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Abstract

This paper examines the relationship between US governors who have previously served as a member of Congress and the federal transfers to their state. I assemble a novel dataset of governors political background and match this to federal transfer data from 1950 to 2008. Governors with Congressional experience have 0.8 percentage points more transfers to their state. I find no evidence of problematic trends or selection issues. Moreover, the result is robust to outliers in the data and many robustness checks.

Key Words: Career experience; Personal characteristics; Transfers; Congress; Leaders
JEL Classification: D78; H30; H71

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1 Introduction

The existing economics and political science literature has comprehensively analysed how the federal budget is allocated to states. However, beyond the role of partisan alignment, the characteristics of the governor in the receiving state is unexplored. There is also a body of work that shows that the intergovernmental transfer system is subject to manipulation by politicians in countries beyond the US (see Veiga and Pinho (2007) for Portugal, Fouirnaies and Mutlu-Eren (2015) for the UK and Gonschorek et al. (2018) for Indonesia.) However, there is only sparse evidence regarding the role of the sub-national leader's characteristics on the receipt of intergovernmental transfers (Veiga and Pinho, 2007). This paper explores how a prior political career of a governor affects the federal outlays to their state. Specifically, I focus on a prior career in Congress – having served in either the lower or upper legislative house in the US. I develop the testable hypothesis that governors with Congressional experience have more political nous, and, therefore, are more effective at lobbying the president for federal funds.

To answer this question, I use a long panel dataset on federal-to-state transfers in the US over the 1950-2008 period. I gather data on US governors Congressional service and personal background from their online profiles on the National Governors Association (NGA) website. In order to identify the impact of Congressional experience on transfers, I use a difference-in-difference style approach and test for a number of threats to identification. Most importantly, I perform an event-study to assess the common trends assumption and find no indication of problematic pre- or post-treatment trends. I address selection concerns and show that the election of experienced governors appears idiosyncratic and therefore unproblematic. The selection on unobservables would also have to be implausibly high to completely explain away the effect. I conduct a placebo test using random treatment assignment and find no evidence of systematic error. Moreover, I repeat

the main analysis using a alternate dependent variable based on a state's share of total federal transfers and the relationship persists. I then conduct a battery of sensitivity checks to ensure that the result is not driven by outliers in the explanatory variable. Such as, states that elect an experienced governor more often or periods when governors with experience are more prevalent. I also show that outliers in the distribution of transfers are not driving the relationship.

In summary, I find that governors who have previously served as members of Congress, on average, increase the growth rate of transfers to their state by 0.8 percentage points. When exploring which governors may be driving this result, I find that it is in fact the Republicans and provide an explanation as to why this may be.

This paper proceeds as follows. Section 2 reviews the relevant literature and provides a theoretical groundwork; Section 3 briefly describes the institutional setting; Section 4 presents the data and empirical approach; Section 5 presents the results; and Section 6 conducts robustness checks. Section 7 concludes and discusses the opportunities for future research.

2 Related literature and theoretical considerations

This paper relates to the literature on political leaders (Jones and Olken, 2005; Besley et al., 2011) and the allocation of transfers (Larcinese et al., 2006; Veiga and Pinho, 2007). The latter shows how sub-national transfer systems are affected by political manipulation, whilst the former both show how the national leader has an effect on the economic performance of their country. This paper connects these two distinct literatures.

Leaders in general matter and so do their socio-economic backgrounds. Hayo and Neumeier (2016) show that the tenures of lower-class leaders are associated with high deficit-to-GDP ratio

relative to upper-class leaders. The authors also show that this is the case of German state prime ministers (Hayo and Neumeier, 2014). With respect to gender, Ferreira and Gyourko (2014) find no impact of female US mayors on the size of government, composition of expenditures or crime rates. They do, however, show that females have superior political skill compared to equivalent males. Likewise, Jochimsen and Thomasius (2014) find no evidence that female finance ministers in German states have different deficits compared to males.[1]

Regarding on-the-job experience, Moessinger (2014) show that a more experienced finance minister, measured by the number of years in the position, have smaller increases in the debt-to-GDP ratio. Similarly, Fuchs and Richert (2017) show that more experienced development ministers obtain larger aid budgets because the longer time in office strengthens their ability to negotiate. On the sub-national level, Freier and Thomasius (2016) identify that German mayors who have prior experience in office reduce public debt, lower expenditure and decrease local taxes.

More specific to this research, previous work has shown that the professional background of political leaders affect the decisions they make when in office. For instance, Dreher et al. (2009) shows that leaders who have a background as an entrepreneur are more likely to implement pro-market liberalizing reforms. Whilst Göhlmann and Vaubel (2007) show that former central bank staff prefer lower inflation rates than former politicians. Based on these findings, I hypothesize that a relevant experience in politics, in this context Congress, should influence the work of governors. There are at least two reasons why specifically Congressional experience may be positively related

[1]There is also a growing literature on leader origin, which shows that regions that provide national ministers or representatives are favoured. Hodler and Raschky (2014) show that the political leader favours the sub-national region they were born in. Whilst Dreher et al. (2016) demonstrate that African leaders' birthplaces receive more funding from China than elsewhere. Similarly, Franck and Rainer (2012) find that African leaders favour areas that have the the same ethnic background as them. Jennes and Persyn (2015) show that the transfers to electoral districts in Belgium are increasing with federal minister representation from that district. On the supranational level, Gehring and Schneider (2018) show that the EU commissioner for agriculture increases their country's share of the overall EU budget.

to federal-state transfers. First, governors who have spent time in Congress will have been able to hone and build their political capital working in the legislature on fiscal and legal agendas. This technical experience in Congress should have provided an insight into how the political machine works and will develop skills in communication and cooperation. These skills should give them an edge on the competing governors, holding all else constant. Second, spending time in the legislature may have provided an insight into the usefulness of extra funds for governors. Given that the federal budget has to be debated and voted on in both the House of Representatives and Senate, not to mention numerous committees and sub-committees, all Congress members should be acutely aware of state funding.

While there is burgeoning body of work regarding how particular types of background affect various economic outcomes, there exists very little work that explores a specific type of prior job. Moreover, whilst some work has focused on sub-national leaders, none have so far explored how sub-national leader's prior political experience affects the transfers to their locality. The closest study to this is Veiga and Pinho (2007). They briefly address whether the number of years in office as mayor in Portugal affects the transfers they receive from the central government and find a positive but insignificant effect. Assuming that governors wish to increase their state's economic performance, the federal transfers system represents one channel that the governors may wish to exploit. I also build on the work by Dreher et al. (2009) who find no effect for the impact of a previous career in politics in general on pro-market reforms. It is possible that their political career variable captures an array of careers, whereas specific types of political jobs may be more useful than others. Hence, more work is required to identify the jobs that develop political capital.

