather small, minimizing the relevance of future *ceteris paribus* returns in estimating the present. Thus, after the first term, any additional terms after a first term do not increase politicians' end-of-life wealth. In Appendix 4.A, Tables 4.A.3 and 4.A.4, I confirm that these results are invariant to RDD parameters such as the kernel or bandwidth chosen. I additionally show invariance to the definition of the dependent variable in table 4.A.5. I also show the full version of Table 4.5.4 in Table 4.A.6 and show the irrelevancy to bandwidth choice algorithm in Table 4.A.7. In the remainder of the analysis, I focus on the ITT effect from being elected for the first time, corresponding to the *total* return to a political career, and I provide evidence making it more plausible that these returns are indeed accrued in-office. In what follows, I argue that the establishment of political parties caused the returns to politics to decrease notably, and I also consider several alternative explanations.
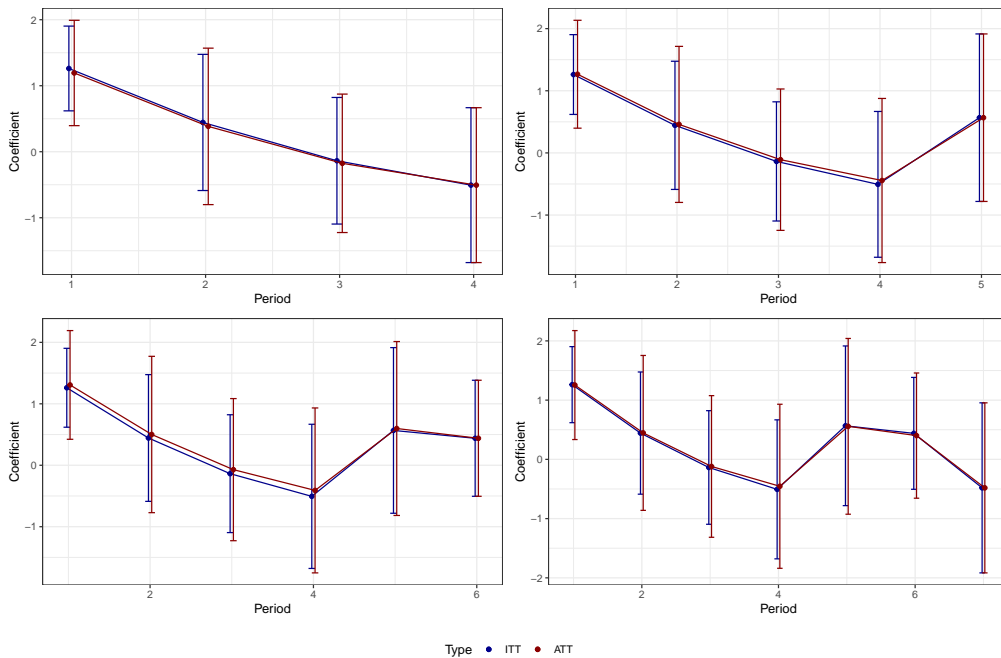
Figure 4.5.2: ITTs and ATTs for different t^*

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Table 4.5.4: ATT estimates for different t^*

	t=1	t=2	t=3	t=4	t=5	t=6	t=7
Panel A: t* = 4							
Coefficient (ITT)	1.062	0.342	0	-0.685			
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)			
Coefficient (ATT)	0.997	0.283	-0.053	-0.685			
SE (ATT)	(0.492)**	(0.704)	(0.661)	(0.633)			
N Treated	295	219	172	141			
N Control	774	145	98	78			
Mean DV Treated	12.375	11.709	11.594	12.224			
Mean DV Control	11.004	10.505	11.944	12.677			
Panel B: t* = 7							
Coefficient (ITT)	1.062	0.342	0	-0.685	0.746	-0.129	-0.771
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)	(0.937)	(0.562)	(0.83)
Coefficient (ATT)	0.997	0.282	-0.054	-0.686	0.672	-0.189	-0.771
SE (ATT)	(0.574)*	(0.785)	(0.762)	(0.769)	(1.016)	(0.627)	(0.83)
N Treated	295	219	172	141	101	75	52
N Control	774	145	98	78	43	42	23
Mean DV Treated	12.375	11.709	11.594	12.224	11.657	12.194	12.112
Mean DV Control	11.004	10.505	11.944	12.677	11.997	13.187	13.103

Note: Table showing coefficients effects of stints $\{1, \ldots, t^*\}$ under different $t^* \in \{4, 7\}$. All the ATT coefficients are derived and recursively computed from ITT coefficients, which are in turn estimated using the methodology in (Cattaneo et al., 2019) using MSE-optimal bandwidth. Standard errors are calculated using the delta method. The estimates in both panels control for birthplace population, birthplace characteristics, age at election, newspaper recommendations (party). *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

4.5.2 The Influence of Political Party Formation

Political parties potentially determine returns to politics. Eggers and Hainmueller (2009) suggest that political parties and associated party discipline can serve as an additional constraint on elected politicians: political party membership can help an individual with political aspirations get elected by providing a platform, whereas in return, the politician must adhere to a certain degree of party discipline. Several theoretical studies also model the ability of the party to control its members in terms of voting for the position favored by the party (e.g. Eguia, 2011; Iaryczower, 2008; Curto-Grau and Zudenkova, 2018).

Empirically, I can identify the influence of party discipline by exploiting newspaper recommendations to find out politicians' affiliation, irrespective of whether parties were already established. The connection between newspaper recommendations and political allegiance is so clear that a newspaper recommendation from a particular newspaper is interpreted as party membership if that particular party had existed at that point in time. In practice, there was a near one-to-one correspondence

between newspapers and political allegiance.[7] I estimate the following specifications for each $h \in \mathcal{H}$ = {Before Party Formation, After Party Formation}:

$$\log(w_i) = \alpha + \delta \cdot 1_{\text{Margin}_i > 0} + \eta \cdot f(\text{Margin}_i) + X_i \beta + \epsilon_i \qquad (4.8)$$

Candidate i is in { Before Party Formation } if the election took place before the candidate's party, as indicated by a newspaper recommendation, was formed, and is in { After Party Formation } otherwise. In the vector X_i, I include newspaper recommendation indicators, so that the estimates are conditional on candidates being recommended by the same newspaper, thereby relying on variation between individuals of the same political allegiance.

Table 4.5.5: Estimates In and Out-Party

	First Triers		Other Triers		All Triers	
	(1)	(2)	(3)	(4)	(5)	(6)
Coefficient (Without Party)	1.167	1.186	1.493	1.504	1.282	1.304
SE (Without Party)	(0.573)**	(0.568)**	(0.912)*	(0.913)*	(0.527)***	(0.531)***
Coefficient (Within Party)	-0.694	-0.577	0.007	0.053	-0.259	-0.160
SE (Within Party)	(0.745)	(0.735)	(0.727)	(0.756)	(0.543)	(0.570)
p-value Difference	0.058	0.074	0.272	0.458	0.09	0.122
Mean DV Treated	12.123	12.123	12.002	12.002	12.086	12.086
Mean DV Control	10.355	10.355	10.727	10.727	10.494	10.494
N Treated	207	210	120	120	327	330
N Control	485	491	286	292	771	783
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: The table shows RD estimates using the MSE-optimal bandwidth (Cattaneo et al., 2019). The Dependent Variable is Log(1+Personal Wealth). I report bias-corrected standard errors. The first two columns show estimates of the returns for the first-triers for the first stint, the second two estimates the returns for the second stint, and the third pair shows the results for all triers. Columns (1), (3) and (5) contain estimates with covariates including party, lifespan, number of votes, age, and number of candidates. Columns (2), (4) and (6) control for number of tries, party, district economic composition and total amount of votes. *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

In Table 4.5.5, I report the estimates of specification 4.8. I again focus on the ITT effect of being elected into politics for the first time, as the ITT is very close to the ATT-effect, as per the results in the previous section. In the first two columns, I focus on the first try for the first period, and in the second two columns, I focus on candidates that already tried at least once, but if elected, would be elected for the first time. The last two columns contain estimates irrespective of the number of tries. The results show that the point estimate for the subsample with candidates

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[7]In Appendix 4.C, I describe the connection between newspapers and political parties in detail.

before party formation is much higher than the point estimate for the subsample after party formation in all cases. Unsurprisingly, the point estimate for the subsample under electoral institutions without political parties is somewhat higher than the point estimates in Table 4.5.3. The point estimate for the subsample within political parties is much lower, and again in all cases, fails to attain statistical significance. The difference between the two point estimates is statistically significant in most cases, including in the pooled model, and in the first model for first triers. The effects for first triers are somewhat lower than the effect for other triers. The pooled results (columns 5 and 6) represent an average of those two effects.

The results are consistent with a vision that political parties are able to constrain politicians, as suggested in Eggers and Hainmueller (2009). The results here show that party discipline, rather than only serving the party leadership, can also serve another purpose: to constrain politicians from using their discretion to engage in rent-seeking voting behavior, or cater their voting behavior to interest groups. However, unlike in Eggers and Hainmueller (2009), the results in Table 4.5.5 seem to come from a combination of political parties, and is not due to the particular organization of one political party, which I show in Appendix 4.A, Table 4.A.14. In Appendix 4.A, Figure 4.A.3, I show placebo tests, estimating the party effect by artificially varying the year of party establishment and conducting the analysis in equation 4.8 again. The results show that the effect is the highest and most significant for the actual year of party establishment. Finally, in Appendix Tables 4.A.15 and 4.A.16, I decompose the ITT effects described here to the dynamic effects using equation 4.6. I find that the results are consistent with the analysis in this section: there seem to be positive returns concentrated in the first period for politicians outside a political party. On the other hand, the dynamic returns inside political parties are slightly more complex: while there are no first term returns apparent for this subsample, there is evidence that politicians can accrue returns in the second and third periods. Because the incumbency advantages for subsequent periods are relatively small, these effects are subsumed by the null effects in the first period.

4.5.3 Explanations

In-office rents

The results in section 4.5.1 make it plausible that politicians are able to extract in-office rents from them holding political office, but only if they have enough discretion, not limited by a political party. The estimates suggest, however, that they are only able to do so in the first period, and not in later periods, as politicians who are just-elected for a second time are not systematically wealthier than politicians who just fail to be elected for a second time. There are various pieces of anecdotal evidence that support these quantitative results. In 1862, during his first term, liberal MP van der Maesen de Sombreff had to step down after he was implicated in a plot to exempt the province of the district he was representing from a tax hike. De Jong and Rutjes (2015) document a plot by the local Catholic clergy and Catholic MP Haffmans, involving the clergy checking whether parishioners voted for him. In 1874, a law aimed at ending child labor was accepted (Van Den Berg and Vis, 2013). However, a parliamentary inquiry in 1886 showed that the law was not observed. Observers blamed this partially on the corruption of politicians themselves having a stake in firms exploiting child labor (Van Den Berg and Vis, 2013; Wartena, 2003). In 1909, the leadership of the Protestant ARP was implicated in a scandal involving the award of royal decorations in exchange for monetary gifts to the party (De Bruijn, 2005). In 1915, in his first term as a Lower House member, liberal MP De Jong was accused of using his Lower House function and membership of a committee on the rationing of vegetables to use inside knowledge to gain personal pecuniary advantages (Kroeze, 2013). An investigation conducted by the liberal party concluded that De Jong had used his function illegitimately, although refrained from concluding he had engaged in corruption. About the affair, socialist MP Sannes was quoted as saying "we live in an atmosphere which, let me put it mildly, is not very fresh; there is no man which isn't convinced that [...] there is being tampered with [...]. Private individuals [...] always indulge in tampering."

Indirect Benefits and Selection

It is possible that politicians do not accrue in-office rents, but use politics as a gateway to more lucrative professions. Several studies (e.g Eggers and Hainmueller, 2009; Amore and Bennedsen, 2013; Fafchamps and

Labonne, 2017; Folke et al., 2017; Cruz et al., 2017) investigate the existence and magnitude of various other benefits accruing to politicians. It is therefore plausible that politicians, by virtue of being elected into national politics, are themselves also more likely to end up in certain positions. Inspired by Amore and Bennedsen (2013) and Folke et al. (2017), I first investigate whether just-elected politicians are more likely to undertake certain career paths later in their life compared to their nearly-elected counterparts. Secondly, I investigate whether the relationship between holding political office and these career paths changes following party formation.

My empirical strategy aims to find differences in the likelihood of occupying three different positions: mayor, working in the financial sector, and working in the colonies. Firstly, a mayor (Dutch: *Burgemeester*) is the executive of a municipal administration in the Netherlands, an influential position which is not up for democratic election, and the position is also without substantial oversight and monitoring. For example, municipalities had the discretion to determine the mayor's salary (Kaal, 2008). Secondly, I investigate whether just-elected politicians are more likely to end up in the colonial administration or colonial business in the Dutch Indies. After the abolition of the *Cultuurstelsel* (1870), private enterprise in the Dutch Indies was allowed by the Dutch government, and markets were opened to both Dutch and foreign investors. However, private enterprise was still characterized by an extremely coercive environment, and the economy was still primarily focused on rent extraction, which was now carried out by private firms rather than the government (Lindblad and Others, 1993; Steegh et al., 2016; Taselaar, 1998), the benefactors of which were likely individuals at positions in the colonial administration and colonial business. Thirdly, I investigate whether a political career gives individuals more access to a career in finance and business in the metropolitan. The contemporary literature (e.g. Fisman et al., 2014) documents that political connections, and thus politicians, are valuable to firms. Everything else equal, then, politicians might be more likely to take up a position in finance and business than nearly-elected non-politicians.

I estimate whether being elected has an influence on the probability of taking up a career path in one of these three settings using the following specification, for each $j \in J = \{$Mayor, Colonial, Finance$\}$:

$$\mathcal{I}[j_i = 1] = \alpha + \delta \cdot 1_{\text{Margin}_i > 0} + \eta \cdot f(\text{Margin}_i) + X_i \beta + \epsilon_i \qquad (4.9)$$

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where $\mathcal{I}$ is an indicator indicating whether a candidate worked in j after taking part in an election.

In Table 4.5.6, I show the RD estimates for the probabilities of candidates for becoming active (i) in business after their political career vs. all others, (ii) in the colonies after their political career vs. all others, and (iii) who were active in politics after first being elected in the Lower House vs. all others. In panel A, I show the unconditional results, and in panel B, I contrast the results before party formation with the results after party formation. The results show no evidence for indirect benefits for politicians after a political career: politicians are not more likely to pursue a career in either business, politics or colonial occupations. The point estimates are all close to zero, and none of them is statistically significant. In this respect, the results differ markedly from Eggers and Hainmueller (2009), who document large career advantages for politicians in a post World War II setting. The results also contradict a particular kind of incumbency advantage (Lee, 2008), in that politicians are not more likely to become a mayor afterwards than just-losing candidates. Even though the mean difference is always positive, there is no evidence of a discontinuous jump around the threshold determining whether a candidate is elected or not. There is also no discernible change in this relationship after political party formation. Hence, politicians aren't able to find new ways of accumulating returns to politics, after constraints on in-office behavior were established by political parties.

