Universität St.Gallen

Lame Ducks and Divided Government: How Voters Control the Unaccountable

Mark Schelker

March 2012 Discussion Paper no. 2011-30

School of Economics and Political Science,
Department of Economics

University of St. Gallen

Editor: Martina Flockerzi
University of St. Gallen
School of Economics and Political Science
Department of Economics
Varnbüelstrasse 19
CH-9000 St. Gallen
Phone +41 71 224 23 25
Fax +41 71 224 31 35
Email seps@unisg.ch

Publisher: School of Economics and Political Science
Department of Economics
University of St. Gallen
Varnbüelstrasse 19
CH-9000 St. Gallen
Phone +41 71 224 23 25

Electronic Publication: Fax +41 71 224 31 35
http://www.seps.unisg.ch

Lame Ducks and Divided Government: How Voters Control the Unaccountable[1]

Mark Schelker

Author's address:

Mark Schelker
SIAW-HSG, University of St. Gallen
Bodanstrasse 8
CH-9000 St. Gallen
Phone +41 71 224 25 78
Fax +41 71 224 22 98
Email mark.schelker@unisg.ch
Website www.schelker.net

[1] I would like to thank Jim Alt, Christine Benesch, Nels Christiansen, Reiner Eichenberger, Jürgen Eichberger, Bruno Frey, Roland Hodler, Mario Jametti, Marcelin Joanis, Fabien Moizeau, Susanne Neckermann and Andrei Shleifer for helpful comments and discussions. The paper also greatly benefited from comments by seminar participants at the Universities of Fribourg, Lugano, Mannheim and St. Gallen and by participants in the Annual Meeting of the European Public Choice Society in Rennes, 2011, the North American Summer Meeting of the Econometric Society in St. Louis, 2011, the Annual Congress of the International Society for New Institutional Economics at Stanford, 2011, the World Congress of the International Economic Association in Beijing, 2011, the Annual Congress of the International Institute of Public Finance at Ross School of Business, Ann Arbor, 2011, the Annual Meeting of the European Economic Association in Oslo, 2011, and the CESifo Area Conference in Applied Microeconomics, 2012.

Abstract

Divided government is not only the outcome of moderate voters' electoral decision to balance party ideology in government, but a more general reaction of voters to a systematic control problem. Voters realize that term limited executives (i.e., "lame ducks") cannot be held accountable due to the missing re-election incentives. By dividing government control voters force a lame duck to compromise on policies with an opposing legislature and restrict his ability to extract rents. Based on US state data I present empirical evidence showing that the probability of divided government is 9 to 15 percent higher when governors are lame ducks.

Keywords

Divided government, lame duck, term limit, accountability.

JEL Classification

D72.

1. Introduction

One of the defining features of the American political system is its strong separation of powers, whereby voters elect the members of the legislative and the executive separately. This regularly leads to divided government in which the party holding the executive power does not hold a majority in the legislature, requiring compromises on policy by both parties. It has been argued that divided government is the result of rational electoral decisions by moderate voters who balance political power between opposing party ideologies to moderate policy outcomes (Fiorina 1992, Alesina and Rosenthal 1995, 1996). This requires sophisticated voters who understand the institutional set-up, enabling them to make use of the extensive checks and balances inherent to a system with such a strong separation of powers.

In this contribution I go one step further and argue that voters also use divided government to mitigate control problems. Voters use divided government to control term-limited governors ("lame duck") who are otherwise unaccountable due to their lack of re-election incentives. Divided government forces lame ducks to compromise on policy with an opposing legislature. In the empirical analysis, I attempt to determine whether there is a higher probability of divided government in situations in which a state governor is a lame duck. Note that the hypothesis requires voters to make rather sophisticated electoral decisions. Nevertheless, I find robust evidence showing that lame ducks face an approximately 9 to 15 percent higher probability of divided government. This is (indirect) evidence of the ability of voters to make coherent electoral decisions in a rather demanding situation: voters consider the institutional setting when making electoral decisions.

In Section 2, I introduce the main theoretical arguments on which the empirical hypothesis is based. I review the relevant insights obtained from the literature pertaining to divided government and term limit legislation and formulate the testable hypothesis. In Section 3, I present the data at the US state level and the empirical strategy. In Section 4, I provide empirical results showing that the probability of divided government is significantly higher when US state governors are lame ducks. This result is consistent with the view that voters balance a weakened accountability mechanism by voting for a different party in the legislative branch. Section 5 summarizes and concludes the paper.

2. Divided Government: The Reaction of Voters to a Systematic Control Problem

This paper analyzes the interplay of term limits and divided government, two important institutional characteristics of the American political system. To provide a foundation for the main argument that voters divide government power to control an unaccountable lame duck, I combine the literature on the causes of divided government and on the electoral accountability of term-limited agents. It seems useful to briefly discuss the main arguments and mechanisms established in these literatures.

2.1. Causes of divided government

Divided government is a common phenomenon in presidential systems in which the executive and legislative branches are elected separately by voters. A prime example is the political system of the United States with its two main parties, the Republican and Democratic Parties. At the federal level, divided government was the dominant form of government in the US during the period from 1952 to 2010. Approximately 59 percent of all the governments were divided in the sense that the Presidency and the US Congress – the Senate and/or the House of Representatives – were dominated by opposing party majorities.

Fiorina (1992) and Alesina and Rosenthal (1995, 1996) analyze the causes of divided government and argue that the division of government control is the result of rational voter behavior. Voters at the center of the policy spectrum moderate policy by electing different parties into the branches of government.[1] Alesina and Rosenthal (1995, 1996) build a formal model that extends the standard spatial voting theory to include the separate election of the executive and legislative branches with the possibility of dividing government control. In their model, policy is viewed as a compromise between the executive and the legislative branch. When both branches are held by one party – known as unified government – the party in power can implement its preferred policy. When the branches of government are dominated by different party majorities, the opposing parties in the different branches become veto players and are forced to compromise on policy. Voters whose positions fall between the preferred party positions take advantage of this legislative–executive interaction to moderate the policy outcomes. Alesina and Rosenthal (1995) argue that divided government "[…] is not an undesired result of a cumbersome electoral process, nor is it the result of a lack of rationality or of well-

[1] This idea is inspired by the well-documented phenomenon of split-ticket voting. For evidence of split-ticket voting, see, e.g., Fiorina (1992) and Garand and Glaslock Lichtl (2000). An alternative model of split-ticket voting is provided by Chari, Jones and Marimon (1997).

defined preferences of the electorate. Divided government occurs because moderate voters like it, and they take advantage of "checks and balances" to achieve moderation. In dividing government, the voters force the parties to compromise: divided government is a remedy of political polarization" (Alesina and Rosenthal 1995: 44). Their formal model is consistent with three important empirical observations: divided government, split-ticket voting and the midterm cycle. The theory predicts divided government as an outcome of voters' electoral balancing of party ideologies in government, where moderate voters split their tickets. In general elections, when simultaneously the executive and (partly) the legislative are elected, voters are uncertain about which party will be holding the executive. Voters who want to moderate policy by dividing government will therefore hedge the legislature by dividing power between the legislative branches. Once the uncertainty about the incumbent party in the executive is resolved, voters might want to moderate the government in midterm elections further by shifting even more legislative power to the opposition party. This results in the well-documented midterm cycle.