3 Institutional setting

The federal budget in its current form is governed by the Budget and Impoundment Act of 1974. It came after President Nixon sought to reduce the budget deficit by not spending funds that Congress had allocated in 1972. This act aimed to strengthen Congress' budget authority and reduce the presidents impoundment ability. Despite this, the budgetary process is one legal scholars argue that the president maintains significant control over due to the threat of veto, which can only be overturned by a two-thirds majority in each legislative chamber (McCarty, 2000). Previous work has acknowledged the role of the president in the distribution of federal resources. Levitt and Snyder (1997) point out that "The inflow of federal funds to a district is affected by the decisions of a large number of actors... The president plays major role, both in the budget process and as chief executive". At the state level, Larcinese et al. (2006) show that presidents engage in tactical redistribution of federal by rewarding states that supported them in previous elections and those that have a co-partisan governor. At the county and congressional district level, Berry et al. (2010) show that areas represented by a president's co-partisan legislator receive more federal funds. Whilst Kriner and Reeves (2012) show that counties that receive more federal grants reward the incumbent president or his party. Other work has focused on state representation in Congress. Albouy (2013) show that states represented by members of Congress in the majority party receive greater federal grants as they have greater proposal power or form coalitions with each other.

Although the literature on the US federal budget has highlighted the president's influence, no paper has yet investigated the role of the governors in a recipient state. The governors are the head of the executive branch of the state government. They have a high degree of autonomy on state administration, such as the budget, policies and legislation, and departmental appointments. Regarding the link between the governors and the federal budget, consider the following state-

ment from Mitt Romney in 2004, then governor of Massachusetts. "For Republican governors, it means we have an ear in the White House, we have a number we can call, we have access that we wouldn't gave otherwise had, and that's of course helpful".[2] Despite the partisan tone, this example illustrates how governors can communicate with and influence the president to alter federal expenditure. Moreover, at the 2017 Governor's Ball, President Trump remarked, in reference to a meeting with the state governors, that "Everybody is different, every state is different, and different requirements, but we think we have something that's going to be really excellent... But tomorrow morning, we're going to meet and have some pretty big sessions on healthcare and other things – whatever is on your mind." An admission that depicts the president and governors interacting with one-another and intent to explicitly discuss federal funding plans. The president has also tweeted "Big dinner with Governors tonight at White House. Much to be discussed, including healthcare." Further evidence of communication between the president and governors regarding the federal spending agenda.

4 Data and identification strategy

This section provides a description of the variables of interest and motivates the relevant control variables. I use a balanced panel of the 48 contiguous states from the year 1950 up to the year 2008. I also discuss the empirical strategy used to identify the effect of interest.

[2]Speaking after the re-election of President G. W. Bush in 2004.

4.1 Data

The dependent variable in the analysis is the growth rate of federal-to-state transfers per capita in real terms. These are funds that are ultimately allocated by the president in the federal budget and are used for specific functions, general financial assistance or as a share of tax proceeds.[3] The transfers are comprised of grants, aid, shared taxes, and contingent loans and advances. The federal grants are the type of spending most susceptible to political control (Berry et al., 2010). These data are obtained from the *US Census of Governments*. Given that different states have different needs and economic situations, there is considerable variation amongst the amount of transfers awarded to the states in a given year. The median growth rate is 3.7 percentage points per year. Transfers are conventionally used to alleviate fiscal difficulty and to increase state welfare, however, given the political involvement, it is important to explore how much political manipulation can explain the differences across states.

The variable of interest in the analysis is a dummy variable denoted $Congressional\ Experience_{sgt}$. This takes the value 1 if a state governor has previously served in either the House of Representative or the Senate prior to taking office as state governor, and 0 otherwise. These data are hand collected from the website of the NGA (see Figure A1 for an example of a governor's profile). There are 61 governors who are ex-members of Congress which equates to 318 state-year observations.[4] Figure 1 depicts the evolution of the number of governors with Congressional experience over time, with the mean number being 5.4 governors per year. The spatial distribution of the number of observations of governors with Congressional experience is presented in Figure 2. There are a number of states that have not elected an experienced governor, for example Wisconsin and Utah, and two states

[3]Full for a complete breakdown of what is included and excluded in each category see `https://www.census.gov/govs/www/class_ch7_ir.html`

[4]The names of these governors are listed in the Appendix Table A1.

that have over 20 years with an experienced governor, Connecticut and Louisiana.

I include a set of governor characteristics that are potentially correlated with Congressional experience and transfers. I control for the age of the governor and whether they are female to account for demographic differences. In addition, I control dichotomously for military service. In the US in particular, military service commands respect from politicians and therefore veterans may be duly rewarded in the transfer system. Alternatively, they may receive fewer transfers as they may be perceived to be better leaders. I include a measure of the number of years of on-the-job experience as more experienced governors are more likely to receive more transfers. Gubernatorial election year dummies are included to account for increased lobbying effort in a governor's election year. I also include a dummy to represent whether they are a lame duck and would therefore be subject to fewer transfers, this is defined as whether or not the governor is in the last year of their binding term limit. In terms of checks and balances, I use a dummy for whether the two state legislative houses are controlled by different parties, which may mean the governor receives less transfers because they are politically restrained. Crucially, I account for whether the governor is politically aligned to the president, co-partisans governors may be likely to receive more federal funds.

At the state-level I control for incumbent president's two-party margin of victory from the last presidential election. This account for presidents rewarding states that provided them with more popular support. I include the previous year's per capita growth rate of: personal income, a state's total own tax revenue and population from the previous year as covariates to control for state economic performance and size.[5] The descriptive statistics are provided in Appendix Table A2.

[5]Changing whether these growth rates are at time t or $t-1$ does not affect the main result.