These results can also be interpreted as absence of selection-based trends in the candidate pool following political party formation: there is no evidence that candidates are more likely to pursue any of these three career paths after political party formation. This runs counter to a selection-based explanation of the findings in section 4.5.2, and indicates that politicians with similar aspirations and abilities were in the candidate pool before and after political party formation. I also offer more explicit evidence on the stationarity of the candidate pool around the moments of party formation in Appendix 4.A, Table 4.A.13, and confirm that there are little to no systematic differences between the candidate pool for several years before and after party formation. Altogether, this implies that the candidate pool before and after party formation was roughly similar in terms of pre-treatment characteristics, but also in terms of choices and opportunities for a post-politics career, and that selection-related issues are unlikely to be responsible for the observed differences.

To further investigate the pattern of returns, I also consider differences

Table 4.5.6: RD Estimates of Being Elected on Career Paths

	Finance		Colonial		Mayor	
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: Unconditional Estimates						
Coefficient	0.002	0.003	0.001	0.000	-0.007	-0.020
SE (BC)	(0.021)	(0.021)	(0.030)	(0.029)	(0.031)	(0.030)
Mean DV Treated (1%)	0.062	0.059	0.062	0.059	0.000	0.000
Mean DV Control (1%)	0.028	0.028	0.056	0.056	0.042	0.042
N (Politicians)	587	593	587	593	587	593
N (Non-Politicians)	1112	1126	1112	1126	1112	1126
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal
Panel B: Before and After Party Establishment						
Coefficient (Before Party)	0.017	0.018	0.002	0.004	-0.001	-0.003
SE (Before Party)	(0.035)	(0.035)	(0.044)	(0.045)	(0.034)	(0.034)
Coefficient (After Party)	-0.031	-0.023	0.005	0.000	-0.023	-0.049
SE (After Party)	(0.027)	(0.028)	(0.026)	(0.025)	(0.054)	(0.053)
Mean DV Treated (1%)	0.062	0.059	0.062	0.059	0.000	0.000
Mean DV Control (1%)	0.028	0.028	0.056	0.056	0.042	0.042
N (Politicians)	587	593	587	593	587	593
N (Non-Politicians)	1112	1126	1112	1126	1112	1126
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: Table showing the effect of being elected into politics on three future career paths: taking up a position in finance (business), continuing in non-lower house politics (as a mayor), and taking up a career in the colonies. Bias-corrected and Robust standard errors clustered at the individual-level. All effects are estimated under the MSE-optimal bandwidth. I use two sets of covariates: first, I control for total amount of votes, age, newspaper recommendations and economic and demographic composition of the district. Second, I control for newspaper recommendations, the number of tries, and the economic and demographic composition of the candidate's birthplace. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

between returns to politics for young versus old politicians. If the indirect benefits channel is active, younger politicians must have been able to accrue more returns over their lifetime than relatively older politicians. According to this explanation, the total effects of a political career should be larger for younger politicians than for older politicians. I investigate this issue in Appendix 4.A, Table 4.A.8. These results show that if anything, the opposite is true: the returns seem to be stronger for politicians who are older than the median age, although they seem to be somewhat spread out over the entire age range. The results can however be rendered spurious if younger politicians chose to accumulate wealth in different ways, for instance, by consuming more. In Appendix Table 4.A.9, I investigate this by comparing young politicians who died young and who did not. I find that there is no difference between these groups, implying that such an explanation is unlikely, and that the observed difference between young and old politicians is likely genuine. In any case, there is no

evidence that younger politicians have been accruing systematically more benefits than older politicians. I conclude that there is no evidence that younger politicians obtain more returns from politics than older politicians, and hence, there is no evidence for a mechanism implying indirect benefits to a political career.

Finally, there is also a concern that the pattern of results may be due to selection in electoral dynamics. Concretely, if the electorate can (partially) detect rent-seeking type politicians (Besley and Case, 1995), then, after observing their activity for one period, this type of politician may be voted out, such that only 'honest' politicians remain in the political arena. I address this concern in Appendix 4.A, Tables 4.A.10, 4.A.11, and 4.A.12. This type of explanation implies that the correlation between personal wealth and the probability of reelection, candidacy or recommendation given candidacy, is negative. In fact, empirically, these correlations are mostly positive after the first and second periods, and insignificantly different from zero for others, making it unlikely that these dynamics play a role. In short, this shows that selection concerns towards honest or non-rent-seeking politicians, coming from either the electorate, political parties, or candidates themselves, are unlikely to play a large role.

Suffrage Extensions

In the period of investigation, suffrage extension played a central role in the political debate (Van Der Kolk et al., 2018). After a failed attempt to extend the franchise in 1872, it became increasingly clear that the coupling of suffrage to taxation excluded too high a proportion of the electorate. The attempt was hampered by the fact that Protestant and Catholic politicians required the position of Christian education to be taken into account into a new Constitutional revision, whereas the liberals wanted to only extend the franchise and decouple suffrage from taxation (Van Den Berg and Vis, 2013). In 1887, following a constitutional revision, the criterion based on taxes paid were augmented by a host of other criteria, including the notoriously vague stipulations of "fitness" and "societal standing" (Van Der Kolk et al., 2018). After again a failed attempt in 1892, an attempt in 1896 have turned out to be more fertile. The proposals introduced two new criteria for suffrage: paying direct a certain amount of income, land or wealth taxation, and a miscellaneous category called 'declaration', which included paying a certain amount of rent, passing certain exams, or having savings or a pension.

As the incomes of the Dutch population steadily rose, while the franchise requirements remained static, this also made that more and more inhabitants were enfranchised (Van Der Kolk et al., 2018). In the elections of 1897, about 575,000 men were enfranchised. This number rose to close to 1 million men in 1913, i.e. 50% of the male population. In 1917, universal male suffrage was implemented, and in 1918 universal suffrage.

Suffrage extensions could have impacted the equilibrium returns to politics in various ways. There are theoretical and empirical studies (Lizzeri and Persico, 2004; Persson and Tabellini, 2004; Aidt and Mooney, 2014) that imply that suffrage extension can reduce rent-seeking behavior of politicians, mainly because politicians face stronger electoral incentives from a broader share of the population. To empirically investigate whether and to what extent suffrage extensions have been a key driver of the results, I estimate specification 4.3 while splitting the sample into before and after the various suffrage extensions. This way, I estimate the difference of political rents in elections before significant suffrage expansions, elections after a partially liberalized regime (between 1887 and 1897) and elections after a regime strongly resembling universal suffrage (after 1897). The results are displayed in Table 4.5.7.

Table 4.5.7: RD Estimates of Being Elected on Personal Wealth Before/After Suffrage Extensions

	Before 1887		Between 1887-1897		After 1897	
	(1)	(2)	(3)	(4)	(5)	(6)
Coefficient (ITT)	1.376	1.328	1.395	1.440	-1.471	-0.849
SE (BC)	(0.562)***	(0.575)**	(1.181)	(1.338)	(0.789)**	(0.874)
Mean DV Treated (1%)	12.342	12.342	12.780	12.780	10.274	10.274
Mean DV Control (1%)	10.904	10.904	9.792	9.792	11.572	11.572
N Treated	147	148	48	48	64	64
N Control	431	436	117	117	73	73
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: Table showing the effect of being elected into politics on personal end-of-life wealth. The dependent variable is Log(1+Wealth at Death). The estimates show Bias-corrected and Robust standard errors clustered at the individual-level. All effects are estimated under the MSE-optimal bandwidth. I use two sets of covariates: in columns (1), (3) and (5) I control for birtplace population, and demographics, and newspaper recommendations (party). In columns (2), (4) and (6) I control for number of tries, birthplace demographics, district demographics and number of tries. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

The results show that there are significant and positive returns to politics in the first period. Between the first and the second periods, there is no discernible difference between estimated returns to politics before and after the suffrage extensions, although both point estimates for the

period before 1887 are significant, whereas the point estimates for the period between 1887 and 1896 are not. In all of the first four models, however, the point estimates hover around unity, and are not statistically significantly different from each other. The point estimates are comparable in magnitude with the point estimates shown in previous sections. In Table 4.5.3, I implicitly took this differential into account by estimating the results conditional on suffrage regime (1848-1887, 1887-1896, 1896-1917). In so far as an increase in suffrage extension implies an increase in monitoring on the part of the (enlarged) electorate, these results contradict the hypotheses posed by Querubin et al. (2011), who argue that increased monitoring is primarily responsible for rent extraction. On the other hand, the results in the last two column show a statistically significant negative effect for being politically active after 1897. The results, however, could be due to the fact that political parties were already in existence, implying a reduced possibility to obtain in-office returns. The relatively low salary then, would make it that there are positive opportunity costs to working in politics as opposed to elsewhere.

I investigate graphically whether this change in equilibrium returns to politics is driven by the expansion of the franchise, or whether it is an artifact of the aforementioned political party effects. If the change in returns is due to franchise extension, then the results should show a sharp drop in equilibrium rents following the 1897 expansion. I investigate whether the temporal pattern of equilibrium returns around the introduction of the 1897 franchise expansion in Figure 4.5.3. I plot the estimate of the "ITT" returns after a variable cut-off point. These serve as placebo tests for a possible structural break in the treatment effect centered around 1897.

These estimates show that the returns have stayed more or less stable over a long period of time, and that there is no sudden change following the suffrage extension of 1887. On the other hand, there is some evidence that the suffrage extension in 1897 coincides with the sharp drop in returns to politics from 1897 onward. The estimates are strongly indicative of the conjecture that the increase in the electorate after the 1897 franchise extension made it even more difficult for politicians to accrue returns to politics, pushing the point estimate consistently down to zero, even though these estimates are not statistically different from zero at the 95% level. Strictly speaking, the estimates show a drop after I confine the dataset to elections that took place from 1894 onward, but the effect is strongest after the suffrage extension in 1897, and stabilizes afterwards.

On the other hand, 1894 represents the moment at which all major political parties had been formed. It is therefore difficult to conclude that these results are exclusively due to franchise extension.
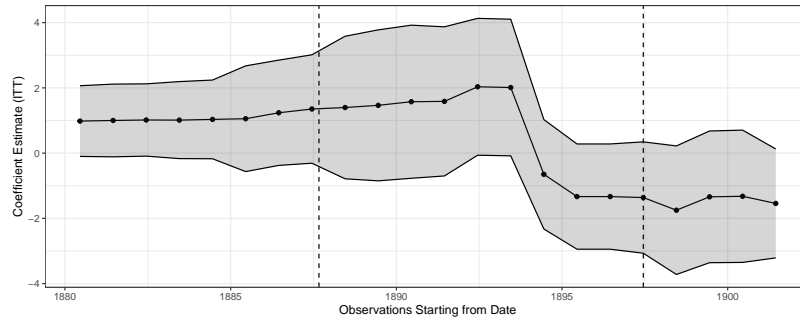
Figure 4.5.3: Estimates of Returns Around Suffrage Extensions

Constant Marginal Returns

The results in the previous sections show that politicians are only able to accrue returns to politics in the first period of political activity, after which a political career does not help in obtaining a financial advantage relative to careers outside of politics. In other words, the marginal returns to politics are likely diminishing. This result in itself contradicts various explanations of the returns to politics found in the literature. For example, in a present-day context, there is evidence that politicians can obtain rents by using insider information (Bourveau et al., 2021) or influencing public procurement (Baltrunaite, 2020). These and similar mechanisms imply that politicians can do this in principle at any moment in their career, not just in the first period. Hence, the results shown above are inconsistent with these explanations.

A possible reconciliation of these mechanisms with the regression discontinuity results described above could be that the regression discontinuity estimates are interpretable as local average treatment effects (Angrist and Imbens, 1995), rather than global effects. Recall that the estimated effects are for politicians with potential outcomes such that they won or lost with a small margin. Suppose a politician has only limited political capital to engage in rent-seeking activities (à la Curto-Grau and Zudenkova (2018)), and has the possibility to deplete this over multiple periods if elected again, but it is uncertain whether they will be elected a second time (indicated by the small margin the first time). Then, it makes sense to deplete the bulk of that capital during the first period.

Moreover, the results in Appendix Tables 4.A.15 and 4.A.16 also suggest that the amount of discipline parties exert over politicians might not be constant: these results suggest that within political parties, politicians can accrue personal returns in the second and third period of political activity. This might indicate that relatively new politicians are effectively disciplined, but as soon as their influence increases, they might wield more power vis-à-vis parties, allowing them to exercise discretion again in subsequent periods. Similarly, politicians who anticipate the end of their Lower House career (see e.g. Besley and Case, 1995; Lopez, 2003) might no longer be disciplined by political parties. Finally, I cannot rule out that statistical power could be an issue: given the lower sample size of second-term or third-term candidates, it becomes progressively more difficult to identify effects of further terms.

4.6 Conclusion

This study investigated the returns to politics in a context of changing political institutions. I find that there is a convincing and robust causal effect of becoming politically active on end-of-life wealth, corroborating several other studies (Eggers and Hainmueller, 2009; Fisman et al., 2014). Using the methodology of Cellini et al. (2010), I then investigate the *pattern* of these returns by exploiting the repeated quasi-random assignment of political office among candidates being elected once, twice, and more often. This allows me to obtain a marginal return curve to additional term of political office. I find that politicians can only accrue returns from political office in their first term. These returns are of a significant magnitude. They are equal to about 6-8 times a minister's salary, depending on the point estimate, and cannot be explained by the formal remuneration of politicians. In the second term and later terms, the end-of-life wealth of politicians is insignificantly different from candidates who failed to be elected by a small margin, indicating that these returns are due to politicians' being elected for the first time.

Next, I turn to the question of how changing political institutions change the equilibrium returns to politics. I firstly focus on an explanation implied in Eggers and Hainmueller (2009), who hint that the existence of political parties (not) being able to discipline their members might be an important determinant of political rents. By exploiting newspaper recommendations, allowing me to identify a candidate's allegiance before political parties actually existed, I contrast the returns to politics

within and outside the regime of political parties. I find that the results show up chiefly in the periods in which parties aren't formed. In contrast to Eggers and Hainmueller (2009), the results do not come from one particular party. These results show that political parties, by quickly monopolizing the political arena, leaving very little space for independent candidates, and subsequently introducing party discipline, have successfully constrained politicians' rent-seeking behavior.