I extend the idea of balancing voter behavior beyond the ideological dimension. If voters realize that providing veto power to different party majorities in the executive and the legislative forces the different interests to compromise, they may also realize that they can use this mechanism to mitigate control problems. An intuitive example of a control problem is the lack of electoral incentives of term limited executives potentially resulting in serious moral hazard.

2.2. Electoral accountability of term-limited executives

There has been much debate regarding the consequences of term limit legislation (e.g., Carey, Niemi and Powell 2000). The major disadvantage of term limit legislation stems from the last period in office when the term limit is binding and the executive becomes a lame duck.[2] Executives who care about maintaining a reputation for the purposes of being re-elected must introduce policy that is in accordance with voter preferences. Being ineligible to run for re-election eliminates this powerful incentive. In most political agency models, re-election incentives are the main channel through which to align the preferences of the office holder with those of the voters. The lack of accountability to voters increases an agent's incentives to engage in opportunistic behavior, which could manifest in e.g., low levels of effort, activities that favor specific interests or legacy building. By testing a political agency model, Besley and Case (1995)

[2] Note that I will generally refer to governors facing a binding term limit as lame ducks. This is not meant as a particular qualification of term-limited governors' behavior. It is conceivable that unaccountable office holders invest more in acquiring private rents, but they might also become more independent from party or special interests and invest more in the provision of public goods, etc.

show that US state governors who are subject to a binding term limit implement systematically different fiscal policies from governors who are eligible for re-election. They suggest that governors who are eligible for re-election are concerned about reputation building and hence adjust their economic policy choices according to this constraint, while lame ducks do not have such incentives. In states with binding term limits, they find fiscal cycles with higher taxes and expenditures in the last term when the governor is a Democrat. Johnson and Crain (2004) analyze the influence of term limits on fiscal policy in a cross-country setting. They find higher expenditures and taxes and evidence of a fiscal cycle in which expenditures increase in lame-duck terms and decrease in terms in which an executive is eligible for re-election. List and Sturm (2006) explore a political agency model in which policy makers decide on primary and secondary policy issues and face binding term limits during the second period. They show that binding term limits even influence secondary policy issues, such as environmental policy. Secondary policy issues are often believed to be less important for re-election than primary issues because these policy issues concern only smaller groups and because voters remain uninformed due to the multitude of secondary policy issues (List and Sturm 2006: 1249–50). In the empirical analysis, they show that incumbents implement environmental policies to attract votes if they are eligible for re-election, but that they enact these policies much less frequently when a term limit is binding. Ferraz and Finan (2011) find that re-election-ineligible second-term mayors in Brazilian municipalities are significantly more corrupt than first-term mayors who are eligible to run for re-election.

One obvious question is why voters actually re-elect a governor into a lame-duck term, if moral hazard of the executive becomes an issue. By backward induction it becomes apparent that if voters commit to not re-electing an incumbent into the last lame-duck term, the governor actually becomes a lame duck already in the previous period. Hence, a term limit in whatever future term would factually be reduced to a one-term limit (Alt, Bueno de Mesquita and Rose 2011). Alt, Bueno de Mesquita and Rose (2011) analyze an electoral model in which voters want to select competent office holders and they want to hold them accountable. Elections provide the instrument to select and retain good types and weed-out bad types, while intact electoral prospects encourage incumbents to exert costly effort in order to become re-elected and signal competence. The authors assume that only competent governors who exert effort have a positive probability of being successful in fiscal and economic policy. They argue that term limits, which are not already binding after the first term, allow for a competence effect due to electoral selection, and the eligibility to run for reelection assures accountability. They identify competence effects by comparing new and re-elected incumbents and accountability effects by

comparing re-election-eligible with re-election-ineligible incumbents. An incumbent is re-elected if he is more competent than the challenger in expectation. Voters benefit from the increasing competence of an incumbent due to his or her accumulated experience in the previous term. On average lame ducks might be of higher quality than newly elected governors who stem from a random draw of the population of candidates. However, due to the lack of re-election incentives in the lame-duck period the candidate has no incentives to exert effort. Hence, the voters face a competent (selection) but potentially lazy (moral hazard) lame-duck incumbent. They show that economic growth is higher and tax and spending growth as well as borrowing cost are lower for incumbents who can run for re-election as well as for governors who have been re-elected already. The trade-off that voters face is hence, with respect to moral hazard, due to the missing re-election incentives, which might be mitigated by dividing government control.[3]

2.3. How voters use divided government to control lame-duck executives

Fiorina (1992) and Alesina and Rosenthal (1995, 1996) provide a general theory of divided government where voters moderate policy by balancing the influence of party ideology in government institutions. As it was mentioned before, a straightforward extension is that this policy balancing behavior of moderate voters is not restricted to party ideology, but is a more general reaction to systematic control problems. One such example is the lack of electoral accountability of term-limited executives. Voters anticipate the weakened incentives of a term-limited executive to pursue public rather than private interests. They use the electoral mechanism by voting for the opposing party in the legislative branch in an attempt to divide government control. Divided government constrains a lame-duck executive because it forces him to compromise with the legislative branch on policy matters.