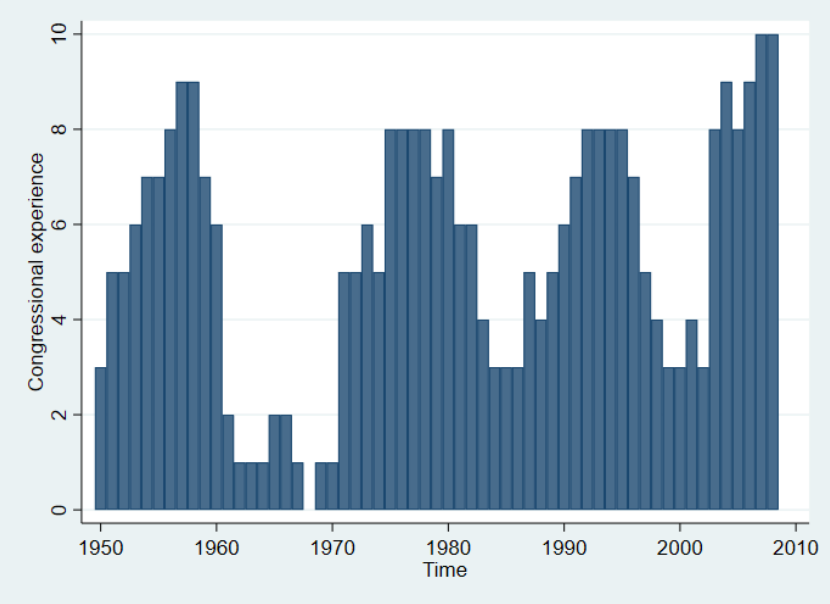

Figure 1: The number of governors who have Congressional experience per year.

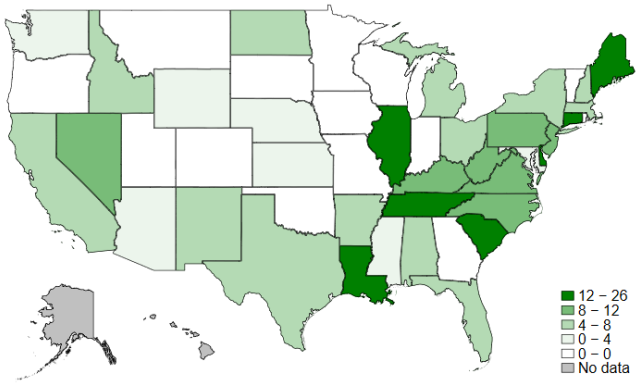

Figure 2: The number of governors who have previously served as a member of Congress by state from 1950-2008.

4.2 Identification strategy

The basic equation I estimate is as follows:

$$y_{st} = \beta_1 Congressional\ experience_{gst} + \beta_2 X'_{gt} + \beta_3 Z'_{st} + \mu_s + \tau_t + \epsilon_{gst} \quad (1)$$

where y_{st} the growth rate of real per capita transfers to state s at time t; $Congressional\ experience_{gst}$ is the main explanatory variable that indicates whether governor g in state s at time t has previously served as a member of Congress; X'_{gt} is a vector of governor characteristics; Z'_{st} is a vector of state-level control variables; μ_s are state fixed effects; τ_t are year dummies; and ϵ_{gst} is the error term. The country and year fixed effects are included to account for unobserved year-specific and state-specific shocks that could bias the estimate of β_1. The strategy is comparable to a difference-in-difference style equation and therefore relies on the assumption of common trends in treated and untreated states to establish a causal relationship. For the standard errors, I use two-way clustering at the state and year level (Cameron et al., 2011; Cameron and Miller, 2015). This is because the dependent variable is effectively a share of total transfers to all states, so correlation across states at each year will exist.[6]

5 Results

5.1 Main results

Table 1 presents the main results. In column (1), I estimate the effect of Congressional political experience on transfers without additional observable controls. In columns (2) and (3), I include

[6] When clustering at only the state level, the results remain the same, see Appendix Table A3.

governor characteristics and then state controls as well, respectively. In column (4) I include a lagged dependent variable. The coefficient of *Congressional experience* is positive and significant at the 1 percent level of significance in all columns. This is interpreted as follows: when the governor has previously served as a member of Congress, this leads to a 0.8 percentage point increase in the growth rate of transfers per capita to their state, *ceteris paribus*. For a fictive mean state, the growth rate of transfers is 4.1 percentage points, so this effect is quite sizeable.

The coefficients on the other personal characteristics are small and generally insignificant, this indicates that these do not help a governor secure more federal funds. This is consistent with findings reported in the literature (Dreher et al., 2009; Moessinger, 2014; Ferreira and Gyourko, 2014). The exception here is *Alignment* and *Gubernatorial election*, which are positive and significant.[7] The coefficient for *Alignment* means that when governor and president are co-partisans the governor receives more federal money, in line with the findings of Larcinese et al. (2006). The *Gubernatorial election* coefficient indicates that in years when the governor is up for election, they receive more funds as they exert more effort lobbying for more resources to aid their or their party's re-election chances.[8]

With a dichotomous variable of interest and year fixed effects, I can evaluate the common trend assumption that is necessary for a causal interpretation of the effect. Despite using a comprehensive set of controls, state and year fixed effects, there still may exist some bias. I can test this assumption by examining whether pre-treatment or post-treatment trends exist for treated and untreated states that would indicate non-random selection. Given that political experience should only affect transfers when the governor has served in Congress only, significant lead-variables would

[7] I have also experimented with interaction terms with these two variables and Congressional experience, although no significant effect is found.

[8] I have also controlled for governors behaviour in the year prior to elections, see Appendix Table A5. The pre-gubernatorial election variable appears statistically insignificant, implying that governors only exert more effort to capture federal outlays in their election years.

Table 1: The effect of experience on transfers

	(1)	(2)	(3)	(4)
Congressional experience	0.008***	0.009***	0.008***	0.009***
	(0.001)	(0.002)	(0.001)	(0.003)
Alignment		0.006*	0.005*	0.007**
		(0.003)	(0.003)	(0.003)
Age		0.000	0.000	0.000
		(0.000)	(0.000)	(0.000)
Female		0.000	-0.000	-0.000
		(0.010)	(0.010)	(0.011)
Years experience		0.001	0.001	0.001
		(0.001)	(0.001)	(0.001)
Military experience		-0.003	-0.004*	-0.004
		(0.003)	(0.003)	(0.003)
Lame duck		-0.001	-0.001	-0.001
		(0.009)	(0.009)	(0.008)
Split govt.		-0.000	-0.002	-0.001
		(0.004)	(0.004)	(0.004)
Gubernatorial election		0.012**	0.011**	0.011*
		(0.006)	(0.006)	(0.006)
Δ ln income$_{t-1}$			-0.154**	-0.173***
			(0.067)	(0.058)
Δ ln revenue$_{t-1}$			0.035	0.029
			(0.030)	(0.027)
Δ ln population$_{t-1}$			-0.064	-0.212
			(0.332)	(0.368)
Pres. victory margin			0.000	0.000
			(0.000)	(0.000)
Lagged dep. var.				-0.265***
				(0.027)
R-squared	0.353	0.356	0.355	0.402
Observations	2,784	2,784	2,736	2,736

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

cast doubts on the interpretation of the results thus far. Significant lag-variables are not necessarily a violation of the assumption as transfers may be contract based and take time to reverse.