The combined findings imply that returns to politics are in-office rents, and show that party discipline is the primary determinant. This view is supported by anecdotal evidence of corruption cases documented by historians (Kroeze, 2013). Most of these cases feature members of parliament in their first term. I also consider alternative explanations to the in-office rents explanation. Apart from anecdotal evidence, this is evident from their professional careers after political office. In particular, I find no evidence that the returns are accrued out-of-office by an increased probability to work as a mayor, in the colonies, or in finance after holding office (cf. Mattozzi and Merlo, 2008). Similarly, I investigate whether the result is due to dynamic selection (Besley, 2005), a different pool of candidates following the establishment of political parties. Judging by ex-ante characteristics as well as by career paths, I find there is no evidence for selection playing a role. Finally, I investigate whether suffrage extensions, potentially confounding the estimates of the effect of political parties, plays an important role. I find that the returns to political office do not change as a result of suffrage extensions, and that the returns to politics are more or less stationary. I also argue against explanations that imply a constant marginal return curve to politics, e.g. insider trading (Bourveau et al., 2021).

The results strongly suggest that politicians were able to realize returns to a political career within office, but that this is contingent on there being no political parties. Whereas economists and political historians usually interpret political parties as incarnations of political groups with similar ideologies or aggregators of policy preferences (De Jong, 2001; De Rooy, 2014; Persson and Tabellini, 2002; Ferreira and Gyourko, 2009), this chapter is consistent with a complementary rationale for political parties: they served as mechanisms to constrain rent-seeking behavior. Plausibly, political parties have enough leverage over politicians to discipline their voting behavior (Grossman and Helpman, 2005), thereby limiting catering to interest groups. The results furthermore suggest that returns to politics are realized in the first period of political activity, al-

though I cannot exclude the results reflect an absence of statistical power. This seems to imply decreasing returns to a political career.

The findings confirm widespread views about nineteenth-century European politics as being dominated by a wealthy, oligarchical elite, subject to few constraints. However, despite many studies arguing that politicians were subject to constraints from the electorate, for example in the form of the threat of revolution or other unrest (e.g. Acemoglu and Robinson, 2000; Aidt and Franck, 2019), this chapter finds no evidence for a strong effect of suffrage extensions and increases in the size of the electorate on politicians' rent-seeking behavior. In comparison to these electoral repsonsiveness hypotheses, the results of this chapter show that party discipline was much more important in curbing politicians' behavior.

This study raises several issues for future research. First, it is unclear why there are only returns to a first term in political office, and these returns seem to disappear for later terms. Second, an interesting question is whether there can be found direct evidence for catering to interest groups in a historical setting, as was shown in contemporary settings (Baltrunaite, 2020; Bourveau et al., 2021). Third, given the important role of political parties in both democratization and in disciplining politicians, both theoreticians and empiricists could focus on what allowed political parties to obtain enough leverage over politicians to be able to discipline them, and whether this helped political parties in obtaining more votes.

Appendix

4.A   Robustness Checks

4.A.1   Covariate Balance

In Table 4.A.1, I show the covariate balance, but now only for the individuals who attempted their first try. This table is qualitatively very similar to the results in the main text: there seems to be an imbalance on various characteristics far away from the cut-off point, as there is no reason politicians and non-politicians are elected randomly with respect to these characteristics. At the margin, however, the RD estimates show that there is no jump in any of these covariates, as evidenced by the lack of statistical significance of the RD estimates. Hence, covariate balance also holds in this subgroup.

In Table 4.A.2, I show the covariate balance for the RD analyses of second period rents. Nearly all variables are balanced around the margin, indicated by the absence of significant RD estimates, except for the estimates of political allegiance: after already having been elected once, politicians are more likely to have received a recommendation from a socialist or liberal-oriented newspaper than their runners-up. Even though balanced in the first term, in the second term, so conditional on having been elected already, socialists and liberals have an increased tendency to be reelected. As for implications for the analysis of personal wealth, differences in wealth between politicians of different political allegiances are controlled for in all concerned analyses.

4.A.2   Sensitivity to RD Parameters

I estimate the results in Table 4.5.3 using flexible bandwidth and different covariates and report the results in Table 4.A.3. The results are qualitatively extremely similar to the results in the main text, and show

Table 4.A.1: Covariate Balance - First Attempts - First Term

	Margin < 0.2			Margin < 0.05			
	Politicians	Non-Politicians	p-val.	Politicians	Non-Politicians	p-val.	RD Estimate (SD)
Panel A: Newspaper Recommendations							
Rec.: Protestant	0.08	0.07	0.529	0.10	0.09	0.758	-0.176 (0.094)
Rec.: Liberal	0.18	0.17	0.839	0.19	0.17	0.707	0.172 (0.114)
Rec.: Socialist	0.04	0.02	0.164	0.06	0.02	0.184	-0.015 (0.020)
Rec: Catholic	0.11	0.09	0.435	0.12	0.15	0.558	-0.211 (0.103)
Panel B: Demographic Characteristics							
Lifespan	22.75	25.56	0.052*	24.12	23.67	0.867	1.036 (2.796)
Age at Election	44.13	42.67	0.319	43.38	41.75	0.541	4.955 (3.494)
Year of Death	1904.81	1906.75	0.532	1908.83	1913.53	0.435	-4.058 (5.858)
Year of Election	1878.67	1879.55	0.668	1881.43	1880.60	0.816	-3.173 (4.026)
Panel C: Election Characteristics							
Log Turnout	7.90	7.81	0.324	7.94	7.79	0.388	-0.904 (0.297)
Log Turnout Previous	7.81	7.79	0.816	7.87	7.72	0.351	-0.473 (0.231)
Panel D: Birthplace Characteristics							
Log Population 1859	9.56	9.03	0.147	9.79	8.83	0.032**	-0.316 (0.518)
Share Protestant	0.59	0.55	0.465	0.62	0.35	0.013**	0.023 (0.084)
Share Catholic	0.38	0.42	0.440	0.35	0.63	0.010**	-0.006 (0.081)
Labor Force Share Agricul.	0.05	0.03	0.033**	0.05	0.03	0.450	0.019 (0.023)
Labor Force Share Industry	0.20	0.22	0.318	0.20	0.21	0.932	-0.013 (0.034)
Taxes Per Capita 1859	3.95	3.77	0.512	4.28	3.26	0.073*	-0.138 (0.638)
Taxes Per Capita 1889	4.78	4.71	0.785	5.02	4.05	0.073*	0.171 (0.573)
Distance to the Hague	90.58	103.75	0.214	83.13	118.47	0.112	26.572 (17.568)
Panel E: District Characteristics							
Share Protestant	0.57	0.58	0.735	0.59	0.54	0.384	0.053 (0.036)
Share Catholic	0.41	0.40	0.752	0.39	0.45	0.316	-0.034 (0.036)
Labor Force Share Agricul.	0.07	0.07	0.746	0.08	0.09	0.905	0.005 (0.013)
Labor Force Share Industry	0.22	0.22	0.833	0.22	0.23	0.540	-0.013 (0.018)

Note: The table contains means for various sets of variables conditioned on the absolute margin being < 0.2 (left panel) and <0.05 (right panel). The first two columns represent the means for subsequent politicians and non-politicians respectively, and the third column shows the p-value of a Welch two-sample t-test. The last column shows the local non-parametric RD estimate, estimated by the procedure in Cattaneo et al. (2019). HC-Robust standard errors are shown between brackets. Significance is indicated by *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

significance in all cases. The magnitude of the effect is also very similar. I thus conclude that the results are invariant to the specific choice of the bandwidth parameter chosen.

I also estimate the results in Table 4.5.3 using different kernel choices. The default kernel is a triangular kernel, but I also estimate the results using the Yepanechnikov and uniform kernels in Table 4.A.4. The results are again extremely similar to the results in the main text. The estimates are therefore independent of the precise kernel used.

In addition, I investigate the sensitivity of the main results to the dependent variable definition. In particular, I use the inverse hyperbolic sine, as suggested by Bellemare and Wichman (2020). The results, displayed in table 4.A.5 are insensitive to this specification and very similar to the main results.

Similarly, I display the results similar to Table 4.5.4 but for all $t^* \in \{4, 5, 6, 7\}$. In the main text, I included an excerpt from this Table, for only $t^* \in \{4, 7\}$. This table shows the full results. The full results corroborate that the average treatment effect is only statistically distinguishable from zero in the first period. This is confirmed, irrespective of the actual value

Table 4.A.2: Covariate Balance - Second Term

	Margin < 0.2			Margin < 0.05			
	Politicians	Non-Politicians	p-val.	Politicians	Non-Politicians	p-val.	RD Estimate (SD)
Panel A: Newspaper Recommendations							
Rec.: Protestant	0.19	0.17	0.538	0.22	0.11	0.058*	0.062 (0.101)
Rec.: Liberal	0.17	0.23	0.151	0.13	0.16	0.682	0.247 (0.100)**
Rec.: Socialist	0.04	0.05	0.646	0.03	0.05	0.500	0.054 (0.030)*
Rec: Catholic	0.23	0.20	0.605	0.22	0.13	0.168	0.107 (0.094)
Panel B: Demographic Characteristics							
Lifespan	20.46	20.14	0.800	20.96	21.20	0.903	-0.931 (2.456)
Age at Election	47.30	49.61	0.031**	46.76	50.24	0.038**	0.312 (2.029)
Year of Death	1901.67	1900.21	0.580	1901.08	1896.84	0.328	2.597 (5.257)
Year of Election	1879.00	1878.58	0.842	1877.82	1874.05	0.278	3.186 (3.696)
Panel C: Election Characteristics							
Log Turnout	7.94	7.86	0.441	7.95	7.84	0.456	0.042 (0.189)
Log Turnout Previous	7.80	7.77	0.705	7.75	7.64	0.490	0.011 (0.263)
Panel D: Birthplace Characteristics							
Log Population 1859	9.40	9.06	0.193	9.23	9.14	0.836	0.860 (0.696)
Share Protestant	0.58	0.60	0.550	0.56	0.61	0.338	0.052 (0.060)
Share Catholic	0.38	0.37	0.691	0.42	0.36	0.310	-0.049 (0.066)
Labor Force Share Agricul.	0.05	0.05	0.600	0.06	0.07	0.574	0.025 (0.023)
Labor Force Share Industry	0.19	0.18	0.870	0.19	0.19	0.773	0.010 (0.033)
Taxes Per Capita 1859	3.93	4.02	0.648	3.64	4.23	0.055*	-0.039 (0.396)
Taxes Per Capita 1889	4.84	4.82	0.924	4.62	5.17	0.074*	-0.058 (0.415)
Distance to the Hague	91.71	82.95	0.203	100.53	76.70	0.040**	-18.075 (15.643)
Panel E: District Characteristics							
Share Protestant	0.62	0.65	0.375	0.60	0.67	0.177	-0.011 (0.040)
Share Catholic	0.35	0.33	0.445	0.38	0.32	0.266	0.011 (0.042)
Labor Force Share Agricul.	0.06	0.06	0.906	0.06	0.08	0.090*	0.000 (0.015)
Labor Force Share Industry	0.22	0.24	0.061*	0.23	0.24	0.735	-0.037 (0.018)

Note: The table contains means for various sets of variables conditioned on the absolute margin being < 0.2 (left panel) and <0.05 (right panel). The first two columns represent the means for subsequent politicians and non-politicians respectively, and the third column shows the p-value of a Welch two-sample t-test. The last column shows the local non-parametric RD estimate, estimated by the procedure in Cattaneo et al. (2019). HC-Robust standard errors are shown between brackets. Significance is indicated by *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

Table 4.A.3: Robustness to Main RD Estimates - 1st Period: BW Selector

	First Triers				Second Triers		All Triers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Coefficient (ITT)	1.730	1.842	2.253	2.089	2.051	1.344	0.940	0.555
SE (BC)	(0.709)*	(0.534)***	(0.909)**	(0.702)***	(1.087)*	(0.846)	(0.588)*	(0.447)
Mean DV Treated (1%)	12.849	12.849	12.901	12.901	11.059	11.059	12.225	12.225
Mean DV Control (1%)	10.193	10.193	10.577	10.577	9.277	9.277	10.660	10.660
N (Politicians)	103	103	70	70	54	54	244	244
N (Non-Politicians)	172	172	120	120	145	145	579	579
Bandwidth	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal

Note: Table showing Bias-corrected standard errors clustered at the Birthplace-level. The first two columns show univariate regressions under the optimal MSE bandwidth with the option *msecomb2*, and twice the optimal bandwidth. In columns 3 and 4, selected covariates are added, an alternative selection to the covariates in the main results. In particular, the regression controls for district religious share, birthplace population, birthplace religious share, district GDP, lifespan and birthplace labor force composition. Columns 5 and 6 focus on second-triers and columns 7 and 8 pool all attempts. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

of t^*.

I also estimate these results using flexible bandwidths. The results using flexible bandwidths are in Table 4.A.7.

The results are displayed in Table 4.A.7. These results are also qualitatively very similar to the results in the main text, indicating that the results are not an artifact of the RDD parameters. According to these results, just-elected politicians accumulate about 130,000 guilders more

Table 4.A.4: Robustness to Main RD Estimates - 1st Period: Kernel

	First Triers				Second Triers		All Triers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Uniform Kernel								
Coefficient (ITT)	1.774	1.981	2.341	1.830	2.270	1.217	0.748	0.496
SE (BC)	(0.746)**	(0.593)***	(0.861)**	(0.649)***	(1.121)**	(0.839)	(0.524)	(0.393)
Mean DV Treated (1%)	12.849	12.849	12.901	12.901	11.059	11.059	12.225	12.225
Mean DV Control (1%)	10.193	10.193	10.577	10.577	9.277	9.277	10.660	10.660
N (Politicians)	103	103	70	70	54	54	244	244
N (Non-Politicians)	172	172	120	120	145	145	579	579
Bandwidth	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal
Panel B: Yepanechnikov Kernel								
Coefficient (ITT)	1.681	1.865	2.301	2.244	2.228	1.474	0.884	0.488
SE (BC)	(0.686)*	(0.519)***	(0.925)**	(0.724)***	(1.178)*	(0.888)	(0.583)	(0.436)
Mean DV Treated (1%)	12.849	12.849	12.901	12.901	11.059	11.059	12.225	12.225
Mean DV Control (1%)	10.193	10.193	10.577	10.577	9.277	9.277	10.660	10.660
N (Politicians)	103	103	70	70	54	54	244	244
N (Non-Politicians)	172	172	120	120	145	145	579	579
Bandwidth	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal

Note: Table showing Bias-corrected standard errors clustered at the Birthplace-level. The first two columns show univariate regressions under the optimal MSE bandwidth with the option *msecomb2*, and twice the optimal bandwidth. In columns 3 and 4, selected covariates are added, an alternative selection to the covariates in the main results. In particular, the regression controls for district religious share, birthplace population, birthplace religious share, district GDP, lifespan and birthplace labor force composition. Columns 5 and 6 focus on second-triers and columns 7 and 8 pool all attempts. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

Table 4.A.5: Robustness to Main RD Estimates - 1st Period: Ihs

	First Triers				Second Triers		All Triers	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Coefficient (ITT)	1.294	1.417	1.607	1.556	0.421	0.484	0.618	0.495
SE (BC)	(0.575)*	(0.455)***	(0.588)**	(0.474)***	(0.656)	(0.527)	(0.350)*	(0.276)*
Mean DV Treated (1%)	13.542	13.542	13.594	13.594	11.752	11.752	13.068	13.068
Mean DV Control (1%)	12.019	12.019	12.357	12.357	11.672	11.672	12.113	12.113
N (Politicians)	102	102	85	85	65	65	292	292
N (Non-Politicians)	167	167	153	153	176	176	761	761
Bandwidth	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal	Optimal	2x Optimal

Note: Table showing Bias-corrected standard errors clustered at the individual-level. The dependent variable is ihs(Personal Wealth). The first two columns show univariate regressions under the optimal MSE bandwidth, and twice the optimal bandwidth. In columns 3 and 4, selected covariates are added, in particular, covariates that seemed to be unbalanced at the 2% cutoff. In particular, the regression controls for birthplace population, birthplace characteristics, age at election, and socialist recommendations. In addition, I control for politicians' lifespan. Columns 5 and 6 focus on second-triers and columns 7 and 8 pool all attempts. *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

wealth than nearly-elected losing contenders, a magnitude very comparable to the magnitude of the effect in the main text. The results show the familiar pattern in that there is a significant first-period effect, and the effects for all the other periods however around the zero, while never being statistically significant.