However, policy moderation by means of divided government may come at a cost if the different parties in the executive and legislative branches cannot compromise on policy. Divided government gives veto power to the opposing parties and allows for potential gridlock of the policy-making process and obscured accountability. The alleged gridlock of the policy-making

[3] Explaining why term limits have been introduced seems more controversial. Most contributions base their arguments on the well-documented incumbency advantage (e.g., Gelman and King 1990, King and Gelman 1991, Levitt and Wolfram 1997, Ansolabehere and Snyder 2002, 2004, Hirano and Snyder 2009), which is reduced by introducing term limits. It has been argued that policy makers with more seniority can more effectively transfer resources to their electoral districts (e.g., Dick and Lott 1993, Buchanan and Congleton 1994, Friedman and Wittman 1995), that incumbents exploit office benefits and take advantage of the higher level of television coverage (e.g., Ansolabehere, Snyder and Stewart 2000, Ansolabehere, Snowberg and Snyder 2006, Prior 2006) and that incumbents are able to affect the salience of policy issues to their advantage (Hodler, Loertscher and Rohner 2010). Daniel and Lott (1997) show that the introduction of legislative term limits in California dramatically reduced campaign expenditures and increased electoral competition. They attribute these effects to the reduced returns to political careers, which cause new candidates to enter electoral races because the campaign expenditures and incumbency advantages are lower.

process has been discussed intensively (e.g., Cutler 1988, Sundquist 1988, Cox and McCubbins 1991, McCubbins 1991). However, Mayhew (1991), whose contribution sparked an intensive scholarly debate, argues that in terms of "significant" legislative enactments, there is no evidence of policy stalemates in the United States. The extensive body of subsequent research has remained controversial regarding the issue. It has been shown that the evaluation of the effect of divided government on legislative productivity depends heavily on the definition of "significant" enactments, on the definition of gridlock as well as additional factors, such as party polarization and within-party ideological heterogeneity (e.g., Krehbiel 1996, Binder 1999, Coleman 1999, Howell et al. 2000, Bowling and Ferguson 2001, Jones 2001, Rogers 2005, Saeki 2009). With regard to fiscal policy, the evidence suggests that divided governments are less able to respond to fiscal shocks (Alt and Lowry 1994, Poterba 1994). Alt and Lowry (1994) provide evidence that divided governments at the US state level adjust less to deficit shocks. Governments react less on the revenue but comparatively more on the spending side. Using a different data source as well as a slightly different time period, Poterba (1994) shows that unified governments adjust more quickly to deficit shocks and that their responses rely more heavily on changes in taxation.

Hence, the decision to moderate policy by means of divided government depends on the relative cost of divided government. Voters must weigh the cost of potential policy gridlock against the cost of a lame duck wielding executive powers. If the expected costs of divided government are lower than the expected costs of having a lame duck, then voters can opt for policy moderation by dividing government control. While the deviation from previous-term politics of lame-duck executives is well established,[4] the cost of policy making under divided government remains ambiguous. In the empirical analysis I attempt to control for the alleged drivers of the cost of divided government and I include party ideology and ideological heterogeneity into the econometric framework. Failing to fully control for the cost of divided government should result in downward bias of the coefficient of interest and make it more difficult to find a systematic relationship between lame ducks and divided government.

3. Data and Empirical Strategy

I use data for the 48 US mainland states from 1975 to 2000. The US states are an ideal testing ground on which to assess the theoretical predictions. First, many US states have implemented executive term limits. Out of the 50 states, 37 feature binding executive term limits, many of which were introduced following voter initiatives. During the period of this study, on

[4] Note that for the main argument it suffices that lame ducks deviate from previous-term behavior and voters are uncertain about the direction of the deviation, be it that they become particularly "public-spirited" or selfish.

average 26 percent of governors were lame ducks. Table 1 provides an overview of the term limit legislation in each state. Second, the executive and legislative branches are both elected directly by citizens. At the US state level, divided government occurred 50 percent of the time during the period from 1975 to 2000. In 63 percent of divided governments, the executive power was controlled by one party, and the majorities of both legislative chambers were controlled by the opposing party. In the remaining 37 percent of divided governments, the two legislative chambers were held by different party majorities.

[Table 1 about here]

3.1. The data

The information pertaining to party majorities in the branches of government for the period from 1975 to 2000 was obtained from Alt, Lassen and Rose (2006). The data include information regarding which party holds the executive and which party holds the majority in the two legislative chambers. I construct the main dependent variable, which is an indicator variable that takes the value 1 when there is any form of divided government control, whether this control is divided between the executive branch and both chambers of the legislature or the majorities are split in the legislative chambers. The bulk of the independent variables stems from the work of List and Sturm (2006). They provide information on state term limit legislation (see Table 1), term-limited governors (lame ducks), the electoral margin of incumbent governors relative to challengers, real per capita personal income, population size and the fractions of the population who are young or aged. Information pertaining to the timing of legislative elections in each state was provided by Tim Storey from the National Conference of State Legislators (NCSL) and verified with the information in Folke and Snyder (2010). Table 2 presents the yearly summary statistics of the main variables of interest. Appendix Tables A1 and A2 present the summary statistics and data sources.

[Table 2 about here]

3.2. Empirical strategy

The empirical approach is primarily based on difference-in-differences estimation comparable to the related work by e.g., Besley and Case (1995, 2003) and List and Sturm (2006), who use similar data.

I estimate the following general specification:

$$y_{it} = \beta\ lame\ duck_{it} + \boldsymbol{\zeta}\,\boldsymbol{I}_{it} + \boldsymbol{\lambda}\,\boldsymbol{X}_{it} + \mu_i + \tau_t + \varepsilon_{it}$$

y_{it} is a dummy variable capturing the form of government (1 if divided government, 0 if unified government) in state i in year t. *lame duck*$_{it}$ is a dummy variable that takes the value 1 if the executive is a lame duck and 0 otherwise. Furthermore, $\boldsymbol{I_{it}}$ is a vector that includes important institutional and political characteristics and $\boldsymbol{X_{it}}$ is a vector of additional (e.g., economic, socio-demographic) controls. β is the parameter of interest, $\boldsymbol{\zeta}$ and $\boldsymbol{\lambda}$ are parameter vectors, μ_i and τ_t are the state and year fixed effects and ε_{it} is the error term. The subscripts $i = 1,\ldots, n$ and $t = 1,\ldots,T$ indicate the cross-section and year, respectively.

In a setup with a binary dependent variable a natural specification would be based on binomial estimators. However, fixed-effects logit and probit estimators encounter an incidental parameter problem that renders the maximum likelihood estimator inconsistent (e.g., Neyman and Scott 1948, Lancaster 2000, Greene 2008). Hence, the results are primarily based on linear probability models, which are typically good approximations, simple to interpret and widely used in economic research. Conditional logit estimates are only presented in the baseline regressions and are omitted afterwards. Note, however, that they are consistent with the reported linear regression results. I first present the random-effects estimates and then add the state and year fixed effects. When comparing the estimates from the random-effects and fixed-effects specifications, it is comforting that the estimated coefficients of the main variable of interest do not greatly depend on whether random- or fixed-effects specifications are estimated.[5] Because basic difference-in-differences estimates might ignore autocorrelation in US state data (Bertrand, Duflo and Mullainathan 2004), I adjust the standard errors for clustering at the state level, which allows for arbitrary correlations of the errors within states.[6]

In addition to the main variable of interest, *lame duck*, I include further important institutional control variables. I always control for the two main factors determining whether a governor can actually become a lame duck: whether there is a *term limit* and a governor's *vote margin* in the past election. I expect the *lame-duck* coefficient to be positive. For the *term limit* variable, I do not have an a priori hypothesis regarding the direction of the effect. The variable measuring the *vote margin* of an incumbent governor captures the popularity of an incumbent or candidate relative to the popularity of a challenger in the electoral race. Therefore, I expect that more popular candidates or incumbents with higher vote margins should face a lower probability of confronting an opposing party majority in the legislative branch. Moreover, the *vote margin* is

[5] Unlike a conventional linear random-effects estimator, the random-effects logit estimator does not depend on the assumption that the random effect is uncorrelated with the independent variables (Wooldridge 2002: 490). Thus, it is possible to obtain a consistent estimator of the variable of interest without any assumption pertaining to the relationship of the cross-section component with the independent variables.