To test this assumption I follow Gehring and Schneider (2018). I create two lead variables, taking the value 1 only in the year $(t-1)$ and two years $(t-2)$ before the treatment takes place, and 0 otherwise. I code four lag variables taking the value 1 for the year after the treatment has been 'switched off' in $(t+1)$ and up to four years later $(t+4)$, and 0 otherwise. The estimated specification remains the same as that in Table 1 column (3), which includes all controls, state and year fixed effects.[9] Table 2 depicts the results including different leads and lags.

In column (1), both the lead variables are insignificant, whereas the coefficient of interest remains statistically significant at the 1 percent level. Column (2) replaces leads for lags. Here all the lagged terms are insignificant and *Congressional experience* remains significant at the 1 percent level. Finally, column (3) includes both leads and lags. The coefficient for *Congressional experience* becomes 0.007, again significant at the 1 percent level. All leads and lags are insignificant, giving no indication of any pre- or post-treatment trends, whilst *Congressional experience* remains significant throughout. This is critical for a causal interpretation of the identified relationship. The coefficients for the leads and lags for *Congressional experience* are illustrated graphically in Figure 3.

[9]The estimating equation is: $y_{st} = \alpha_1 Congressional\ experience_{sgt} + \sum_{\gamma=-2}^{4}(\alpha_{1t+\gamma} Congressional\ experience_{sgt+\gamma}) + \beta_1\ X'_{sgt} + \beta_2\ Z'_{st} + \mu_s + \tau_t + \epsilon_{sgt}$

Table 2: Common trends

	(1)	(2)	(3)
Congressional experience (t-2)	-0.002		-0.003
	(0.011)		(0.011)
Congressional experience (t-1)	-0.005		-0.005
	(0.013)		(0.013)
Congressional experience	0.008***	0.008***	0.007***
	(0.001)	(0.003)	(0.001)
Congressional experience (t+1)		-0.007	-0.018
		(0.014)	(0.015)
Congressional experience (t+2)		0.005	0.011
		(0.014)	(0.013)
Congressional experience (t+3)		0.006	0.002
		(0.009)	(0.009)
Congressional experience (t+4)		-0.007	-0.008
		(0.012)	(0.012)
R-squared	0.355	0.402	0.356
Observations	2,736	2,736	2,736

Notes: Variables omitted from all columns correspond with the specification in Table 1 column (4), which includes state and year fixed effects. The dependent variable in all columns is the growth rate of real per capita federal-state transfers. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

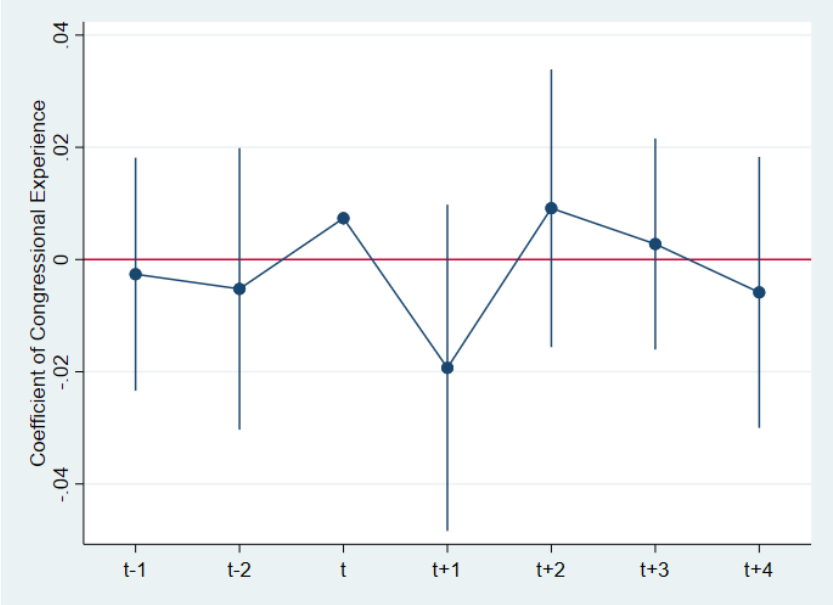

Figure 3: Leads and lags in Congressional experience.
Notes: Regression coefficients and confidence intervals are based on Table 2 column (3).

6 Robustness checks

This section sets out to address how robust the relationship is. First, I address some possible selection concerns. Secondly, I perform a placebo exercise and use an alternate dependent variable. I then explore how sensitive the result is to excluding certain years and states. Finally, I split Congressional experience into two variables based on the two-party system.

6.1 Selection concerns

One possible concern is the selection of leaders. If certain circumstances, such as an economic or political crisis, affect both the probability of electing a governor with Congressional experience and transfers, then there is an endogeneity issue. To allay this concern, I repeat the diagnostics in Dreher et al. (2009). Results are presented in Table 3 Panel A. To be precise, I examine the probability of electing a governor with Congressional experience. It appears that the selection of experienced governors is idiosyncratic, the exception being the growth rate of personal income which is controlled for in the analysis.

As a further check regarding selection, I assess the extent to which there may exist a bias from the selection on unobservables. To do so, I follow the methods in Altonji et al. (2005). Under the assumption that selection on observables is equal to the selection on unobservables, this method produces the ratio of selection on unobservables to observables that would be required to explain away the Congressional experience effect.

To implement this, I estimate regressions using two sets of covariates. In the first regression, I include only the treatment indicator and year and state fixed effects. In the second I use the full set of covariates along with the fixed effects. The estimated coefficient on the treatment indicator from the two regressions are $\hat{\beta}_{limited}$ and $\hat{\beta}_{full}$. Using these coefficients I compute the selection ratio

(SR) by $\frac{\hat{\beta}_{full}}{\hat{\beta}_{limited}-\hat{\beta}_{full}}$.