Graphically, I also display Figure 4.A.1, but now using flexible bandwidths and a different set of covariates. The results of this analysis show the same pattern as in the figure in the main text: there is a significant *ceteris paribus* effect in the first period, but not in the other periods, irrespective of what t^* is used to identify the estimates. The shape of the figure is also very similarly qualitatively, in that the results seem to hover around zero for all periods after the first period, and never attain signifi-

Table 4.A.6: ATT estimates for different t^*: Full Table

	t=1	t=2	t=3	t=4	t=5	t=6	t=7
Panel A: t* = 4							
Coefficient (ITT)	1.062	0.342	0	-0.685			
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)			
Coefficient (ATT)	0.997	0.283	-0.053	-0.685			
SE (ATT)	(0.492)**	(0.704)	(0.661)	(0.633)			
N Treated	295	219	172	141			
N Control	774	145	98	78			
Mean DV Treated	12.375	11.709	11.594	12.224			
Mean DV Control	11.004	10.505	11.944	12.677			
Panel B: t* = 5							
Coefficient (ITT)	1.062	0.342	0	-0.685	0.746		
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)	(0.937)		
Coefficient (ATT)	1.094	0.381	0.035	-0.604	0.746		
SE (ATT)	(0.545)**	(0.757)	(0.73)	(0.735)	(0.937)		
N Treated	295	219	172	141	101		
N Control	774	145	98	78	43		
Mean DV Treated	12.375	11.709	11.594	12.224	11.657		
Mean DV Control	11.004	10.505	11.944	12.677	11.997		
Panel C: t* = 6							
Coefficient (ITT)	1.062	0.342	0	-0.685	0.746	-0.129	
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)	(0.937)	(0.562)	
Coefficient (ATT)	1.082	0.369	0.024	-0.614	0.737	-0.129	
SE (ATT)	(0.555)*	(0.766)	(0.741)	(0.747)	(0.977)	(0.562)	
N Treated	295	219	172	141	101	75	
N Control	774	145	98	78	43	42	
Mean DV Treated	12.375	11.709	11.594	12.224	11.657	12.194	
Mean DV Control	11.004	10.505	11.944	12.677	11.997	13.187	
Panel D: t* = 7							
Coefficient (ITT)	1.062	0.342	0	-0.685	0.746	-0.129	-0.771
SE (ITT)	(0.399)***	(0.611)	(0.613)	(0.633)	(0.937)	(0.562)	(0.83)
Coefficient (ATT)	0.997	0.282	-0.054	-0.686	0.672	-0.189	-0.771
SE (ATT)	(0.574)*	(0.785)	(0.762)	(0.769)	(1.016)	(0.627)	(0.83)
N Treated	295	219	172	141	101	75	52
N Control	774	145	98	78	43	42	23
Mean DV Treated	12.375	11.709	11.594	12.224	11.657	12.194	12.112
Mean DV Control	11.004	10.505	11.944	12.677	11.997	13.187	13.103

Note: Table showing coefficients effects of stints $\{1, \ldots, t^*\}$ under different $t^* \in \{4, 5, 6, 7\}$. All the ATT coefficients are derived and recursively computed from ITT coefficients, which are in turn estimated using the methodology in (Cattaneo et al., 2019) using MSE-optimal bandwidth. Standard errors are calculated using the delta method. The estimates in both panels control for birthplace population, birthplace characteristics, age at election, newspaper recommendations (party). *: p < 0.10, **: p < 0.05, ***: p < 0.01.

cance.

Table 4.A.7: ATT estimates for different t^*: Different BW Selector

	t=1	t=2	t=3	t=4	t=5	t=6	t=7
Panel A: t* = 4							
Coefficient (ITT)	1.287	0.583	-0.126	-0.803			
SE (ITT)	(0.45)***	(0.665)	(0.683)	(0.708)			
Coefficient (ATT)	1.193	0.499	-0.187	-0.803			
SE (ATT)	(0.555)**	(0.768)	(0.737)	(0.708)			
N Treated	295	219	172	141			
N Control	774	145	98	78			
Mean DV Treated	12.375	11.709	11.594	12.224			
Mean DV Control	11.004	10.505	11.944	12.677			
Panel B: t* = 5							
Coefficient (ITT)	1.287	0.583	-0.126	-0.803	0.711		
SE (ITT)	(0.45)***	(0.665)	(0.683)	(0.708)	(0.995)		
Coefficient (ATT)	1.284	0.592	-0.103	-0.725	0.711		
SE (ATT)	(0.61)**	(0.823)	(0.808)	(0.817)	(0.995)		
N Treated	295	219	172	141	101		
N Control	774	145	98	78	43		
Mean DV Treated	12.375	11.709	11.594	12.224	11.657		
Mean DV Control	11.004	10.505	11.944	12.677	11.997		
Panel C: t* = 6							
Coefficient (ITT)	1.287	0.583	-0.126	-0.803	0.711	-0.158	
SE (ITT)	(0.45)***	(0.665)	(0.683)	(0.708)	(0.995)	(0.578)	
Coefficient (ATT)	1.269	0.577	-0.117	-0.738	0.699	-0.158	
SE (ATT)	(0.619)**	(0.833)	(0.819)	(0.829)	(1.036)	(0.578)	
N Treated	295	219	172	141	101	75	
N Control	774	145	98	78	43	42	
Mean DV Treated	12.375	11.709	11.594	12.224	11.657	12.194	
Mean DV Control	11.004	10.505	11.944	12.677	11.997	13.187	
Panel D: t* = 7							
Coefficient (ITT)	1.287	0.583	-0.126	-0.803	0.711	-0.158	-0.906
SE (ITT)	(0.45)***	(0.665)	(0.683)	(0.708)	(0.995)	(0.578)	(0.848)
Coefficient (ATT)	1.17	0.476	-0.208	-0.822	0.623	-0.229	-0.906
SE (ATT)	(0.637)*	(0.851)	(0.84)	(0.851)	(1.076)	(0.644)	(0.848)
N Treated	295	219	172	141	101	75	52
N Control	774	145	98	78	43	42	23
Mean DV Treated	12.375	11.709	11.594	12.224	11.657	12.194	12.112
Mean DV Control	11.004	10.505	11.944	12.677	11.997	13.187	13.103

Note: Table showing coefficients effects of stints $\{1, \dots, t^*\}$ under different $t^* \in \{4, 5, 6, 7\}$. All the ATT coefficients are derived and recursively computed from ITT coefficients, which are in turn estimated using the methodology in (Cattaneo et al., 2019) using the *certwo* bandwidth selector. Standard errors are calculated using the delta method. The estimates in both panels control for birthplace population, birthplace characteristics, age at election, newspaper recommendations (party). *: p < 0.10, **: p < 0.05, ***: p < 0.01.
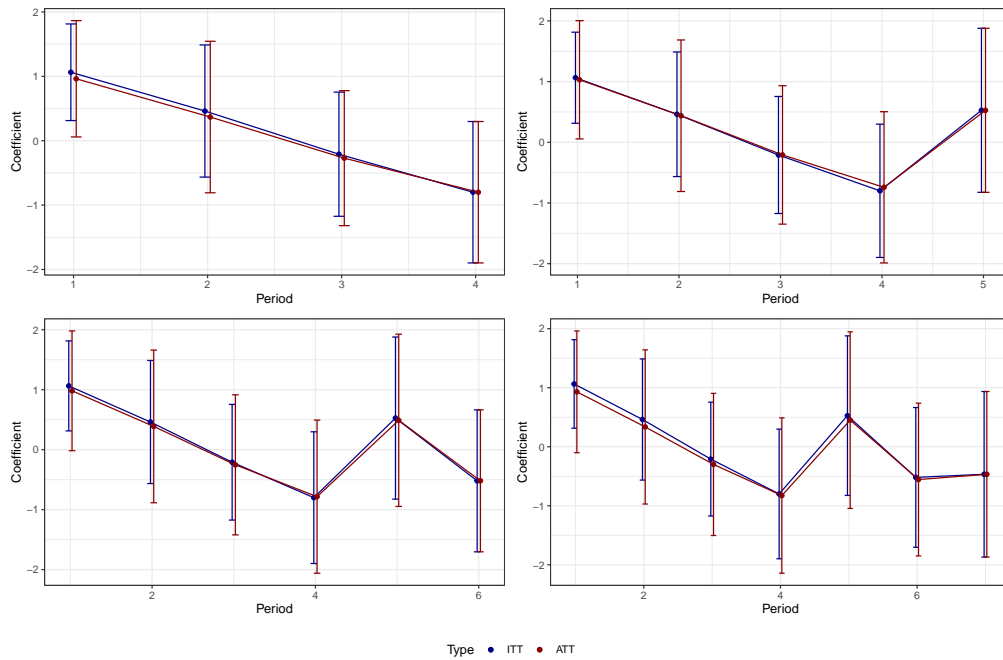
Figure 4.A.1: Robustness to t^*, flexible bandwidth and with covariates

4.A.3 Young vs. Old Politicians

In Table 4.A.8, I investigate the difference in estimates between young (e.g. aged younger than the median) and old (older than the median) politicians. The idea is if the returns are not collected in office, but outside of office, younger politicians should have longer to accrue the benefits, and hence the total (ITT) returns from a political career should be higher. The results show that if anything, the opposite is the case: the effects seem to be concentrated among the part of the sample that is aged above the median age when taking part in elections.

These results could potentially still be due to benefits if young politicians have chosen to consume more of their income or rents as a result of being elected into political office, rendering the end-of-life estimates spurious. To this end, I use quasi-exogenous variation in the timing of death to investigate whether this is the case. A human capital-based explanation should find that young politicians who died young, and did not change their consumption pattern, should have had higher returns than young politicians who died old, who might have. Table 4.A.9 investigates this issue.

Even though the point estimates for the candidates who died young are consistently lower than the point estimates for the candidates who

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Table 4.A.8: RD Estimates For Young & Old Politicians

	Median		30 vs. 70		20 vs. 80	
	(1)	(2)	(3)	(4)	(5)	(6)
Coefficient (Young)	-0.175	0.459	-0.056	0.689	-0.922	-0.062
SE (Young)	(0.712)	(0.597)	(1.168)	(1.023)	(1.528)	(1.240)
Coefficient (Old)	1.521	1.786	1.618	1.552	1.835	1.464
SE (Old)	(0.679)**	(0.652)***	(0.724)**	(0.685)**	(0.897)**	(0.883)
Mean DV Treated	12.225	12.214	12.644	12.791	12.393	12.714
Mean DV Control	10.666	10.497	10.954	11.114	10.650	10.775
N Treated	283	342	159	194	95	122
N Control	733	814	444	492	296	328
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: The table shows RD estimates using the MSE-optimal bandwidth (Cattaneo et al., 2019). The Dependent Variable is Log(1+Personal Wealth). I report bias-corrected standard errors clustered at the individual level. The first two columns show estimates of the returns for individuals aged above and below the median age, the second two estimates the results for individuals aged above the 70th quantile and below the 30th quantile, and the third pair shows the results for individuals aged above the 80th quantile and below the 20th quantile. Columns (1), (3) and (5) contain estimates with covariates including district characteristics, number of tries, number of votes, nd number of candidates. Columns (2), (4) and (6) control for number of tries, party, and district population. *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

Table 4.A.9: RD Estimates For Young Politicians Who Died Young vs. Died Old

	Median Cut-Off		40q Cut-Off		30q Cut-Off	
	(1)	(2)	(3)	(4)	(5)	(6)
Coefficient (Died Young)	-0.748	-0.116	-1.151	-0.279	-1.463	-0.287
SE (Died Young)	(0.948)	(0.899)	(1.162)	(1.079)	(1.715)	(1.430)
Coefficient (Died Old)	0.331	0.721	0.566	0.889	0.494	0.772
SE (Died Old)	(0.754)	(0.564)	(0.698)	(0.562)	(0.538)	(0.449)
Mean DV Treated	11.598	11.520	11.598	11.520	11.598	11.520
Mean DV Control	10.920	10.433	10.920	10.433	10.920	10.433
N Treated	151	177	151	177	151	177
N Control	369	407	369	407	369	407
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: The table shows RD estimates using the MSE-optimal bandwidth (Cattaneo et al., 2019). The Dependent Variable is Log(1+Personal Wealth). I report bias-corrected standard errors clustered at the individual level. The first two columns show estimates of the returns for individuals with a below and above-median lifespan after election, the second two estimates the results for individuals with a lifespan after election below and above the 40th quantile, and the third pair shows the results for individuals with a lifespan after election below and above the 30th quantile. Columns (1), (3) and (5) contain estimates with covariates including district characteristics, number of tries, number of votes, nd number of candidates. Columns (2), (4) and (6) control for number of tries, party, and district population. *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

died later, the estimates are not statistically significant. This means that a consumption-based explanation of the findings in table 4.A.8 is unlikely,

and consequently, that a human capital-based explanation is unlikely.