[6] The results also remain robust to the inclusion of state-specific time trends (not reported).

an important control variable from an alternative perspective. It should be an unbiased *ex ante* indicator of the predictability of the (re-)election of a candidate, which influences the ability of voters to effectively moderate policy. In the extension of the empirical analysis, I also present regression results, including measures of gubernatorial job approval, which are more direct measures of gubernatorial popularity but are not available for all years in every state.

Furthermore, I always control for differences in executive mandates across states. Most governors serve four-year terms, and a few governors serve *short terms* of two years. As shown in Table 2, a few states (for some parts of the sample) limit governors to one term in office only (*one-term limit*). These governors are already lame ducks in the first period and thus, it is important to control for this peculiarity. Because not all states follow identical electoral systems and electoral rhythms, I control for the electoral cycle and I include an indicator identifying *midterm congresses*. Furthermore, I use a standard set of control variables, including economic measures, such as the real per capita *income* and the *unemployment* rate, and socio-demographic variables, such as the size of the *population* and the fractions of the *aged* (65+) and the *young* (5–17) populations, which may differ in their political preferences and behavior.

I present the results in four steps: First, I present and discuss the results of a series of regressions establishing the basic results, including regressions on particular subsamples (4.1.). Second, I eliminate several channels introducing potential bias due to selection issues. Specifically, I investigate the potential for estimation bias due to differences in gubernatorial experience and analyze general last-round effects (4.2.). Third, I restrict the sample to closely elected governors in order to introduce some degree of randomization (4.3.). Fourth, I conduct a series of robustness checks by introducing a direct measure of gubernatorial popularity and by controlling for additional factors that were shown to be potentially influential in previous research (4.4.). I analyze political factors such as the influence of political preferences, preference heterogeneity and party affiliation. Furthermore, I add potentially important demographic and economic controls.

4. Empirical Results

4.1. Baseline results

Columns 1 to 3 of Table 3 report the regression results from the linear probability models, and columns 4 to 6 report the logistic regression results. For both estimation methods, I begin with a random-effects specification (columns 1 and 4), introduce state fixed effects (columns 2

and 5) and then add year fixed effects (columns 3 and 6).[7] It is reassuring that the estimated coefficient of the main variable of interest, *lame duck*, does not exhibit great variation across model specifications and does not depend much on whether identification relies primarily on cross-state or within-state variation. Hausman tests typically cannot reject the null hypothesis of no systematic differences between the random-effects and the fixed-effects specifications.

[Table 3 about here]

I consistently find that *lame-duck* governors are associated with a significantly higher probability of divided government. This finding is in line with the prediction that the impaired accountability of a lame duck increases the inclination of voters to counterbalance this control problem by voting for divided government. In the linear regressions, the size of the effect suggests a 10 to 12 percent higher probability of divided government when a governor is a lame duck. In the logistic regressions, the size of the calculated marginal effects is similar and if anything slightly higher but is often not precisely estimated. Given the theoretical reservations in estimations of fixed-effects logit models and the related difficulties in estimating meaningful marginal effects, I rely on the more conservative linear estimates when interpreting the results. However, the estimated coefficients of both model classes are robust to specification changes.

Interestingly, I also find a robust negative correlation between term limit legislation and divided government. This result is much more difficult to interpret than the direct effect of lame-duck governors. Several interpretations are possible. First, the influence of term limits is net of last-period effects (due to controlling for lame ducks), while last-period effects might also occur with non-term-limited executives. If electoral defeat is anticipated or an incumbent decides not to seek re-election for other reasons, moral hazard also becomes an issue for non-term-limited incumbents. Put differently, the selection of governors in term limit states whose term limits are *not* yet binding are compared with the entire group of governors in states without term limits. While the first group is potentially net of last-period effects, the second group includes governors anticipating retirement or expecting to be voted out of office, which may also result in last-period effects. From this perspective, I cannot conclusively interpret the coefficient. Second, the negative effect could originate from voter preferences. Based on the literature pertaining to term limits, several interpretations could apply. For example, term limits eliminate incumbency advantages after a few periods in office, and the lack of such advantages increases electoral

[7] When estimating the fixed-effect logit models, five states are eliminated because they always feature unified government. These states are Georgia, Kentucky, Maryland, Minnesota and Nebraska.

competition (e.g., Daniel and Lott 1997).[8] Alternatively, term limits might enable voters to exchange long-term incumbents while keeping the same party in the executive. This ability may suit the interests of voters if incumbents tend to accumulate power over time and increasingly shirk or become corrupt with longer tenure. Moreover, term limits may be favored because they enable voters to anticipate last-round effects and coordinate their moderation efforts – i.e. to counterbalance the missing accountability by divided government control – to the specific lame-duck term. Without term limits, voters remain uncertain regarding which term is a governor's final term, in which re-election incentives do not apply. Therefore, voters might be induced to hedge constantly against the risk of moral hazard of the incumbent in a potential last-round term. There may be other reasonable interpretations of the negative effect of term limits, but I cannot discriminate between these possible interpretations. Therefore, I do not provide any specific causal interpretation of this coefficient.

Electoral dynamics in midterm elections

When faced with greater uncertainty regarding who will be holding the executive office, voters may find the task of moderating policy by means of divided government more difficult. Alesina and Rosenthal (1996) argue that in general election years with great uncertainty about which party will be holding the executive, voters who want to moderate policy by dividing government will hedge the legislature by dividing power between the legislative branches. Once the uncertainty about the incumbent party in the executive is resolved, voters might want to moderate the government in midterm elections further by shifting even more legislative power to the opposition party. This results in the well-documented midterm losses of the party holding the executive. Folke and Snyder (2010) analyze gubernatorial midterm slump and show that in midterm elections the party of the governor experiences an average seat share loss of about 3.5 percent.