The results are presented in Table 3 Panel B. The ratio implies that selection on unobservables needs to be 56 times as strong as the selection on observables to fully explain away the relationship between experience and transfers, this is implausibly high.

Table 3: Selection of leaders

	(1)	(2)	(3)
Panel A			
Δ ln income$_{t-1}$	-5.757**	-5.736**	-5.727**
	(2.277)	(2.252)	(2.256)
Δ ln revenue$_{t-1}$	0.479	0.524	0.516
	(0.470)	(0.489)	(0.484)
Δ ln population$_{t-1}$	-0.077	0.591	0.397
	(6.862)	(7.100)	(7.036)
Pres. victory margin	0.003	0.002	0.002
	(0.004)	(0.005)	(0.005)
Alignment	0.108		0.053
	(0.193)		(0.196)
Dem. gov		-0.191	-0.175
		(0.302)	(0.314)
Constant	-2.033***	-1.885***	-1.917***
	(0.243)	(0.263)	(0.317)
Observations	2,736	2,736	2,736
Panel B			
	$\beta_{limited}$	β_{full}	SR
	0.00839**	0.00825**	55.95
	(0.00342)	(0.00328)	

Notes: Panel A shows pooled logit estimates are conducted with standard errors clustered at the state level. The dependent variable is *Congressional experience*. Panel B shows selection ratios from Altonji et al. (2005). Robust standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

6.2 Placebo test and alternate dependent variable

To ensure that the statistical inference of the Congressional experience effect is not a result of a systematic error, I implement a randomization test. This is particularly useful when the number

of treated observations could be considered 'small'. There are 319 treated observations, which constitutes about 11 percent of the total sample. The goal is to randomly assign treatment to control units, whilst removing the treated ones. No significant effect increases the confidence that *Congressional experience* is correctly identified in actual treated units.

The results are presented in Table 4. Column (1) assigns treatment status to about 11 percent of the sample, column (2) 15 percent and column (3) 20 percent. As expected the coefficients are not significantly different from 0. This furthers the confidence that the experience effect has been correctly identified.

Table 4: Random assignment of treatment status

	11%	15%	20%
	(1)	(2)	(3)
Congressional experience [random]	0.005	-0.004	0.004
	(0.006)	(0.005)	(0.003)
Year FEs?	Yes	Yes	Yes
R-sqaured	0.350	0.350	0.350
Observations	2,425	2,425	2,425

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers. Variables omitted from all columns correspond with the specification in Table 1 column (4), which includes country and year fixed effects. Treatment assignment is assigned using the `randtreat` command in Stata. In columns (1), (2) and (3) treatment is assigned to 11%, 15% and 20% of the sample, respectively. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

To demonstrate the robustness of this result I construct an alternate dependent variable. I use the percentage point change in a state's federal transfers as share of total federal transfer outlays. I repeat the analysis in Table 1 using the change in the state's share as the dependent variable. The results are presented in Appendix Table A4. As before, the coefficient for Congressional experience is positive and significant at the 1 percent level in all columns.

6.3 Sensitivity checks

In order to show that the relationship between experience and transfers is not sensitive to outliers in the data, I perform a number of additional checks.[10] A concern may be that the result is driven by states who are more likely to elect an experienced governor or periods of time when there are more governors with experience in the US. Also, I explore how the results are affected by outliers in the dependent variable. I repeat the preferred specification (Table 1 column (4)) and make exclusions based on either states or years.

The results are shown in Table 5. In column (1) I exclude states that provide governors with experience more than 15 times in the 59 years they are observed. This is keeping the bottom 90th percentile. The coefficient falls to 0.006 but remains statistically significant. In column (2) and (3) I exclude high and low periods of governors with experience. Specifically, I drop years when there are more than 9 governors with political experience in column (2), this is the dropping the top 10th percentile. In column (3) I drop the bottom 10th percentile, that is, dropping years when there are no governors with experience. The coefficient remains stable at 0.008 and significant at the 1 percent level. The proceeding two columns exclude states based on which region they are in, here I split the US into two parts. Column (4) includes states in the West and Midwest regions, whilst column (5) includes only states in the South and North East. A stronger significant effect is found in the latter, although this possibly because there are much fewer treated observations in the states located in West and Midwest. Column (6) and (7) winsorize the dependent variable. This is a process that replaces extreme values in the tails of the distribution with values further down the ranks. Column (6) replaces values below (above) the 1st (99th) percentile with

[10] In the Appendix Table A5 I include a number of other potentially relevant covariates. The result remains qualitatively the same. I also repeat the common trends check with a lagged dependent variable, see Figure A2, the result remains unaffected.

the 1st (99th) percentile value. Column (7) repeats this exercise with the 5th and 95th percentile. The coefficient of experience falls to 0.007 but remains statistically significant at the 1 percent level.

Table 5: Sensitivity checks

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Congressional experience	0.007**	0.009***	0.008***	0.016*	0.007***	0.007***	0.007***
	(0.003)	(0.001)	(0.002)	(0.009)	(0.000)	(0.001)	(0.002)
Exclusion	States	Years	Years	Regions	Regions	Winsor [1,99]	Winsor [5,95]
Treated Obs.	217	254	305	82	228	310	310
R-squared	0.364	0.343	0.392	0.359	0.394	0.363	0.358
Observations	2,451	2,448	2,400	1,311	1,425	2,736	2,736

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers. Variables omitted from all columns correspond with the specification in Table 1 column (4), which includes state and year fixed effects. Column (1) removes states that have governors with Congressional experience for more than 15 years. Column (2) removes years when there are more than 9 governors in the US with Congressional experience, the 90th percentile. Column (3) removes years when there are less than 1 governor in the US with Congressional experience, the 10th percentile. Column (4) use only states in the West and Midwest region, while column (5) uses only states in the South and North East region. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

As I am using data from the US, I can exploit the two-party system that dominates US politics. This will allow one to see if one party is driving the results. I split the *Congressional experience* variable into two new variables, to identify whether the governor is a Democrat or Republican and has served as member of Congress. These are denoted *Dem. Congressional experience* and *Rep. Congressional experience*. Experience is about evenly distributed between the two parties. There are 159 state-year observations of Democratic governors who have served in Congress, and 155 observations of Republican governors.[11] I repeat the analysis in Table 1 but instead include the two new explanatory variables.