4.A.4   Selection of Non Rent-Seeking Politicians

In section 4.5.3, I argued against selection of non-corrupt politicians as an explanation for the observed pattern of dynamic returns. In Table 4.A.10, I estimate the correlation between personal wealth and the probability of being election in the n'th election, after having been elected $n-1$ times. According to this explanation, the correlation between personal wealth and being elected for the n'th time after having been elected $n-1$ times should be negative, since after observing politicians' corruption, the electorate is able to filter out corrupt politicians, as in several asymmetric information and moral hazard-based models (Besley and Case, 1995).

Table 4.A.10: Correlation between Wealth and Probability of Election

	(1)	(2)	(3)	(4)	(5)	(6)
Personal Wealth	0.016***	0.021**	−0.015	−0.031**	−0.002	−0.024
	(0.006)	(0.010)	(0.011)	(0.013)	(0.018)	(0.020)
N	1002	361	251	199	150	114
Adj. R2	0.25	0.10	0.11	0.03	−0.02	0.23
Party Controls	Yes	Yes	Yes	Yes	Yes	Yes
Electoral Controls	Yes	Yes	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes	Yes	Yes

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

Note: Robust standard errors in parentheses. Analysis show the correlation between end-of-life wealth and probability of election in the 1st election in (1). Then, in the second election given that the first election was won, in (2), etc. Estimates are conditional on party controls, electoral controls, and district fixed effects. *: $p<0.1$, **: $p<0.05$, ***: $p<0.01$.

The actual results show a positive correlation for the first two elections, whereas the subsequent correlation is insignificant. Only in the fourth election after having been elected three times, there is a significant negative relationship between the personal wealth of the candidate and the probability of getting reelected. The results are likely to be an upper bound on the true correlation, as existing wealth differences due to the returns to political rent-seeking accumulating over time and increasing wealth differences between corrupt and non-corrupt politicians.

I repeat the same exercise, but instead of investigating election wins, I investigate the probability of election candidacy, and the probability of

candidacy and being recommended by a newspaper. The intuition is that selection might also occur from the side of political parties. In anticipation that parties supposedly filter out rent-seeking politicians, candidates might not attempt to run for office again. Alternatively, parties might not accord rent-seeking candidates a recommendation again, making them less-likely to be elected (or even to be closely elected). These explanations imply a negative correlation between personal wealth and the probability of either of these events occurring. The results are shown in tables 4.A.11 and 4.A.12.

Table 4.A.11: Correlation between Wealth and Probability of Candidacy

	(1)	(2)	(3)	(4)	(5)	(6)
Personal Wealth	−0.002	−0.002	0.013	0.040***	0.002	0.044**
	(0.007)	(0.010)	(0.013)	(0.013)	(0.015)	(0.020)
N	1002	361	251	199	150	114
Adj. R2	0.10	0.10	0.07	0.11	0.13	0.05
Party Controls	Yes	Yes	Yes	Yes	Yes	Yes
Electoral Controls	Yes	Yes	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes	Yes	Yes

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

Note: Robust standard errors in parentheses. Analysis show the correlation between end-of-life wealth and probability of candidacy in the 1st election in (1). Then, in the second election given that the first election was won, in (2), etc. Estimates are conditional on party controls, electoral controls, and district fixed effects. *: $p<0.1$, **: $p<0.05$, ***:$p<0.01$.

The results show either no, or a positive correlation between wealth and the probability of candidacy, again indicating that a selection-explanation is unlikely, be it selection by the electorate, or selection by political parties, or selection by rent-seeking candidates themselves.

4.A.5 No Change In Candidate Pool Before and After Party Formation

In Table 4.A.13, I compare the candidate pool before and after the introduction of political parties. I focus on candidates that were recommended by newspapers, so as to know their potential party status if there were political parties. The results show that on the whole, there is no difference between the candidate pools 5 years before and after the introduction of the political party of their respective allegiance.

Table 4.A.12: Correlation between Wealth and Probability of Candidacy and Recommendation

	(1)	(2)	(3)	(4)	(5)	(6)
Personal Wealth	0.006	0.004	0.000	0.023**	−0.008	0.048**
	(0.005)	(0.009)	(0.010)	(0.011)	(0.014)	(0.023)
N	1002	361	251	199	150	114
Adj. R2	0.16	0.17	0.18	0.27	0.24	0.05
Party Controls	Yes	Yes	Yes	Yes	Yes	Yes
Electoral Controls	Yes	Yes	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes	Yes	Yes

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

Note: Robust standard errors in parentheses. Analysis show the correlation between end-of-life wealth and probability of candidacy and recommendation in the 1st election in (1). Then, in the second election given that the first election was won, in (2), etc. Estimates are conditional on party controls, electoral controls, and district fixed effects. *: $p<0.1$, **: $p<0.05$, ***:$p<0.01$.

There are some differences in the groups, most notably with respect to socialist candidacy, which is occurring more frequently after parties have been formed. Apparently, this goes at the detriment of Catholic candidacy, which occurs less after parties have been introduced. Similarly, there are some minor differences in demographic characteristics, and to a lesser degree, average characteristics of the district in which the elections are organized. All of these, however, are unlikely to have an influence on the results established in section 4.5.2, partially because I control for many of these imbalances in the analysis of post and pre-party returns to politics.

4.A.6 Party Formation Effect Per Party

In Table 4.A.14, I show the within-without party effect reported in Table 4.5.5 separately for every party ∈ {Catholic, Liberal, Protestant}. The results show that the result in the main text is mainly due to Protestant and Liberal parties, whereas the estimates for returns to politics for Catholic politicians are negative in the period without parties, and very uncertain afterwards. The latter is likely an artefact of the relatively small sample size.

The magnitude of the effects are consistent under two different set of covariates, indicating that covariate imbalance is unlikely to be a prob-

Table 4.A.13: Change in Candidate Composition After/Before Party Formation

	(0,5]		[-5,0)			
	Mean	SD	Mean	SD	t-stat.	p-value
Panel A: Newspaper Recommendations						
Rec.: Protestant	0.25	0.43	0.19	0.39	1.552	0.121
Rec.: Liberal	0.33	0.47	0.30	0.46	0.739	0.460
Rec.: Socialist	0.08	0.28	0.02	0.14	3.224	0.001***
Rec: Catholic	0.23	0.42	0.15	0.36	2.085	0.038**
Panel B: Demographic Characteristics						
Lifespan	22.23	11.00	19.78	10.93	1.904	0.058*
Age at Election	44.82	9.77	47.15	11.31	-1.997	0.047**
Year of Death	1912.28	16.36	1909.78	19.86	1.327	0.185
Year of Election	1887.40	7.53	1884.79	8.16	3.531	0.000***
Panel C: Election Characteristics						
Log Turnout	8.05	0.70	7.88	0.74	2.564	0.011**
Log Turnout Previous	7.89	0.69	7.82	0.72	1.149	0.251
Panel D: Birthplace Characteristics						
Log Population 1859	9.34	1.56	9.51	1.97	-0.810	0.418
Share Protestant	0.67	0.23	0.70	0.20	-1.334	0.183
Share Catholic	0.31	0.23	0.27	0.20	1.700	0.090*
Labor Force Share Agricul.	0.05	0.09	0.04	0.07	1.345	0.180
Labor Force Share Industry	0.20	0.10	0.20	0.09	0.356	0.722
Taxes Per Capita 1859	4.04	1.46	4.06	1.47	-0.120	0.905
Taxes Per Capita 1889	5.06	1.44	5.07	1.41	-0.052	0.959
Distance to the Hague	101.65	63.84	102.90	68.26	-0.171	0.864
Panel E: District Characteristics						
Share Protestant	0.61	0.28	0.64	0.25	-1.000	0.318
Share Catholic	0.36	0.28	0.34	0.25	0.987	0.324
Labor Force Share Agricul.	0.07	0.09	0.06	0.09	0.361	0.718
Labor Force Share Industry	0.22	0.10	0.21	0.09	0.679	0.498

Note: Table shows means and standard deviations for candidates who have not been elected before in two groups: from 0 to 5 years after party formation, and from 5 to 0 years before party formation. I then conduct Welch t-tests and show the p-value. Significance is indicated as follows: *: p<0.1, **: p<0.05, ***: p<0.01.

lem. Compared to the main text, the effects are somewhat larger, consistent with the intuition that the result is a weighted average of these per-party results, where the estimates for Liberal and Protestant returns are counterweighted by the (negative) returns for Catholic politicians. The results might also have to do with the particular form of party organization among Catholics: unlike protestant and liberals, who had formal parties modeled after the English model, Catholics have adhered to a looser form of party organization until relatively late in the nineteenth

Table 4.A.14: Estimates In and Out-Party, Per Party

	Catholic		Liberal		Protestant	
	(1)	(2)	(3)	(4)	(5)	(6)
Coefficient (Without Party)	-1.709	-1.661	1.112	1.103	1.074	1.360
SE (Without Party)	(0.996)	(1.034)	(0.840)	(0.879)	(0.858)	(0.948)*
Coefficient (Within Party)	9.729	-2.402	-0.975	-0.838	0.569	0.563
SE (Within Party)	(11.637)	(16.103)	(0.886)	(0.894)	(1.160)	(1.065)
p-value Difference	0.11	1.75	0.066	0.104	1.31	1.204
Mean DV Treated	10.274	10.274	12.560	12.560	12.082	12.082
Mean DV Control	10.227	10.227	10.549	10.549	11.051	11.051
N Treated	47	49	173	174	73	73
N Control	79	84	254	259	296	298
Bandwidth	Optimal	Optimal	Optimal	Optimal	Optimal	Optimal

Note: The table shows RD estimates using the MSE-optimal bandwidth (Cattaneo et al., 2019). The Dependent Variable is Log(1+Personal Wealth). I report bias-corrected standard errors. The first two columns show estimates of the returns for the first-triers for the first stint, the second two estimates the returns for the second stint, and the third pair shows the results for all triers. Columns (1), (3) and (5) contain estimates with covariates including party, lifespan, number of votes, age, and number of candidates. Columns (2), (4) and (6) control for number of tries, party, district economic composition and total amount of votes. *: $p < 0.1$, **: $p < 0.05$, ***: $p < 0.01$.

century, in part due to internal divisions among Catholic politicians.

4.A.7 Dynamic Effects In- and Out-Party

In Tables 4.A.15 and 4.A.16, I show the dynamic results for the observations in a without-party regime and a within-party regime. The results for the without-party regime are very similar to the results focusing on the ITT effect in the main text. As in the main text, the ITT results show a significant and positive effect for the first term in the Lower House. The ATT effects, however, border on statistical significance, due to noisy estimates for further terms, but show the expected sign and are very similar in magnitude compared to the ITT effect.

Focusing on the dynamics after political parties have been established, the results surprisingly show that there is a significant and positive effect of being politically active on personal wealth, but not in the first term. The effects are concentrated in the second and third term, and are robust to changing t^*. These effects are comparable in terms of magnitude to the first-term effects for politicians unconstrained by political parties. The existence of these effects calls into question the aforementioned conclusion that politicians are not able to amass personal returns within a party regime: it seems that *on the whole,* politicians within political parties are

not able to amass returns, but politicians who are able to be elected a second or a third time might be.

Table 4.A.15: ATT estimates for different t^* - Before Party Formation

	t=1	t=2	t=3	t=4	t=5	t=6	t=7
Panel A: t* = 4							
Coefficient (ITT)	1.315	1.505	0.364	-0.378			
SE (ITT)	(0.496)***	(1.219)	(0.791)	(0.641)			
Coefficient (ATT)	1.277	1.518	0.322	-0.378			
SE (ATT)	(0.666)*	(1.383)	(0.863)	(0.641)			
N Treated	190	150	113	88			
N Control	527	107	50	44			
Mean DV Treated	12.008	11.801	10.868				
Mean DV Control	10.47	7.903	11.635	12.633			
Panel B: t* = 5							
Coefficient (ITT)	1.315	1.505	0.364	-0.378	-0.077		
SE (ITT)	(0.496)***	(1.219)	(0.791)	(0.641)	(1.003)		
Coefficient (ATT)	1.27	1.51	0.315	-0.383	-0.077		
SE (ATT)	(0.69)*	(1.408)	(0.901)	(0.716)	(1.003)		
N Treated	190	150	113	88	64		
N Control	527	107	50	44	23		
Mean DV Treated	12.008	11.801	10.868		10.101		
Mean DV Control	10.47	7.903	11.635	12.633	12.403		
Panel C: t* = 6							
Coefficient (ITT)	1.315	1.505	0.364	-0.378	-0.077	-0.317	
SE (ITT)	(0.496)***	(1.219)	(0.791)	(0.641)	(1.003)	(0.815)	
Coefficient (ATT)	1.238	1.478	0.288	-0.408	-0.1	-0.317	
SE (ATT)	(0.704)*	(1.423)	(0.921)	(0.741)	(1.063)	(0.815)	
N Treated	190	150	113	88	64	48	
N Control	527	107	50	44	23	25	
Mean DV Treated	12.008	11.801	10.868		10.101	12.194	
Mean DV Control	10.47	7.903	11.635	12.633	12.403		
Panel D: t* = 7							
Coefficient (ITT)	1.315	1.505	0.364	-0.378	-0.077	-0.317	-3.646
SE (ITT)	(0.496)***	(1.219)	(0.791)	(0.641)	(1.003)	(0.815)	(2.791)
Coefficient (ATT)	1.031	1.264	0.105	-0.573	-0.253	-0.459	-3.646
SE (ATT)	(0.743)	(1.462)	(0.969)	(0.795)	(1.132)	(0.924)	(2.791)
N Treated	190	150	113	88	64	48	27
N Control	527	107	50	44	23	25	11
Mean DV Treated	12.008	11.801	10.868		10.101	12.194	
Mean DV Control	10.47	7.903	11.635	12.633	12.403		13.103

Note: Table showing coefficients effects of stints $\{1, \ldots, t^*\}$ under different $t^* \in \{4, 5, 6, 7\}$ before party formation. All the ATT coefficients are derived and recursively computed from ITT coefficients, which are in turn estimated using the methodology in (Cattaneo et al., 2019) using MSE-optimal bandwidth. Standard errors are calculated using the delta method. The estimates in both panels control for birthplace population, birthplace characteristics, age at election, newspaper recommendations (party). *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