Such dynamics might also be observable in our set-up. The results presented in Table 3 show that *midterm* congresses have a roughly 3 to 4 percent higher probability of divided government. Even though the estimated coefficients do not always reach conventional levels of statistical significance, the estimated effect remains stable across specifications. I also investigate whether there is a specific midterm effect for lame-duck governors and estimate an interaction effect of *lame duck* and the *midterm* indicator variable. I do not find any significant effects for

[8] I also investigate whether controlling for the intensity of electoral competition has an influence on my main results. The measure on state electoral competition stems from Besley, Persson and Sturm (2010). All results remain robust.

the interaction term.[9] The lame-duck coefficient itself, however, remains robust to this change in the model specification.

Subsamples: Limiting the sample to years immediately following elections and states with term limit legislation

In the next step of the analysis, I concentrate on specific subsamples. First, I estimate the previous specifications but exclude all the years not directly following an election (the first year of the newly elected congresses) and only focus on the years after either general or midterm elections. This approach reduces the sample by approximately half (Table 4, columns 1–3). Second, I repeat the basic exercise, but I focus only on the subsample of states with term limit legislation (Table 4, columns 4–6). For the sake of brevity, all of the following tables contain only the results from the linear probability models.

One concern is that the full sample of years between 1975 and 2000 could yield biased estimates, because all years of every congress – i.e., also years not immediately following general of midterm elections – are included in the sample. The reason for the inclusion of all years in the baseline specification is primarily to maintain the panel balanced, because the states follow varying electoral rhythms. The estimates in columns 1 to 3 of Table 4 include only the first year of every congress and replicate the specifications of Table 3. The estimated effect of the *lame-duck* variable is a 9.9 to 12 percent higher probability of divided government. The coefficient is similar in size and significance to the baseline estimates. The results of all further controls are qualitatively identical to the results in Table 3.

Next, I estimate the baseline specifications but focus only on the subset of states in which term limit legislation is enacted. A potential concern is that term limit states are, in some unobserved respects, different from non-term limit states and that this difference, for some reason, is not controlled for by the two term limit variables, *term limit* and *one-term limit*. Columns 4 to 6 of Table 4 report the regressions on the subsample of states with term limit legislation and omit any observations in which lame ducks cannot occur. I consistently find positive and significant effects of the *lame-duck* variable, which indicate an 11 to 15 percent higher probability of divided government control when a governor is a lame duck. The magnitude of the effect is slightly higher and still comparable in size to the estimates that include the full sample of states.

[9] Since lame ducks are incumbent officeholders at the time of the relevant general election and the size of the well-documented incumbency advantage is with about 8 to 10 percent relatively high (e.g., Ansolabehere and Snyder 2002, 2004), voters do not typically face a high degree of uncertainty about the future officeholder. Therefore, these results are not entirely surprising.

[Table 4 about here]

4.2. Selection of governors

A major concern could be that lame-duck governors are of a particular selection of incumbents. In that case it might not be the fact that the governor is a lame duck and that voters anticipate a moral hazard problem but some characteristic not particularly related to lame-duck governors that drives the results.

Consecutive terms and governor experience

So far, I have mainly suggested the moral hazard part due to the missing accountability of a term-limited executive without re-election incentives. However, lame-duck governors are typically re-elected and hence, preselected and more experienced executives. On average, lame ducks may be of higher quality than newly elected governors. This concern relates to Alt, Bueno de Mesquita and Rose (2011), who argue that lame ducks are more competent governors, because they have been re-elected and elections weed out incompetent incumbents. To identify the influence of the missing accountability (moral hazard), I control for selection and competence effects in the following empirical exercise. Alternatively, voters might become weary of long-term governors and hence might want to restrict governors' influence over public policy. I first control for the number of terms in office (*# governor terms*) and then, more specifically, I compare lame ducks with re-elected and experienced governors in states without term limits. Therefore, I control for incumbents in consecutive terms in states without term limit legislation (*no limit term > 1*). This should be instructive of whether the previously found lame-duck effect is specific to general experience or governors in their lame-duck term.

For the sake of brevity, I present only the fixed-effects regressions. Regressions not including state and year effects produce similar results. Columns 1 and 2 of Table 5 include the number of governor terms (*# governor terms*). Columns 3 and 4 contain the regressions controlling for governors who are not term limited and are not serving their first term (*no limit term > 1*). This approach should clarify the concern that any effect may be merely a result of a selection or competence effect reflecting political experience or office tenure. The estimated coefficient of the *lame-duck* variable is always statistically significant and almost identical in size to the baseline in Table 3. Both the coefficient of the number of office terms (*# governor terms*) and the variable capturing the competence effect of a non-term-limited office holder (*no limit term >1*) are not statistically different from zero.

[Table 5 about here]

Last-period effects

Last-round effects are not restricted to term-limited governors. Any governor who decides not to seek re-election or anticipates electoral defeat faces an expected last term. Therefore, moral hazard could also be an issue for governors without term limit legislation. Depending on the situation voters might be more or less able to predict accurately the last period of non-term-limited governors. This influences their ability to divide government control as a reaction to the missing re-election incentives. In a first step, I control for potential last-round effects by including a general indicator variable for all the governors who were succeeded by a different office holder. This includes lame-duck governors as well as governors suffering electoral defeat and governors who did not seek re-election. In a second step, I distinguish between anticipated last-round effects of lame ducks and potentially unanticipated last-round effects of non-term-limited governors. In a third step, I restrict the attention to last-period effects of governors who clearly lost the upcoming re-election (defeat by a vote margin > 5%). The idea is that voters might be able to anticipate last-round effects of governors with low re-election probabilities. If this is true, voters might divide government control as a precaution for a potential last term or at least divide government control after midterm elections when the uncertainty over the electoral chances of the incumbent governor further decreases.[10]

[Table 6 about here]

Columns 1 and 2 of Table 6 present the regression results including the indicator of general last-office terms (*last term*) in case an incumbent is succeeded by a different governor. Columns 3 and 4 include a specific variable capturing last rounds of non-term-limited governors (*last term no limit*) and columns 5 and 6 control for the potentially anticipated last-round effects of governors who clearly lost subsequent re-election by more than a 5 percent vote margin (*last margin > 5*). The estimated coefficients of all the last-round measures are not statistically significant. As can be seen from Table 6, all the previous estimates of the influence of *lame ducks* on divided government remain robust. The coefficient is always statistically significant and it varies between 0.088 and 0.175. Because the re-election prospects can change over time in office, unsuccessful governors (and the respective voters) might anticipate electoral defeat only in the course of time in office. In this case, last-round effects become more relevant in the last years in office. Therefore, shortening the time horizon to the next gubernatorial election might

[10] In the period under consideration, 47 governors in term limit states did not make it to the lame-duck term, either because they were not re-elected or because they decided not to run for re-election. One might worry that this selection somehow drives the results. Therefore, I also construct an indicator variable for governors who did not make it to the lame-duck term. Including this variable in the regression framework does not yield any significant results and all the previous estimates remain robust.

provide additional insights. When focusing on midterm congresses of governors who subsequently (within 2 years) lost their re-election bid with a margin larger than 5 percent, I find similar results (not reported). The estimated interaction effect of *midterm* and *last margin > 5* (coeff.: 0.112, std err.: 0.079) does not reach standard levels of statistical significance but it is similar in size to the estimated lame-duck coefficient (coeff.: 0.104, std err.: 0.050).