The results are presented in Table 6. Generally, it appears that the results are driven by the Republican governors. The coefficient is shows that experienced Republican governors increase the transfers to their state by about 0.9 percentage points, holding all else constant. The coefficient for experienced Democratic governors is positive but only weakly significant. This is surprising and contrary to what one may expect, given that state governments with more right-wing legisla-

[11] The remaining 4 observations are an independent governor.

tors prefer smaller state governments (Pickering and Rockey, 2013). As Republican governors are ideologically constrained in increasing their state's expenditure, they will therefore seek out more federal transfers as a less visible alternative using their superior political skill. On the other side of the ideological split, the Democratic governors do not need to lobby and exert extra effort to capture more federal funds as they are not constrained in increasing their state's expenditures.

Table 6: Democrats versus Republicans

	(1)	(2)	(3)	(4)
Dem. congressional experience	0.007	0.008*	0.008*	0.007
	(0.004)	(0.004)	(0.004)	(0.005)
Rep. congressional experience	0.011***	0.009***	0.009***	0.011***
	(0.003)	(0.002)	(0.002)	(0.002)
Governor controls?	No	Yes	Yes	Yes
State controls?	No	No	Yes	Yes
Lagged dep. var.?	No	No	No	Yes
Year FEs?	Yes	Yes	Yes	Yes
R-squared	0.353	0.355	0.355	0.402
Observations	2,784	2,736	2,736	2,736

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers Variables omitted from all columns correspond with the specification in Table 1 column (4), which includes state and year fixed effects. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

7 Conclusions

This paper has examined whether and to what extent does Congressional experience in US governors affect the amount of intergovernmental revenue their state receives from the federal government. The role of political experience has been examined in the previous literature with no clear consensus reached, whilst the political influences on sub-national transfers received little attention. Considering this gap in the literature, this an important topic of research. This paper has gone beyond the previous literature which has focused only a general career in politics or the number of years of on-the-job experience, whereas this paper explores specific political experience. That

is, serving in the House of Representatives or the Senate. I hypothesize that governors who have Congressional experience should have more political capital and therefore be better at lobbying the president for federal transfers to their state.

To test that hypothesis, I use data on federal outlays to states over the period 1950-2008. Findings show that a governor who has previously been a member of Congress increases to the intergovernmental revenue to their state by 0.8 percentage points. The finding remains robust to a number of different regression specifications. Moreover, there appears no reason not to label this effect as a causal one. I find no significant effect for being a female governor or having more years of experience on-the-job. There is a very weak negative relationship between a governor who served in the military and the transfers they receive. In a gubernatorial election year, governors exert more effort and thus receive more funds. I find that it is the experienced Republican governors who are driving this relationship as they seek federal money as an alternate to increasing the size of their state government.

The findings contribute to the expanding literature that shows that political leaders can have a significant influence of economic outcomes. This paper presents a number of openings for future research in this literature. One avenue may be to delve deeper into the governors backgrounds to explore other political jobs that increase their political capital. It would also be fruitful to investigate whether ex-members of Congress have different spending or taxation priorities. Perhaps they are more likely to increase state expenditure if they know they can negotiate for more federal funds.

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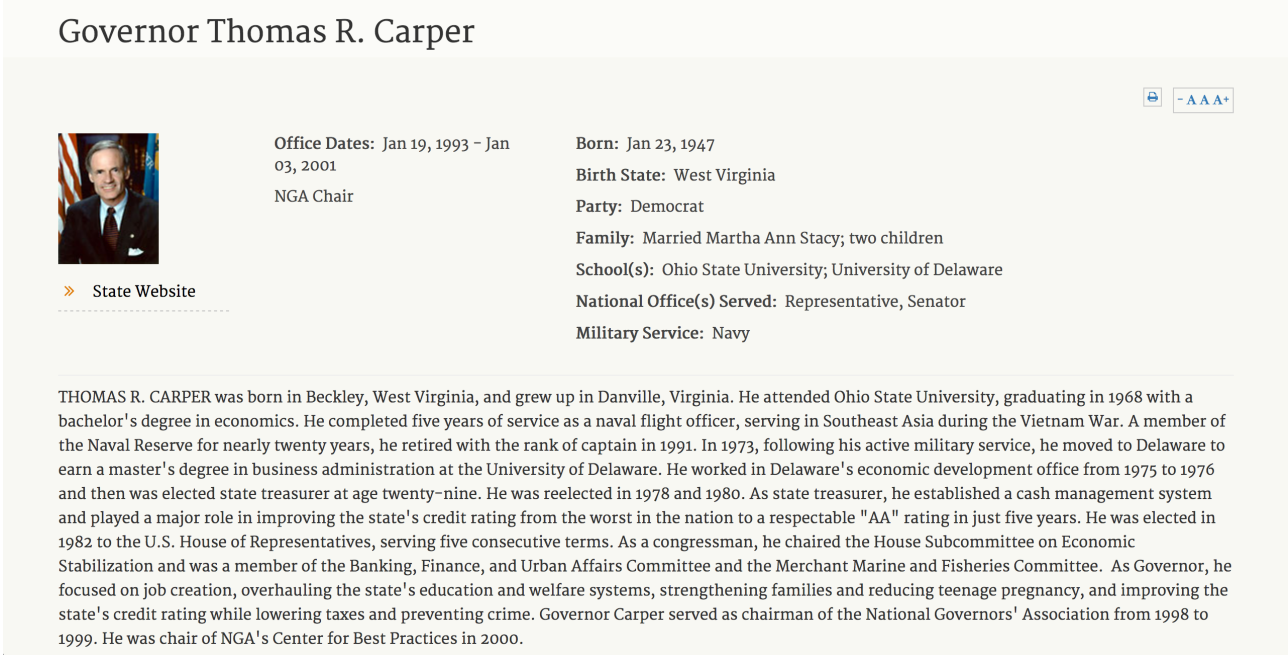
Appendix



Governor Thomas R. Carper

- A A A+

» State Website

Office Dates: Jan 19, 1993 – Jan 03, 2001

NGA Chair

Born: Jan 23, 1947
Birth State: West Virginia
Party: Democrat
Family: Married Martha Ann Stacy; two children
School(s): Ohio State University; University of Delaware
National Office(s) Served: Representative, Senator
Military Service: Navy