Table 4.A.16: ATT estimates for different t^* - After Party Formation

	t=1	t=2	t=3	t=4	t=5	t=6	t=7
Panel A: t* = 4							
Coefficient (ITT)	0.275	1.253	1.13	0.128			
SE (ITT)	(0.617)	(0.465)***	(0.624)*	(0.727)			
Coefficient (ATT)	0.361	1.322	1.136	0.128			
SE (ATT)	(0.666)	(0.513)**	(0.655)*	(0.727)			
N Treated	131	94	82	76			
N Control	238	60	51	36			
Mean DV Treated	12.27	12.053	13.045	12.078			
Mean DV Control	10.541	11.096	11.848	12.742			
Panel B: t* = 5							
Coefficient (ITT)	0.275	1.253	1.13	0.128	0.767		
SE (ITT)	(0.617)	(0.465)***	(0.624)*	(0.727)	(0.558)		
Coefficient (ATT)	0.485	1.444	1.251	0.239	0.767		
SE (ATT)	(0.714)	(0.561)**	(0.712)*	(0.808)	(0.558)		
N Treated	131	94	82	76	51		
N Control	238	60	51	36	33		
Mean DV Treated	12.27	12.053	13.045	12.078	13.214		
Mean DV Control	10.541	11.096	11.848	12.742	11.817		
Panel C: t* = 6							
Coefficient (ITT)	0.275	1.253	1.13	0.128	0.767	0.267	
SE (ITT)	(0.617)	(0.465)***	(0.624)*	(0.727)	(0.558)	(0.64)	
Coefficient (ATT)	0.509	1.468	1.274	0.26	0.786	0.267	
SE (ATT)	(0.729)	(0.577)**	(0.728)*	(0.825)	(0.603)	(0.64)	
N Treated	131	94	82	76	51	38	
N Control	238	60	51	36	33	17	
Mean DV Treated	12.27	12.053	13.045	12.078	13.214		
Mean DV Control	10.541	11.096	11.848	12.742	11.817	13.187	
Panel D: t* = 7							
Coefficient (ITT)	0.275	1.253	1.13	0.128	0.767	0.267	-2.952
SE (ITT)	(0.617)	(0.465)***	(0.624)*	(0.727)	(0.558)	(0.64)	(1.623)*
Coefficient (ATT)	-0.032	0.934	0.768	-0.224	0.362	-0.129	-2.952
SE (ATT)	(0.878)	(0.726)	(0.88)	(0.98)	(0.784)	(0.857)	(1.623)*
N Treated	131	94	82	76	51	38	30
N Control	238	60	51	36	33	17	18
Mean DV Treated	12.27	12.053	13.045	12.078	13.214		12.112
Mean DV Control	10.541	11.096	11.848	12.742	11.817	13.187	

Note: Table showing coefficients effects of stints $\{1, \dots, t^*\}$ under different $t^* \in \{4, 5, 6, 7\}$ after party formation. All the ATT coefficients are derived and recursively computed from ITT coefficients, which are in turn estimated using the methodology in (Cattaneo et al., 2019) using MSE-optimal bandwidth. Standard errors are calculated using the delta method. The estimates in both panels control for birthplace population, birthplace characteristics, age at election, newspaper recommendations (party). *: $p < 0.10$, **: $p < 0.05$, ***: $p < 0.01$.

These results can still be consistent with politicians being disciplined by political parties, but only to a certain extent. It is likely that the result

has to do with bargaining power of politicians versus parties. Politicians who are elected for the first time, and who are popular, are likely to have enough leverage against the political party to engage in their own interest. These are also likely to be the politicians who are reelected. But, at the margin, these politicians' popularity should be roughly equal to the popularity of just-losers. On the other hand, it might have to do with within-party political influence. Politicians who have been member of a party long enough can accrue enough influence within their party, and only then afford the autonomy to engage in self-serving behavior.

4.A.8 Placebo Tests
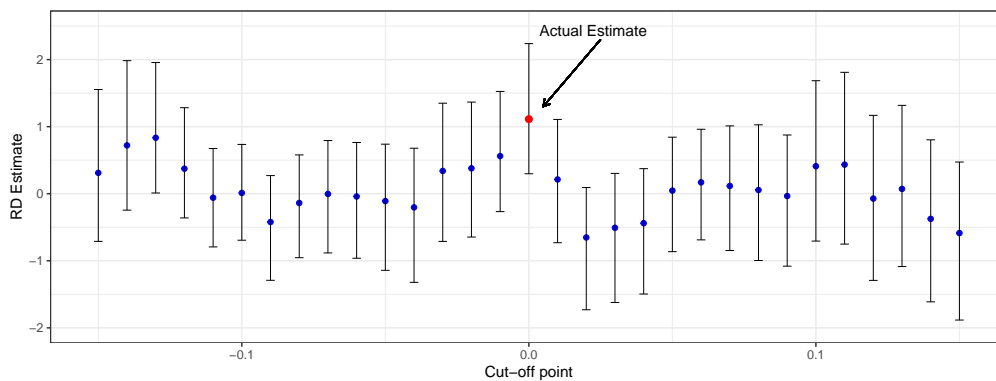
Figure 4.A.2: Placebo Test for First Term

In Figure 4.A.2, I plot the effect of first-time pooled rents (irrespective of the number of times) as a function of the cut-off point, where 0.0 is the actual estimate. The estimates make clear that the actual effect is the highest in magnitude, and statistically different from zero at the 95% significance level. The plot shows that the placebo estimates, which use a fictional cut-off point in the range of $[-0.15, 0.15]$, are lower in all cases, and are never statistically significant at the 95% level. Most significantly, the plots that switch the cut-off point to a number very close to zero show radically different effects in magnitude, and are statistically insignificantly different from zero. This adds support to the conjecture that the actual estimates reflect the causal impact of a political career on personal end-of-life wealth.

In Figure 4.A.3 I also estimate the difference in coefficient before and after party formation, while artificially changing the threshold of the party formation indicators from $[-8, 8]$ years before/after the appropri-

ate party was actually formed. The estimates again make clear that the actual effect is the highest effect, increasing the likelihood of party formation actually being responsible for the curbing of the returns to politics.
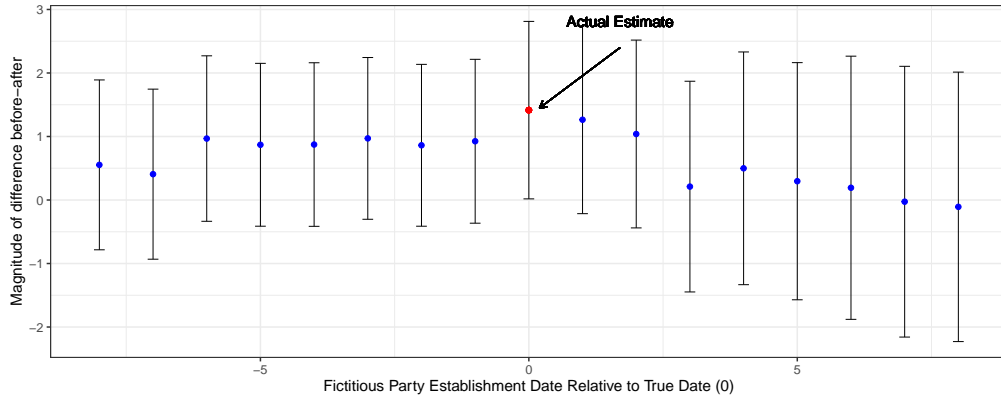

Figure 4.A.3: Placebo Test Party Formation

4.B   Compensation for Politicians

Lower House members were compensated for their political activity. The 1815 Constitution stipulated that Lower House members were entitled to a retribution of expenses of 2500 guilders per year, aiming to cover the costs of living in the Hague, in addition to traveling reimbursements at the rate of 1,50 per kilometer (Elzinga, 1985). If we compare these numbers to the work of Van Zanden (1983) and Van Riel (2018), who provide wage data for different professions in the Netherlands from 1819-1913, we find that the lump sum amounts to approx. 9 times the yearly wage of an average worker in 1850. The reimbursement of 1,50 per kilometer equaled about twice the average wage in 1850. After the 1848 Constitution, politicians sought legitimacy partly by decreasing the lump sum to 2000 guilders per year and the traveling reimbursements at 1,50 per travelled kilometer. Rising wages made this sum equal to about 5 times the average wage in 1890. In 1917, these numbers were raised again, this time to 5,000 guilders. The workers' wage, however, had not yet doubled, but only increased by a factor of about 1.5, enlarging the gap again. With respect to the reimbursement of traveling expenses, from then on, members of parliament were awarded free public transportation, attenuating the need to look for a place of residence in the Hague, and decreasing the gap between politicians who lived close and far from the Hague. In addition, (former) members of parliament were awarded a pension (Kan, 1916) of 100 guilders for each active year in parliament, with a maximum total pension of 2,000 guilders.

Both before and after 1848, politics was generally considered (by politicians themselves) an honorary function, unlike a job. Many politicians objected to paying or retributing the costs associated with being a representative, fearing it would incentivize politicians with seeking votes, thereby compromising the representative's independence, and it would attract politicians who would be prone to doing so (see e.g. Aerts, 2009). With time, more and more politicians, principally liberals and socialists, started to change their views for a variety of reasons, the most important of which being that working class individuals might be discouraged to take part in the country's representative institutions because of financial vulnerability. This view gradually became more mainstream, especially as politicians with a working class background became more frequent in parliament (ref to myself) and lead to the incorporation of the raise of the retribution in the 1917 constitutional revision.

In terms of international comparability, these trends closely paralleled developments in e.g. France, Germany and Great Britain. In Germany, the 1871 *Reichsverfassung* explicitly forbade to compensate delegates to the *Reichstag* in any way, but in 1906, a limited and imperfect system of retribution was instated (Lindeboom, 1916; Edinger, 2009). In France, parliamentary compensation had been the object of parliamentary struggle since the revolution, and a 1906 hike caused widespread indignation (Monier and Portalez, 2020). In Great Britain, members of parliament were nonsalaried until 1911, after a scandal within the Labor Party sparked parliament to legislate parliamentary compensation (Madden and Mckeown, 2012).

4.C   Party System

The electoral system in the Netherlands after 1848 was centered on individual delegates, not political parties. Politicians were supposed to be independent, not least with respect to their own delegates, and to promote the common interests of the country (De Jong, 2001). Political parties were preceded by *Kiesvereenigingen*, electoral unions, of enfranchised individuals with (generally) the same political orientation, intending to coordinate their voting behavior. These electoral unions were partly a response to rising and increasing awareness of ideological differences between various factions, but also partly to increase information about elections: oftentimes, the electorate was not aware of what candidates' political positions were (Aerts et al., 2002) and diffusion of political views was limited. Faced with this nontransparent environment, De Jong (1999) argues that the electorate often based their opinions on those of individuals of high societal standing: burgomasters, notaries, clerics and similar individuals. *Kiesvereenigingen* were a way to improve the dissemination of information and aggregate electoral preferences in a more effective way. A special role in information provision was taken up by national newspapers: the editorial boards of several large national newspapers with a clear ideological background regularly endorse candidate(s) they thought reflected their politics best (De Jong, 1999).

The main issues that separated politicians of different allegiance were schooling, franchise extension and taxation. There were also differences in economic and colonial policy positions, but the most salient issues surrounding state funding of religious schools and the extent to which the state should interfere in the economy (Van Zanden and Van Riel,

2004). The funding of education was one of the aspects that accompanied the rise of religious tensions in the Netherlands throughout the nineteenth century. These religious tensions culminated in a system frequently dubber pillarization (Dutch: *Verzuiling*), meaning the segregation of the Dutch population into a Protestant and Catholic pillar, with separate societies for both, and coordination between these pillars through elites, including in national politics. The liberals formed a more loosely-defined third pillar (Stuurman, 1983).

These pillars also served as the basis for the party landscape that was arising. The first player to take the initiative towards party formation was the Protestant politician Abraham Kuyper, who founded the Anti-Revolutionary Party (ARP) in 1879 after British model (Koch, 2020). His program centered on obtaining autonomy for the country's different religions, particularly in education (De Jong, 2001), but also in other social, economic and political institutions. Parties soon proved to be the natural means of coordination, both between politicians with a similar ideology, and between politicians and electorates: the liberal counterpart to the ARP was founded in 1895, and the Catholic union of electoral associations was founded in 1893. Additionally, and afterwards, there were also a number of Socialist parties. An overwhelming majority of incumbent politicians joined political parties, and, since it was nearly impossible to be elected without the support of a party, after the formation of parties, the number of unaffiliated politicians was negligible.

The links between political parties and newspaper were as follows: a recommendation from the *Algemeen Handelsblad* was considered an endorsement for a liberal candidate, a recommendation from *De Tijd*, a Catholic newspaper, endorsed Catholic candidates, and a recommendation from *De Standaard* can be considered as an ideological affiliation to Protestant politics.

Chapter 5

Conclusion

5.1 Concluding Remarks

In 1874, Dutch Lower House member and liberal politician Sam van Houten accused his fellow Lower House members of being an oligarchy, purposefully shirking their responsibility of contributing a fair share towards the state finances (Van Den Berg and Vis, 2013). His outburst marked the frustration experienced particularly by the liberal wing of the Lower House and society in general with the collective failure of the political elite to come to timely and appropriate solutions of the country's most important problems, in this case, the reform of the fiscal system.

Van Houten's claim can be decomposed into two aspects: first, he implied that his colleagues acted according to self-interest, attempting to preserve their own positions, rather than acting in the common interest of society. Second, that this has important consequences not only for the political system, but also for wider society. It would not be a surprise if Van Houten was right. Smit (2002) documents a very long and protracted struggle around fiscal legislation. This struggle first came to the surface in the 1870's, but was only resolved in 1893, twenty years later, with the establishment of an income tax. The Dutch income tax realized a more equal distribution of taxation, and spread the tax burden more evenly, and likely improved efficiency and social welfare. On the other hand, there might be numerous other reasons why politicians have decided to reject or delay the acceptance of laws, none of which might have something to do with self-interest.

This dissertation can be seen as an attempt to unveil whether the conjectures of Van Houten were correct, and if so, what the consequences are of politicians pursuing their self-interest. I have outlined their personal

interests by focusing on one of the most obvious objectives they would want to pursue: increasing their own wealth (Buchanan, 1989). In addition, I have asked whether the persuasion of self-interests is apparent in political decision-making, and what that would imply for the acceptance of several laws in Dutch parliamentary history with far-reaching implications. In the penultimate chapter, I have analyzed the questions whether and to what extent politicians can enrich themselves. I also asked whether and how the political system enables or mitigates politicians' penchant to pursue their own interests. In this final chapter, I summarize the most important findings of the preceding chapters (section 5.2). Afterwards, I come back to the data and methods I have used throughout the dissertation, and to the implications for Dutch political history. I argue that the research findings have broader implications, teaching us about the processes that led to the democratization of Western Europe in the late nineteenth century, and perhaps also more broadly about democratization more generally (section 5.3). Additionally, I argue that my findings call for a more explicit role of political elites, and in particular, intra-elite conflicts, in models that attempt to explain economic growth, franchise extension, or taxation. In tandem, I conclude by outlining several suggestions for further research (section 5.6).