4.3. Closely elected governors

In the previous section I explicitly addressed channels of governor selection by focusing on governor experience and last-round effects. Even though I eliminated various sources of potential bias there might still be a concern that some unobserved governor characteristics might bias the results. In the spirit of e.g., Lee, Moretti and Butler (2004) and, more closely related Folke and Snyder (2010), I condition on governors who were elected in close electoral races with vote margins equal to or smaller than 3 or 2 percent. The fundamental idea is that closely elected governors are essentially randomly assigned to hold office (Folke and Snyder 2010), which reduces the potential bias due to unobserved heterogeneity. Such a design focuses on a subsample of officeholders to make statistical inference. To the same degree as the advantages of randomization are acknowledged, one has to be careful in the selection of the subsample. In the present case, it would be highly problematic to condition on close races in which an incumbent is running for re-election. Typically, incumbents benefit from a sizable incumbency advantage.[11] Taking a subsample of close incumbent races would focus on incumbent governors who actually forfeited an incumbency advantage of around 8 percentage points. A design using such a heavily selected sample of (incompetent) governors is likely to produce seriously biased estimates.

Therefore, I focus on close elections for the *initial* appointment, i.e., the election to the first term in office. This should yield a "quasi-experimental" set-up since the initial appointment is close to a random assignment. Hence, I estimate the influence of lame ducks on divided government by restricting the sample to governors who were elected to their first office term with a vote margin ≤ 3 or 2 percentage points. Note, however, that this reduces the sample size considerably.

[Table 7 about here]

Table 7 presents the regression results of a subsample of governors who were elected to their initial term in office in close races. Columns 1 and 2 restrict the sample to governors initially elected with a vote margin equal to or smaller than 3 percentage points (vote margin $\leq$

[11] Ansolabehere and Snyder (2002, 2004) estimate the gubernatorial incumbency advantage to be around 8 to 10 percent.

3%) and columns 3 and 4 further restrict it to margins equal to or smaller than 2 percentage points (vote margin ≤ 2%). Overall, the estimated coefficients are more sensitive to changes in the model specification but similar in size to the previous estimates. However, they often do not achieve standard levels of statistical significance. Further restricting the sample to even closer races of margins ≤ 1 percentage point leads to a sample size of only 19 relevant governors and the estimates are (unsurprisingly) highly insignificant. In contrast, when increasing the vote margin to 4 and 5 percentage points the estimates are typically statistically significant and they are qualitatively equivalent to the ones reported. However, it seems unlikely that a vote margin of 5 percent is "as good as random" (see also Folke and Snyder 2010: 7).

4.4. Extensions of the baseline model

As a first extension, I address the concern that the vote margin might not sufficiently capture gubernatorial popularity and I introduce job approval ratings (*JAR*) of state governors. Second, I examine political factors such as the party affiliation of the governor (*Democratic governor*) and measures of *political preferences* and *political heterogeneity*, which might have a direct influence on the cost and occurrence of divided government (Table 8). Finally, I include additional economic and demographic covariates (Table 9).

Controlling for gubernatorial job approval ratings (JAR)

Because the vote margin is only a relative measure of popularity, a concern may be that this variable does not fully capture gubernatorial popularity and thus may result in omitted variable bias. Therefore, I include a direct measure of gubernatorial popularity in the regressions. There is no single job approval rating that regularly covers all of the states over the relevant time period. However, Niemi, Beyle and Sigelman (2001) collect a data set that includes a great number of job approval ratings (*JAR*) across states. To my knowledge, this is the most comprehensive data set pertaining to gubernatorial job approval ratings at the state level. These authors construct two normalized indicators that capture the content of a multitude of different job approval ratings, which are typically scaled along similar but not equivalent scales. They collapse the responses into percent positive (*positive JAR*) and percent negative (*negative JAR*) categories. For example, when people are asked how they evaluate a governor's general job performance, they may have the options of "excellent," "good," "fair" and "poor." In this case, the first and last two categories are grouped together. The measure in this study relies on standard job performance questions and includes job approval ratings that target citizens or voters generally. I do not include ratings that target specific subgroups, such as Republicans or

Democrats, exclusively.[12] This measure of gubernatorial job approval is available for all the years in the sample but not necessarily for all the states in all the years. Moreover, not all the measures are based on the same number of ratings per state and year. Some states have as many as 35 ratings in one year, whereas other states have no ratings or only a smaller number of ratings. In the subsequent empirical analysis, I use the mean of all the job approval ratings per state and year.

Because the job approval measures are not available for every year in all of the states, the sample size is reduced to 635 observations and to 325 if I consider only election years (not reported). The results in columns 1 and 2 of Table 8 show that the inclusion of the measure of positive gubernatorial job approval (*positive JAR*) does not affect the main result. This result is also obtained when *negative JAR* is included individually or when both measures, *positive JAR* and *negative JAR*, are included jointly (not reported). If anything, the inclusion of *JAR* in the regression framework increases the size of the estimated coefficient, which is also true for the subsample of years immediately following election years (not reported). Because job approval ratings contain information that directly pertains to gubernatorial popularity, it is reassuring that these ratings are strongly correlated with the vote margins of gubernatorial elections. Due to the reduced sample size and the missing explanatory power of gubernatorial job approval ratings, I do not include this variable as a standard covariate in the baseline regression framework of Table 3.