THOMAS R. CARPER was born in Beckley, West Virginia, and grew up in Danville, Virginia. He attended Ohio State University, graduating in 1968 with a bachelor's degree in economics. He completed five years of service as a naval flight officer, serving in Southeast Asia during the Vietnam War. A member of the Naval Reserve for nearly twenty years, he retired with the rank of captain in 1991. In 1973, following his active military service, he moved to Delaware to earn a master's degree in business administration at the University of Delaware. He worked in Delaware's economic development office from 1975 to 1976 and then was elected state treasurer at age twenty-nine. He was reelected in 1978 and 1980. As state treasurer, he established a cash management system and played a major role in improving the state's credit rating from the worst in the nation to a respectable "AA" rating in just five years. He was elected in 1982 to the U.S. House of Representatives, serving five consecutive terms. As a congressman, he chaired the House Subcommittee on Economic Stabilization and was a member of the Banking, Finance, and Urban Affairs Committee and the Merchant Marine and Fisheries Committee. As Governor, he focused on job creation, overhauling the state's education and welfare systems, strengthening families and reducing teenage pregnancy, and improving the state's credit rating while lowering taxes and preventing crime. Governor Carper served as chairman of the National Governors' Association from 1998 to 1999. He was chair of NGA's Center for Best Practices in 2000.

Figure A1: Example profile of a governor on the NGA webpage.

Table A1: List of governors with Congressional experience

Name	State	Party	Name	State	Party	Name	State	Party
Bob Riley	Alabama	R	Ernie Fletcher	Kentucky	R	Hugh Leo Carey	New York	D
David Hampton Pryor	Arkansas	D	Edwin Washington Edwards	Louisiana	D	John Joyce Gilligan	Ohio	D
Jim Guy Tucker	Arkansas	D	David C. Treen	Louisiana	R	Ted Strickland	Ohio	D
Ernest William McFarland	Arizona	D	Bobby Jindal	Louisiana	R	William W. Scranton	Pennsylvania	R
Jerry Brown	California	D	Christian Archibald Herter	Massachusetts	R	Tom Ridge	Pennsylvania	R
Abraham Alexander Ribicoff	Connecticut	D	Foster John Furcolo	Massachusetts	D	James Francis Byrnes	South Carolina	D
Thomas J. Meskill	Connecticut	R	Robert L. Ehrlich	Maryland	R	Carroll A. Campbell	South Carolina	R
Ella T. Grasso	Connecticut	D	John Rettie McKernan	Maine	R	Mark Sanford	South Carolina	R
Lowell P. Weicker	Connecticut	I	John E. Baldacci	Maine	D	Gordon Browning	Tennessee	D
John G. Rowland	Connecticut	R	James Johnston Blanchard	Michigan	D	Ray Blanton	Tennessee	D
James Caleb Boggs	Delaware	R	William Bradley Umstead	North Carolina	D	Don Sundquist	Tennessee	R
Pierre Samuel Du Pont	Delaware	R	James G Martin	North Carolina	R	Price Daniel	Texas	D
Lawton Chiles	Florida	D	Arthur Albert Link	North Dakota	D	Thomas Bahnson Stanley	Virginia	D
James E. Risch	Idaho	R	Charles Thone	Nebraska	R	James Lindsay Almond	Virginia	D
Clement Leroy "Butch" Otter	Idaho	R	Llewelyn Sherman Adams	New Hampshire	R	George Allen	Virginia	R
William Grant Stratton	Illinois	R	Judd Gregg	New Hampshire	R	Michael Lowry	Washington	D
Rod R. Blagojevich	Illinois	D	Jim Florio	New Jersey	D	Arch A. Moore	West Virginia	R
Frank Carlson	Kansas	R	Jon Corzine	New Jersey	D	Bob Wise	West Virginia	D
William Henry Avery	Kansas	R	Bill Richardson	New Mexico	D	Frank A. Barrett	Wyoming	R
Albert Benjamin Chandler	Kentucky	D	Charles Hinton Russell	Nevada	R			
John Y. Brown Jr.	Kentucky	D	Jim Gibbons	Nevada	R			

Notes: D = Governor is a member of the Democratic Party, R = Governor is a member of the Republican Party and I = Governor is an independent.

Table A2: Summary statistics

	No. of obs. (1)	Mean (2)	Std. dev. (3)	Min. (4)	Max. (5)
Δ ln transfers	2,784	0.041	0.104	-0.431	0.574
Congressional experience	2,832	0.112	–	0	1
Alignment	2,832	0.480	–	0	1
Age	2,832	52.32	8.040	33	78
Female	2,832	0.036	–	0	1
Years experience	2,832	2.994	2.757	0	15
Military experience	2,832	0.526	–	0	1
Lame duck	2,832	0.070	–	0	1
Split govt.	2,832	0.487	–	0	1
Gubernatorial election	2,832	0.296	–	0	1
Δ ln income$_{t-1}$	2,784	0.022	0.029	-0.152	0.331
Δ ln population$_{t-1}$	2,784	0.012	0.014	-0.059	0.120
Δ ln revenue$_{t-1}$	2,784	0.032	0.099	-0.985	0.743
Pres. victory margin	2,832	9.236	18.34	-100	100

Table A3: The effect of experience on transfers: alternate clustering

	(1)	(2)	(3)	(4)
Congressional experience	0.008**	0.009**	0.008**	0.009**
	(0.003)	(0.004)	(0.003)	(0.004)
Alignment		0.006**	0.005**	0.007**
		(0.003)	(0.003)	(0.003)
Age		0.000	0.000	0.000
		(0.000)	(0.000)	(0.000)
Female		0.000	-0.000	-0.000
		(0.009)	(0.009)	(0.011)
Years experience		0.001	0.001	0.001
		(0.001)	(0.001)	(0.001)
Military experience		-0.003	-0.004	-0.004
		(0.003)	(0.003)	(0.004)
Lame duck		-0.001	-0.001	-0.001
		(0.009)	(0.009)	(0.008)
Split govt.		-0.000	-0.002	-0.001
		(0.003)	(0.003)	(0.004)
Gubernatorial election		0.012*	0.011*	0.011*
		(0.006)	(0.006)	(0.006)
Δ ln income$_{t-1}$			-0.154**	-0.173***
			(0.072)	(0.058)
Δ ln revenue$_{t-1}$			0.035	0.029
			(0.033)	(0.027)
Δ ln population$_{t-1}$			-0.064	-0.212
			(0.318)	(0.356)
Pres. victory margin			0.000	0.000
			(0.000)	(0.000)
Lagged dep. var.				-0.265***
				(0.023)
R-squared	0.353	0.356	0.355	0.402
Observations	2,784	2,784	2,736	2,736