5.2 Key Findings

Chapter 2 of this thesis started out by reconstructing the wealth of Dutch politicians in central and regional government and the Lower and Upper Houses over time. In doing so, the chapter supplements the historical literature about the profile of Dutch politicians in the nineteenth and twentieth centuries (Van Den Berg, 1983; Secker, 1991; Van Den Braak, 1999; Oomen, 2020) with a perspective that was ruled out before. Van Den Berg (1983) remarked that "the hypothesis that involves background factors having a predictive value for political behavior and political choices especially has turned out to be unprovable so far." I have revisited this issue, using a publicly available source, the *Memories van Successie*, to obtain a detailed impression of politicians' personal wealth. This chapter laid bare particularly large differences between the Lower and Upper Houses: whereas the Lower house was becoming a diverse place in terms of personal wealth, the Upper House was exclusively dominated by extremely wealthy individuals, and this remained so throughout the period.

The third and fourth chapter in this dissertation can be interpreted as

a test of perspectives by e.g. Tahoun and Van Lent (2019) and Grossman and Helpman (1996). These authors claim that politicians have preferences over policies that consist of a (monetary) self-interest component, and a general interest component, which might also include ideology. The empirical question is then what weight a potential self-interest component might have in their decision-making. Chapter 3 builds on the reconstruction of politicians' private wealth to investigate how self-interest influences the behavior of politicians. My results show that the personal wealth of politicians influences their decision-making. Richer politicians are more likely to vote against fiscal legislation than poorer politicians, everything else equal. This analysis exploits the progressivity of fiscal law projects, and finds that politicians who would be hit harder by the acceptance of a new piece of fiscal legislation are systematically less likely to accept the law than politicians who are poorer, conditional on party affiliation and a host of other controls. The instrumental variable analyses offers support for a causal interpretation of these results.

To make sure that observed effect is due to politicians' personal wealth and not due to potentially correlated factors, I also analyze laws in which the effect of acceptance on personal wealth is not so clear *a priori*, specifically, the case of suffrage extension. Additionally, I conduct various placebo tests, and find there is no effect between the acceptance of various other laws and the personal wealth of politicians, making it unlikely that personal wealth interests actually proxy for something else. In sum, this shows that the personal profile of politicians impacted the acceptance of fiscal legislation, and thus, government size and the level of social spending. Put in terms of the conjectures by Tahoun and Van Lent (2019) and Grossman and Helpman (1996), I find that the self-interested component is large enough to be detectable statistically. It is important to note, however, that the coefficient on wealth is smaller in magnitude than the coefficient on political party, the most important empirical determinant of voting behavior.

But if self-interest plays an important role in the choices of politicians, why have these laws still been accepted, to the detriment of their own interests? My interpretation makes use of the findings in Chapter 2 and Chapter 3. In Chapter 2, I documented the wealth of politicians, and I also focused on the wealth of parliament over time. I observed a pattern of declining parliamentary wealth, which, over the entire period, meant that the median Lower House member was almost 10 times as poor in 1920 than the median Lower House member in 1870. In Chap-

ter 3, I documented that the speed with which these key laws have been accepted accelerated in the 1900s and 1910s, whereas before, many predecessor law projects with roughly the same goal were rejected by parliament (Smit, 2002; Van Den Berg and Vis, 2013). I think that there are two main factors underlying these patterns. The first is that certain exogenous economic shocks, which made politicians substantially poorer, have sufficiently mitigated the personal wealth-incentive for these laws to be accepted. Secondly, a part of this effect might have been exacerbated by franchise extensions, which increased the diversity of parliament, including in wealth (Van Den Berg, 1983). Thus, while there is no evidence of the influence of self-interested behavior in accepting franchise extensions, these franchise extensions themselves might have had an indirect effect on mitigating the role of self-interest in politics, through the selection of poorer politicians on average.

This consideration brings me to the economic relevance of self-interest. The counterfactual scenarios constructed in Chapter 3 imply that, for accepted laws to be rejected, politicians would have had to be richer by a factor of about ten. This is approximately the difference between the wealth of the median Lower House politician in 1870 (before the majority of reforms) and 1920 (afterwards). Conversely, for rejected laws around 1870 to be accepted, politicians would have had to be about 10 times poorer. This implies that had the Lower House in 1914 been as wealthy as the Lower House in 1870, they would have likely rejected the laws they did in fact accept. Coming back to the quote by Van Den Berg (1983) earlier, I interpret this as evidence of 'background factors', specifically personal wealth, playing a direct role in determining politicians' voting behavior.

In Chapter 4, I investigate whether politicians use their political position to financially enrich themselves. Using a set-up with potentially multiple elections, I estimate what are the *personal* returns to additional periods of being active in the Lower House. My analysis shows that there are significant returns to politics in the first period, equivalent to approximately a 5 percentage point yearly wealth return premium over the remaining lifetime. They are also equivalent to about 5-6 a yearly Ministers' salary, about 80,000 deflated guilders. The results also show that there are little to no returns to a longer stay in politics, suggesting that the returns to politics are depletable. I rule out various alternative explanations, including the possibility that returns are obtained after a political career, for example, by a lucrative function in finance or in the colonies,

or that the results are due to electorates or parties detecting 'bad type' politicians (Besley and Case, 1995).

My interpretation of these results focuses on the nature of the district system (Van Der Kolk et al., 2018), promoting close connections between (enfranchised) business leaders and the political representatives of the district. I conjecture that politicians are able to use their discretion in the lower house to accept law projects that are financially favorable to them, and reject laws that are not. I also provide evidence of the influence of changing institutions on the returns to politics: in particular, I find that these returns are realized in periods when political parties did not exist (cf. Eggers and Hainmueller, 2009). After political parties were founded, party discipline decreased the level of autonomy and discretion of individual politicians (De Jong, 2001; De Rooy, 2014). This suggests that political parties were able to discipline politicians enough to make them refrain from engaging in self-interested activities. On the other hand, several other institutional changes, such as suffrage extensions, have not influenced the returns to politics (see also Ashworth and Shotts, 2010). This dispels certain explanations that relate the level of monitoring by the electoral to political rent-seeking (Querubin and Snyder Jr, 2009).

5.3   Political Economy

Political historians of the Netherlands have only referred in passing to the possible influence of self-interest on decision-making in parliament. For example, Smit (2002), in her study of the introduction of the 1893 income tax, argues that opponents of the law experienced the pressure of the financial elite, but she does not explicitly explore possible economic motives for this. Van Den Berg (1983), in his study about the background characteristics of Lower House members, does not take into account information about personal wealth of Lower House members or their family, implicitly acknowledging its potential importance. Van Den Berg and Vis (2013), in their history of the first 150 years of Dutch parliamentary politics, do not mention the personal interests of politicians as an important motivating factor and nor do other similar accounts (De Haan, 2003; De Rooy, 2014). Koch (2020), in his biography of Protestant leader Abraham Kuyper, recounts differences in class and manners between the 'man of the people' Kuyper and the dominant aristocrats in parliament, but does not relate that to the possible motives of personal wealth and self-interest.

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The key intuitions and analyses in the political history literature are correct. Political party and ideological adherence are by far the most important predictors of voting behavior in the Lower House. This justifies the focus that political historians have applied. However, I also offer systematic evidence that personal wealth played a role in the political arena. Even though the role of personal wealth interests is smaller than that played by ideology, a general omission of politicians' personal interests from the explanatory model is therefore unwarranted. I also shed light on the influence of personal wealth in the context of democratization. In Chapter 2, I show that the average Lower House politician becomes significantly less wealthy over time. Due to the Lower House becoming less wealthy, the incentive to pursue self-interests was mitigated, in favor of an ideological choice to accept a broader tax base and higher taxation, which I show in Chapter 3. I also document that suffrage extensions promoted a more diverse composition of the Lower House. In this way, while suffrage extension decisions have not themselves been impacted by self-interest, indirectly, they have still played an important role. Suffrage extensions have facilitated less wealthy politicians entering the political arena, thereby again mitigating the incentive for politicians to prioritize their self-interest.

The issue of self-interested political elites supposedly extending the franchise has been the subject of many papers in the political economy literature (e.g. Acemoglu and Robinson, 2000; Lizzeri and Persico, 2004; Llavador and Oxoby, 2005). This dissertation took a view heavily inspired by this literature. The framing of this dissertation's research questions in terms of the modern political economy literature allows me to connect key findings in the Dutch case to the broader issues surrounding democratization. By suggesting hypotheses incorporating personal self-interest of politicians, the political economy literature has aided in formulating hypotheses based on theoretical reasoning and economic intuition, rather than on anecdotal evidence based on historical (circumstantial) evidence. Chapters 3 and 4 have subsequently shown that this perspective is relevant to understand Dutch political history, and potentially more broadly, the history of Western European democratization and democratization more generally.

In addition to framing research questions and understanding historical episodes, political economy can also help interpretation of results, and synthesize unresolved issues. The findings I obtain imply the absence of returns to politics following the introduction of political parties. It is an

unresolved issue, however, to which extent institutions in general impact the ease with which politicians can pursue rent-seeking activities. Additionally, apart from influencing the rent-seeking activity of incumbent politicians, there is also the possibility of institutions making politics more or less attractive for certain types of potential candidates: if there are no private returns to politics in the presence of political parties, what would then serve as motivation for citizens to enter politics? This tension is often present in citizen-candidate models (see e.g. Besley, 2005). These issues surrounding my findings can be integrated in a framework similar to one introduced by Svaleryd and Vlachos (2009), which might serve as a blueprint for future modeling. In their paper, politicians have two motivations, one of which might be interpreted as a monetary form of extraction, and another represents the benefit of being in office *per se*. The latter can be interpreted as utility that comes paired with having voting power and being able to implement policies closer to one's social preferences and ideology. More broadly, while I think that the theory helps understand the Dutch context in laying bare several drivers of political in-office behavior and connecting them to incentives to run for office, I think future theoretical research should focus more broadly on the role of specific institutions in disciplining and selecting politicians.

There are also other reasons why the political economy literature should take into account my findings. The literature sometimes employs fairly rigid assumptions, some of which I think should be relaxed. Politicians are often assumed to be either office-seeking, rent-seeking or partisan politicians (Persson and Tabellini, 2002). These models can be both static or dynamic, but in either case, the structure is usually such that politicians can be reelected and obtain electoral benefits, or attempt to seek private benefits indefinitely, once per period. A common mechanism discouraging politicians from engaging too much in rent-seeking involves partial detection of rent-seeking politicians by the electorate, making future election less probable. The findings in Chapter 4 challenges these conventions in the literature. Focusing on models involving rent-seeking politicians, I document that the returns to politics can be accrued only in the first period of political office, but not afterwards. I also find no evidence for the presence of selection mechanisms. Finally, I also document that political party discipline is likely to curb the magnitude of the private returns to politics towards zero, implying that rent-seeking might be depletable, giving rise to potentially different dynamics from what is usually seen in the literature.

The context and findings of the chapters also illustrate the importance of looking at discord and heterogeneity within the political elite, rather than interpreting the political elite as a group whose interests among themselves are perfectly aligned. In that sense, the results provide support for the approached opted for by Lizzeri and Persico (2004) or Llavador and Oxoby (2005) rather than by Acemoglu et al. (2013), even though the approaches are not mutually exclusive. Indeed, the differences between various periods in returns to political office illustrate the need of a dynamic approach often favored by Acemoglu et al. (2013). This links up with the democratization literature (see e.g. Acemoglu and Robinson, 2000; Acemoglu, 2008; Aidt and Franck, 2019). Chapter 3 of this dissertation highlights the interaction between the composition of the parliament, and suffrage extensions and fiscal legislation, to which not much attention is paid in the theoretical literature.

5.4 Methods

In this dissertation, I have used various causal inference methods to establish relationships between politicians' wealth and their political activity (Cunningham, 2021). In Chapter 3, I have instrumented endogenous personal wealth of politicians by their arguably exogenous expected inheritance. The price of employing this method was a reduced sample, because data availability of the source that I use limited the number of observations for which data on the instrument was available. In a way, this can be seen as a potential fruitful substitute for the lack of panel data on wealth. Most of the studies which use wealth as an outcome variable (Fisman et al., 2014; Berg, 2020b,a) in a modern setting have opted for panel data. When this is not available, the option that I have pursued seems a fruitful approach. On the other hand, when data on family links is not readily available, this can entail an additional data collection effort. In Chapter 4, I have used regression discontinuity analysis revolving around close elections to investigate the treatment effects of a political career on personal wealth. In this analysis, I show that covariate balance holds for a large subset of settings, indicating that at the margin, electoral outcomes are likely to be allocated randomly with respect to the potential outcomes. This makes regression discontinuity a good setting for studying the effects of a political career. In my analyses, I have focused throughout on the Lower House and the elections to the Lower House. In principle, this approach could be extended towards indirect elections

to the Upper House, and possibly, municipal councils. The principal disadvantage of using regression discontinuity is that it is heavily tied to a particular treatment, in this case, politics. On the other hand, in the period under investigation, electoral districts' and municipalities' boundaries are frequently redrawn. This introduces the possibility of spatial regression discontinuity designs, (e.g. Dell, 2010; Egger and Lassmann, 2015; Lowes and Montero, 2021), for example, in researching the effects of belonging to an electoral district with various characteristics in terms of turnout and size.

There is a discussion in the economic history literature about the usage of causal inference methods. Potentially, a too narrow focus on causal inference can lead to many questions being left unasked, since an obvious identification strategy is lacking, despite the relevance of the question. This data-driven way of doing research can lead to a disproportional focus on relatively unimportant questions which can be answered convincingly, rather than on relevant questions which would require an intensive data effort to implement an identification strategy that meets the standards required by the contemporary applied microeconomics literature. In this dissertation, I hope to have shown that an emphasis on causal inference methods and asking relevant questions are not mutually exclusive.

This dissertation started out by asking fundamental questions of historical and theoretical relevance: what is the influence of personal wealth interests of Dutch politicians in the context of democratization, and what determines the extent to which these interests can be pursued? While obtaining an answer to these questions required significant effort in data collection, I think the benefits outweigh the costs. After having identified likely sources of exogenous variation, particularly Chapters 3 and 4 have succeeded in obtaining tangible results with clear implications for the historical literature as well for the economic history literature and our understanding of political transformations. Provided that thinking about identification and focus on data collection efforts are combined, there is ample potential for combining causal inference with historical relevance. In the context of Dutch political economy, I will elaborate below on some of the potential source material which can be used as a starting point.

5.5   Data Sources

This dissertation primarily relied on archival sources to collect probate inventories, *Memories van Successie* (MVS), to obtain a reliable measure of

politicians' personal wealth (Bos, 1990). Probate inventories have many advantages: they provide a detailed appraisal of a politicians' wealth at the time of decease, and usually, also a detailed inventories consisting of their assets and liabilities, and a separate appraisal of each and every one of them. The completeness of the deceased's wealth had to be declared under oath, and regularly, the tax agency required descendants to file additional declarations of assets that were initially missing. This indicates that a significant amount of time was devoted to ensuring that an individual's full wealth served as the tax base.