[Table 8 about here]

Political preferences and party affiliation

As has been argued previously, the decision of voters to moderate policy by means of divided government depends on the relative cost of potential policy gridlock versus the cost of a lame duck wielding executive powers. Voters have to weigh these costs to make electoral decisions. The cost of divided government is likely to depend on the distance between the policy preferences of the leading parties. If the party positions are very polarized, moderate voters may feel a greater need for moderation by dividing government control. Alternatively, the cost of divided government may increase because it becomes more difficult for the different parties in government to compromise and agree on policy. This difficulty may result in a higher probability of gridlock. Hence, the cost of policy moderation by means of divided government is likely to be

[12] I use the "Question type": 01 and the "Type of sample": 1–4, 10–11, 13, 16–17 and 20 from the data set by Niemi, Beyle and Siegelman (2001). The question category and sample type follow the coding used by Niemi, Beyle and Sigelman (2010).

related to political preference heterogeneity and party polarization.[13] Political heterogeneity could influence the main result if, for example, the less heterogeneous states re-elect term-limited executives more often in their lame-duck terms and simultaneously have a higher probability of divided government due to the lower cost of policy gridlock.

When constructing measures of political preferences and heterogeneity, one faces the problem that there is no standard measure of preferences at the state level. As an approximation, I use the first dimension of the DW-Nominate scores proposed by McCarty, Poole and Rosenthal (2006). These scores measure the liberal–conservative attitudes from all of the roll-call votes of the state delegates in Federal Congress. This approach has been applied by numerous authors, such as Hanssen (2004), Alt, Lassen and Rose (2006) and Garand (2010). Typically, measures of political polarization represent the absolute difference between the scores of Democratic and the scores of Republican delegates. When calculating such a measure at the state level, one has to take into account that some states do not have delegates from both parties in one or both chambers of Congress. This problem causes the appropriate calculation of a polarization measure according to the mean (median) distance of party representatives to be impossible without further assumptions. Moreover, it seems that greater political preference heterogeneity, whether within a party or across parties, would generally lead to a more difficult decision-making process (e.g., Jones 2001 or Saeki 2009). Therefore, I use the mean and standard deviation of the DW-Nominate score as measures of *political preferences* and *political heterogeneity*, respectively.[14] I do not have an *ex ante* hypothesis about the direction of the estimated effect of the political preference measure because I have no theory regarding the influence of political ideology (liberal or conservative) on divided government control. The hypothesis pertaining to the effect of political heterogeneity is ambiguous. Greater political heterogeneity and polarization could lead to a higher probability of divided government because more voters may feel the need for moderation. However, the potential for policy gridlock as a result of divided government depends on the heterogeneity of policy preferences and political polarization. More heterogeneous and polarized political preferences are associated with greater potential for policy gridlock and thus greater costs of divided government control. I do not have an a priori expectation regarding the direction of the *net* effect.

In columns 3 and 4 of Table 8, I add the measures of *political preferences* and *political*

[13] For more information regarding party polarization in the US, see Poole and Rosenthal (1991, 1997), McCarty, Poole and Rosenthal (2006) and Garand (2010).

[14] I construct equivalent measures using adjusted ADA scores (Anderson and Habel 2009), which measure the liberal–conservative attitudes of the members of Federal Congress according to selected roll-call votes by interest groups (Groseclose, Levitt and Snyder 1999). The results are entirely robust to the use of ADA scores rather than the more encompassing DW-Nominate scores that include all roll-call votes.

heterogeneity. Again, the inclusion of these two variables does not affect the main result. Although I do not find a significant effect for the measure of political preferences, which is the mean of the DW-Nominate score obtained by McCarty, Poole and Rosenthal (2006), I find that political heterogeneity, as measured by the standard deviation of the same variable, has a positive and significant effect on divided government. This positive net effect could indicate that the policy moderation motive of voters is stronger than the negative effects of the expected cost of divided government as a result of the increased potential for policy gridlock.

I continue the empirical exercise by controlling for the governor's party affiliation (*democratic governor*). I do not have an a priori hypothesis pertaining to the effect of this control variable, but I want to ensure that the variable of interest does not capture some unobserved party effect. Columns 5 and 6 of Table 8 control for the party affiliation of a governor and include a dummy variable that takes the value of 1 if there is a *democratic governor*. The gubernatorial party affiliation directly influences the probability of divided government, whereas the estimates of the effect of lame-duck governors are unaffected and remain robust. Democratic governors face a 29 percent lower probability of encountering an opposing majority in the legislature. This effect is likely to be an artifact of the partisan history of the US. The dominant role of the Democratic Party in southern states from the 1900s to the 1960s was eroded by the civil rights movement (e.g., Besley, Persson and Sturm 2010). However, it took some time for the Republicans to establish their contemporary party strength in the states. The negative effect of the party affiliation variable is likely to mirror this strengthening of the Republicans, who, over time, began capturing more and more seats in state legislatives.[15]

Demographic and economic factors

Finally, I add potentially important sets of covariates to the baseline specifications. I include demographic and economic covariates consisting of the population *density*, the fraction of the *Afro-American* population, the fraction of the population holding a *high-school* diploma, and *income* and *unemployment growth*. The population, demographic and education measures reflect different dimensions of heterogeneity in the population that may translate into different electoral behavior. The economic variables and their growth rates may affect voter behavior in the ballot if they consider the current economic situation and the economic development during the previous period when making electoral decisions.

[Table 9 about here]

[15] I would like to thank Jim Alt for alerting me to this fact.

The models in columns 1 and 2 of Table 9 contain estimates that control for further sources of political heterogeneity, such as population *density*, the fraction of the *Afro-American* population[16] and the fraction of the population holding a *high-school* diploma. Columns 3 and 4 include the growth rates of the main economic variables: the real per capita *income growth* rate and the *unemployment growth* rate. Only *income growth* is significantly correlated with the dependent variable. All the other covariates show no significant effect on the probability of divided government when I control for within-state clustering of the standard errors. None of the additional covariates affect the main result that lame-duck governors face an approximately 10 to 12 percent higher probability of divided government.

4.5. Alternative dependent variable: The legislative seat share of a governor's party

The underlying mechanism leading to divided government is based on seats in the legislature. For example, if the seat share of a governor's party remains below 50 percent in the legislative chambers, then divided government occurs. If the stated hypothesis is correct and lame ducks face a higher probability of divided government, then the effect should also be observable in legislative seat shares. According to this logic, the party of a lame-duck governor should suffer from seat losses in the legislature. I replicate the previous model specifications of Tables 3 to 9 on the seat shares of the incumbent governor's party in the legislature rather than divided government.[17] Table 10 presents summary results of all previous regressions including state and year fixed effects. The estimated *lame-duck* coefficient is always negative and statistically significant in most specifications. I find consistent evidence that the party of a lame duck is associated with a 3.8 to 5.0 percent loss in seat shares. In the specifications in which the coefficient is not significant, the coefficient is mostly similar in size to the more precisely estimated coefficients. Hence, the expected underlying dynamics in the legislative party seat shares are present in the data and are additional evidence of the consistency of the main estimates.