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers. Standard errors are clustered at the state-level and reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

Table A4: The effect of experience on transfers: alternate dependent variable

	(1)	(2)	(3)	(4)
Congressional experience	0.020***	0.021***	0.021***	0.021***
	(0.003)	(0.003)	(0.003)	(0.005)
Alignment		0.013*	0.011	0.015**
		(0.007)	(0.007)	(0.008)
Age		0.000	0.000	0.000
		(0.001)	(0.000)	(0.001)
Female		0.003	0.004	0.004
		(0.022)	(0.022)	(0.024)
Years experience		0.002*	0.002*	0.002
		(0.001)	(0.001)	(0.002)
Military experience		-0.008	-0.011*	-0.010
		(0.005)	(0.006)	(0.007)
Lame duck		-0.004	-0.003	-0.004
		(0.023)	(0.024)	(0.021)
Split govt.		-0.002	-0.006	-0.004
		(0.009)	(0.009)	(0.010)
Gubernatorial election		0.025*	0.024*	0.024*
		(0.014)	(0.014)	(0.014)
Δ ln income$_{t-1}$			-0.401***	-0.446***
			(0.113)	(0.090)
Δ ln revenue$_{t-1}$			0.130	0.093
			(0.085)	(0.063)
Δ ln population$_{t-1}$			0.324	0.045
			(0.993)	(1.095)
Pres. victory margin			0.000	0.000
			(0.000)	(0.000)
Lagged dep. var.				-0.294***
				(0.039)
R-squared	0.001	0.005	0.010	0.097
Observations	2,784	2,784	2,736	2,736

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers as a proportion of total federal transfers. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

Table A5: Robustness: extra control variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Congressional experience	0.008***	0.008***	0.007***	0.008***	0.008***	0.008***	0.009***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)
Alignment	0.006*	0.006*	0.005	0.005*	0.005*	0.005*	0.006*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Age	0.000	0.000	0.000	0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)
Female	-0.000	-0.000	0.000	-0.000	-0.000	0.000	-0.003
	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)	(0.010)
Years experience	0.001	0.001	0.001	0.001	0.001	0.001	0.001
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Military experience	-0.004*	-0.005*	-0.005*	-0.004	-0.004*	-0.004*	-0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Lame duck	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.002
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Split govt.	-0.002	-0.001	-0.003	-0.002	-0.002	-0.002	-0.002
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Gubernatorial election	0.011**	0.012**	0.011**	0.011**	0.011**	0.011**	0.011**
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Δ ln income$_{t-1}$	-0.154**	-0.154**	-0.155**	-0.154**	-0.154**	-0.154**	-0.157**
	(0.066)	(0.066)	(0.067)	(0.066)	(0.066)	(0.067)	(0.065)
Δ ln revenue$_{t-1}$	0.035	0.035	0.035	0.035	0.035	0.035	0.037
	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)	(0.030)	(0.031)
Δ ln population$_{t-1}$	-0.062	-0.059	-0.064	-0.063	-0.062	-0.060	-0.087
	(0.331)	(0.331)	(0.332)	(0.332)	(0.331)	(0.330)	(0.329)
Pres. victory margin	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Swing [5pp]	0.001						
	(0.004)						
Swing [6pp]		0.002					
		(0.003)					
Southern democrat			-0.006				
			(0.004)				
Pres. birth state				0.001			
				(0.006)			
Age^2					0.000		
					(0.000)		
Democratic governor						-0.002	
						(0.003)	
Pre-gubernatorial election							0.000
							(0.004)
Year FEs?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.355	0.355	0.356	0.355	0.355	0.355	0.353
Observations	2,736	2,736	2,736	2,736	2,736	2,736	2,688

Notes: The dependent variable in all columns is the growth rate of real per capita federal-state transfers. Column (1) includes a dummy variable if the state is a swing state, taking the value 1 if the two-party vote share for the president at the last election was within 5 percentage points. Column (2) pushes this out to 6 percentage points. Column (3) includes a dummy for whether the governor is a Democrat and located in the south. Column (4) includes a dummy for whether the governor is the governor in the president's birth state. Column (5) introduces a square term for governors age and column (6) includes a dummy for whether the governor is a Democrat. Column (7) controls for the pre-gubernatorial election year. The standard errors are multiway-clustered to allow for arbitrary correlation at the state and year level using the `xtivreg2` command in Stata. Standard errors are reported in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

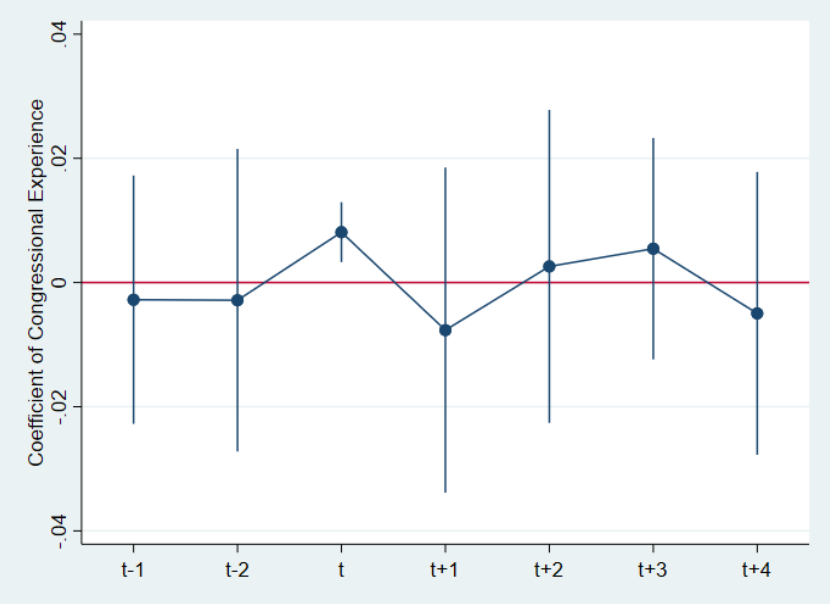


Figure A2: Leads and lags in Congressional experience.
Notes: Regression coefficients and confidence intervals are based on specification in Table 2 column (3) but also include a lagged dependent variable.