On the other hand, the MVS also have several disadvantages. For one, it is possible that despite oversight, individuals are still able to hide assets in various ways. To the extent this happens systematically, this potentially biases the results, possibly introducing measurement error or selection bias, or making the estimates less efficient (Angrist and Pischke, 2008). Secondly, the MVS provide an overview of an individual's assets at only one point in time, at the end of one's life. In view of life-cycle saving theories in finance, individuals might have various motives to systematically change the composition of their wealth, and anticipate bequests as they get older (Dynan et al., 2002).

More broadly, the MVS are available only once for each individual. Research using this data source must then necessarily rely on cross-sectional or cohort data, but cannot use inferential techniques using panel data. In the Netherlands, there exist few possible other sources to obtain a measure of individuals' wealth and income. One alternative source is the *Kohieren van de Gemeentelijke Hoofdelijke Omslag* (Klep et al., 1987), a source detailing municipal taxes paid at the individual-year level. In principle, this source would allow for repeated measurement of income on the basis of taxes paid, although there are a few reservations: the tax base is not the harmonized across municipalities, and the effective tax rate differs from municipality to municipality. Empirical strategies using municipal fixed effects could accommodate this, but various legal changes also complicate that, as municipality-wide average tax base and tax rates change over time. Unfortunately, there exist no systematic archival records of the nation-wide income tax studied in Chapter 2 of this dissertation. The availability of the so-called *Kohieren van de (Rijks)inkomstenbelasting* is scarce, and highly dependent on the place and time. In specific situations, however, this source can be used for treatments at the micro-level. This source is less suitable for studies like the ones conducted in preceding chapters, however, since they study a

population that is geographically spread across the Netherlands. Both of the sources can usually be found in municipal archives (*Stadsarchieven*) rather than provincial archives.

There are also various other *kohieren*, detailing taxes paid at the individual level related to various asset classes, e.g. real estate or shares. If one wants to study these asset classes specifically, these sources are suitable, but subject to the same limitations as the other *kohieren*. Otherwise, if one wants to study wealth and income as a whole, these sources are heavily biased towards individuals with these specific assets. In sum, I think the MVS are still the most useful to study wealth and income, in terms of coverage, availability, and uniformity.

Because of these characteristics, sources like the MVS still have ample opportunities to be used in the future on a scale larger than in this dissertation. Due to advances in deep learning (Shen et al., 2021) and optical character recognition (OCR), I think it is possible to leverage more data and systematically collect, curate and analyze the MVS to study the effects of various interventions in difference-in-difference-like designs. A possible challenge to this process would be the OCR of largely hand-written sources. After about 1900, most of the MVS are typed on a typewrite rather than hand-written, likely facilitating OCR.

Finally, although the MVS theoretically cover virtually the entire population, in practice, it is sometimes difficult to find specific individuals. Out of all active politicians who died within the period of archival accessibility, I have managed to find probate inventories for about 70% of them. In my opinion, missing observations occur principally because of two reasons. The law stipulates that individuals must file and register the MVS at the registration office managing the place of death. This principle is widely deviated from. For example, it is often difficult to find probate inventories of individuals who have died outside of the Netherlands, because there is no designated office. In addition, descendants of deceased individuals often do not file their declaration at the place of death, but rather, at the office close to the place in which they live, or with which they have a special cultural bonding. In this respect, biographical information about individuals to be found can help locate the likely place of the specific MVS.

The second reason why individuals might be difficult to find has to do with archival organization. Oftentimes, individuals' assets are transferred from generation to generation, leading the civil servants administering the probate inventories to use probate inventories from previously

deceased parents to investigate the assets of the deceased children. These probate inventories are sometimes not put back, and hence, leaves open a range of possible locations for the parents' probate inventories. In practice, I believe that after having considered the place of death and possibly the place of bonding, it is generally not worth the risk of conducting more search activity for a probate inventory in potentially different archives and places.

5.6 Suggestions for Further Research

This dissertation suggests various avenues for further research. First of all, the findings in Chapter 3 suggest that politicians trade-off self-interest and other factors, among which are ideology and party discipline. In the present-day Dutch context, party discipline has almost become absolute. That might lead one to suppose that there is no more room for abuse by politicians, and that the problem of politicians pursuing their own interest has disappeared. However, there might be more subtle ways to prioritize self-interest, for example, by adding amendments and clauses to project laws, or by pressuring political parties into taking up certain points in their electoral program. In a present-day context, analyses of these sources might lead to the discovery of new ways in which politicians can pursue opportunism. It is also important to note that party discipline varies significantly across countries. In many countries, party discipline is looser than in the Netherlands. A cross-country analysis could shed light on the generalizability of the findings by relating the extent to which politicians can pursue financial self-interests to the degree of party discipline.

Furthermore, despite politicians prioritizing their own finances when voting on laws, Chapter 3 made clear that the influence of ideology and party discipline was by far the strongest factor determining their voting behavior (see e.g. De Haan, 2003; De Rooy, 2014). In this context, the results in Chapter 3 can be interpreted as a lower bound of the influence of self-interest. This is because the results I obtain are conditional on a political party choice, which blocks the channel of politicians' self-interests affecting the decision of politicians to join a particular party. Based on these considerations, it is worthwhile to explore the incentives for candidates to join a political party.

With regard to the findings in Chapter 4 concerning the private returns to political office, many questions remain to be answered. My dissertation

has shown that politicians can only accrue private returns in the first period of political activity, but not afterwards. Theoretically, many models suppose a static environment, implying that the returns to politics should be constant. In addition, several empirical papers (Baltrunaite, 2020; Bourveau et al., 2021) suggest mechanisms that also imply a constant return curve. Alternative explanations, such as human capital or career paths-focused explanations (Eggers and Hainmueller, 2009) would imply that the aggregate returns to a political career are larger if one's remaining lifespan is longer. My finding that returns to politics happen only in the first period challenges all of these findings. In further research, it would be interesting to find out to what extent this finding is generalizable. So far, most studies on political rents have focused on one period of holding political office only. Theoretically, it would be interesting to rationalize these findings by seeing returns to politics as a depletable resource, where a possible equilibrium would imply the depletion after the first period (cf. Acemoglu et al., 2013, , p. 74). Particular attention should be paid to alternative incentives, other than private returns, for citizens to stand as a candidate.

Perhaps most importantly, my findings suggest that political parties are able to discipline politicians. While there exist several models incorporating party discipline (Eguia, 2011; Curto-Grau and Zudenkova, 2018), it is unclear where party discipline comes from. Theoretically, it would be interesting to model party discipline as a product of the interaction between electorates and coalitions of politicians acting under uncertainty. Empirically, it would be interesting to find parallels with different literatures, such as industrial organization. In this way, it might be possible to obtain more precise definitions and measures of party discipline. Finally, the findings hint in various ways at a mechanism encompassing politicians using their voting discretion as a means to obtain private financial advantage. It would be interesting to document a setting in which it is possible to find direct evidence for this conjecture (as in Tahoun and Van Lent, 2019).

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Summary

This dissertation consists of various studies that investigate the influence of political elites' incentives on their decision-making. The literature has documented various ways in which politicians' actions can benefit themselves, possibly to the detriment of their electorate or society as a whole. In this dissertation, I investigate the relationship between politicians and the pursuit of self-interest by focusing on arguably the most obvious proxy for self-interest: politicians' personal wealth.

In chapter 2, I introduce the setting that is the subject in the remainder of the dissertation: the Dutch political elite in the late nineteenth and early twentieth century. This period saw a radical economic, but also political change. This period arguably represents the country's transition from 'extractive' to 'inclusive' institutions, featuring rapid economic growth, while society and political institutions are democratizing. This chapter contains a detailed description of the institutional changes taking place, and introduces the data on the wealth of the Dutch political elite, coming from newly-collected archival data on probate inventories. I focus on various layers of the Dutch political elite, including Lower House and Upper House members, but also provincial executives and Ministers. I document a pattern of extremely high wealth among politicians, up until the 1890's, after which the political elite's wealth declines slowly over time. Interestingly, this change in politicians' personal wealth coincides with the acceptance of important fiscal reforms. Nevertheless, even after several decades, and several suffrage extensions, the political elite remains extremely wealthy in comparison to the general population.

The next chapter, chapter 3, investigates the influence of politicians' personal wealth on the tendency to vote in favor of various far-reaching reforms. In particular, I focus on fiscal reforms, and on suffrage extensions. I leverage the fact that the fiscal reforms were progressive, such that wealthier politicians' expected future tax burden was higher than that of less wealthy politicians, and therefore, I hypothesize that wealth-

ier politicians are less likely to accept these laws, everything else equal. In the case of suffrage extensions, I hypothesize there is no effect of personal wealth. To establish causality, I make use of variation in the expected inheritance among politicians, and use arguably exogenous variation in politicians' fathers' profession. As hypothesized, the analyses show that there is an influence of personal wealth on the tendency to vote in favor of fiscal legislation, but there is no effect for suffrage extensions. The magnitude of the results is such that, had politicians collectively been wealthier by a factor of approx. 5 at the time of voting, many of the currently accepted laws would have been rejected. Similarly, the counterfactuals imply that some rejected laws would have been accepted if parliament had been poorer at the time.

Chapter 4 looks at the opposite direction of causality: it exploits a setting to look at the influence of a political career on politicians' personal wealth. By using detailed data on candidates over a period of around 70 years, I investigate the influence of being elected an additional time on personal wealth, and I use a method to decompose these effects into ceteris paribus effects of the additional term in political office, and averages of future incumbency advantages and ceteris paribus effects. My results show that politicians are only able to accrue returns in the first period of political activity. In subsequent periods, there is no additional financial benefit to a political career. I argue in favor of an in-office explanation of political rents, dispelling various alternative explanations, such as the selection of fair politicians, changes in consumption patterns, or career paths into lucrative functions post-political career. Finally, I provide evidence that the establishment of political parties has disciplined politicians' rent-seeking behavior.

Samenvatting

Dit proefschrift bestaat uit verschillende onderzoeken die de invloed van verschillende drijfveren op de besluitvorming van politieke elites onderzoeken. De literatuur heeft verschillende manieren gedocumenteerd waarin de acties van politici henzelf ten goede kunnen komen, mogelijk ten koste van hun electoraat of de samenleving als geheel. In dit proefschrift onderzoek ik de relatie tussen politici en het nastreven van eigenbelang door me te concentreren op misschien wel de meest voor de hand liggende proxy voor eigenbelang: de persoonlijke rijkdom van politici.

In hoofdstuk 2 introduceer ik de setting die het onderwerp is van de rest van het proefschrift: de Nederlandse politieke elite in de late negentiende en vroege twintigste eeuw. Deze periode was er een van radicale economische, maar ook politieke veranderingen. Deze periode vertegenwoordigt aantoonbaar de overgang van het land van 'extractieve' naar 'inclusieve' instituties, waarin snelle economische groei plaatsvond, terwijl de samenleving en politieke instituties democratiseerden. Dit hoofdstuk bevat een gedetailleerde beschrijving van de institutionele veranderingen die plaatsvinden en introduceert de data over de rijkdom van de Nederlandse politieke elite, afkomstig van eigenhandig verzamelde archiefgegevens over nalatenschapsinventarissen. Ik richt mij op verschillende lagen van de Nederlandse politieke elite, waaronder Tweede- en Eerste Kamerleden, maar ook Gedeputeerden en ministers. Ik documenteer een patroon van extreem hoge welvaart onder politici, tot in de jaren 1890, waarna de rijkdom van de politieke elite in de loop van de tijd langzaam afneemt. Interessant is dat deze verandering in de persoonlijke rijkdom van politici samenvalt met de aanvaarding van belangrijke fiscale hervormingen. Desalniettemin blijft de politieke elite, zelfs na tientallen jaren en verschillende uitbreidingen van het kiesrecht, buitengewoon rijk in vergelijking met de bevolking als geheel.

Het volgende hoofdstuk, hoofdstuk 3, onderzoekt de invloed van de persoonlijke rijkdom van politici op de neiging om voor verschillende in-

grijpende hervormingen te stemmen. Ik richt me in het bijzonder op fiscale hervormingen en op de uitbreiding van het kiesrecht. Ik maak gebruik van het feit dat de fiscale hervormingen progressief waren, zodat de verwachte toekomstige belastingdruk voor rijkere politici hoger was dan die voor minder rijke politici. Daarom veronderstel ik dat rijkere politici deze wetten minder snel zullen accepteren, *ceteris paribus*. In het geval van de uitbreiding van het kiesrecht veronderstel ik dat er geen effect is van persoonlijk vermogen. Om causaliteit vast te stellen, maak ik gebruik van variatie in de verwachte erfenissen onder politici, en gebruik ik aantoonbaar exogene variatie in het beroep van de vader van politici. Zoals verondersteld laten de analyses zien dat er een invloed is van persoonlijk vermogen op de neiging om voor fiscale wetgeving te stemmen, maar dat er geen effect is voor de uitbreiding van het kiesrecht. De omvang van de resultaten is zodanig dat, als politici gezamenlijk een factor ca. 5 op het moment van stemming, veel van de feitelijk aanvaarde wetten zouden zijn verworpen. Evenzo impliceren de counterfactuals dat sommige feitelijk verworpen wetten zouden zijn aanvaard als het parlement destijds armer was geweest.

Hoofdstuk 4 kijkt naar de tegenovergestelde richting van causaliteit: het maakt gebruik van een setting om te kijken naar de invloed van een politieke carrière op de persoonlijke rijkdom van politici. Door gedetailleerde gegevens over kandidaten over een periode van ongeveer 70 jaar te gebruiken, onderzoek ik de invloed van een extra keer gekozen worden op persoonlijke rijkdom, en gebruik ik een methode om deze effecten te ontleden in *ceteris paribus* effecten van de extra termijn in de politiek, en gemiddelden van toekomstige incumbency-voordelen en *ceteris paribus*-effecten. Mijn resultaten laten zien dat politici alleen rendement kunnen behalen in de eerste periode van politieke activiteit. In volgende perioden is er geen extra financieel voordeel aan een politieke carrière. Ik pleit voor een verklaring waarin politici tijdens hun politieke carrière. in staat zijn om zichzelf te verrijken, waarbij verschillende alternatieve verklaringen worden weggenomen, zoals de selectie van eerlijke politici, veranderingen in consumptiepatronen of carrièrepaden naar lucratieve functies na een politieke carrière. Tenslotte lever ik bewijs dat de oprichting van politieke partijen het eigenbelangzoekende gedrag van politici heeft gedisciplineerd.