[Table 10 about here]

5. Conclusions

The ability of voters to make informed and coherent decisions is a precondition for

[16] The estimates of the size of the Afro-American population stem from the SPPQ (2005) database and are not available for the years 1995 and 1996, hence the reduced sample size.

[17] The main hypothesis of this paper is based on a requirement of two opposing veto players to compromise over policy in the two branches of government. This situation is achieved by divided government. Hence, the veto power leading to policy moderation is a discontinuous function of the distribution of seats in the legislature. Therefore, I consider the results using legislative seat shares mainly as additional but not primary evidence.

functioning democracies. Economists typically assume that voters are capable of making informed decisions. In the famous model by Alesina and Rosenthal (1996), moderate voters rationally divide government control to achieve policy moderation. Such moderating voting behavior requires a fair amount of sophistication on the part of voters. In this paper, I go one step further and argue that voters use divided government to mitigate control problems. This again requires a considerable capacity of voters to process information in a rather demanding environment. I focus on an electoral situation in which an incumbent executive is facing a binding term limit. Such lame-duck executives cannot be incentivized by the electoral process because they cannot run for re-election due to term limit legislation. I analyze whether voters consider this impaired accountability of the incumbent executive and use divided government as an alternative electoral instrument to counterbalance the weakened accountability of a lame duck. In a presidential system in which the executive and legislative branches are elected directly, voters can divide government control to moderate policy outcomes. Divided government forces the opposing party majorities in both branches of government to compromise on policy. The hypothesis predicts that lame-duck governors have a higher probability of being confronted with an opposing party majority in the legislature than governors with intact re-election incentives.

I test my hypothesis using US state data from 1975 to 2000. The majority of US state governors are subject to term limit legislation. Furthermore, the US system allows voters to elect the members of both the legislative and the executive branch directly. This system regularly leads to divided government control. These two features of the US system provide an ideal testing ground for my hypothesis. The results document a clear pattern. Consistent with the theoretical arguments, I find that lame-duck governors face an approximately 9 to 15 percent higher probability of divided government. This effect remains robust to various model extensions and specification changes. I extend the empirical model to account for a series of potentially important factors. I restrict the sample to include only the first year of every congress or only the states with term limit legislation. In addition, I control for gubernatorial experience and last-period effects; I condition on close electoral races in order to introduce some degree of randomization; I control for gubernatorial popularity by including opinion polls; for political and institutional factors, such as gubernatorial experience and the party affiliation of the governor; for political preferences and preference heterogeneity; and for further demographic and economic factors. The estimated effect of lame-duck governors remains statistically significant and is robust to the changes in model specifications, whether these changes involve the inclusion of state and year fixed effects, state-specific time trends or the estimation method. I present

linear probability models but I also estimate logistic models, which account for the binary nature of the dependent variable, and I find equivalent results. When focusing on the legislative seat share of a party, which is the underlying mechanism leading to divided government, I find consistent results. The party of a lame-duck governor is associated with an average loss in its legislative seat share of approximately 3.6 to 4.5 percent. Overall, the results are consistent with the interpretation that voters use divided government to control unaccountable executives who do not have re-election incentives. This is (indirect) evidence of the considerable capacity of voters to process complex information.

References

Alesina, Alberto and Howard Rosenthal (1995). *Partisan Politics, Divided Government, and the Economy*. Cambridge University Press, Cambridge, UK

Alesina, Alberto and Howard Rosenthal (1996). A Theory of Divided Government. *Econometrica* 64 (6): 1311–1341

Alt, James E. and Robert C. Lowry (1994). Divided Government, Fiscal Institutions, and Budget Deficits: Evidence from the States. *American Political Science Review* 88 (4): 811–828

Alt, James E., David Dreyer Lassen and Shanna Rose (2006). The Causes of Fiscal Transparency: Evidence from the American States. *IMF Staff Papers*

Alt, James E., Ethan Bueno de Mesquita and Shanna Rose (2011). Disentangling Accountability and Competence in Elections: Evidence from U.S. Term Limits. *Journal of Politics* 73 (1): 171–186

Anderson, Sarah and Philip Habel (2009). Revisiting Adjusted ADA Scores for the U.S. Congress, 1947–2007. *Political Analysis* 17: 83–88

Ansolabehere, Stephen and James M. Snyder, Jr. (2002). The Incumbency Advantage in US Elections: An Analysis of State and Federal Offices, 1942–2000. *Election Law Journal* 1 (3): 315–338

Ansolabehere, Stephen and James M. Snyder, Jr. (2004). Using Term Limits to Estimate Incumbency Advantages When Officeholders Retire Strategically. *Legislative Studies Quarterly* 29 (4): 487–515

Ansolabehere, Stephen, Erik C. Snowberg and James M. Snyder, Jr. (2006). Television and the Incumbency Advantage in U.S. Elections. *Legislative Studies Quarterly* 31 (4): 469–490

Ansolabehere, Stephen, James M. Snyder, Jr. and Charles Stewart, III (2000). Old Voters, New Voters, and the Personal Vote: Using Redistricting to Measure the Incumbency Advantage. *American Journal of Political Science* 44 (1): 17–34

Bertrand, Marianne, Esther Duflo and Sendhil Mullainathan (2004). How Much Should We Trust Differences-in-Differences Estimates? *Quarterly Journal of Economics* 119 (1): 249–275

Besley, Timothy and Anne C. Case (1995). Does Electoral Accountability Affect Economic Policy Choices? Evidence from Gubernatorial Term Limits. *Quarterly Journal of Economics* 110 (3): 769–798

Besley, Timothy and Anne C. Case (2003). Political Institutions and Policy Choices: Evidence from the United States. *Journal of Economic Literature* 41: 7–73

Besley, Timothy, Torsten Persson and Daniel M. Sturm (2010). Political Competition, Policy and Growth: Theory and Evidence from the US. *Review of Economics Studies* 77: 1329–1352

Binder, Sarah A. (1999). The Dynamics of Legislative Gridlock. *American Political Science Review* 93 (3): 519–533

Bowling, Cynthia J. and Margaret R. Ferguson (2001). Divided Government, Interest Representation, and Policy Differences: Competing Explanations of Gridlock in the Fifty States. *Journal of Politics* 63 (1): 182–206

Buchanan, James M. and Roger D. Congleton (1994): The incumbency dilemma and rent extraction by legislators. *Public Choice* 79: 47-60

Carey, John M., Richard G. Niemi and Lynda W. Powell (2000). *Term Limits in the State Legislatures*. University of Michigan Press, Ann Arbor (MI)

Chari, V.V., Larry E. Jones and Ramon Marimon (1997). The Economics of Split-Ticket Voting in Representative Democracies. *American Economic Review* 87 (5): 957–976

Coleman, John J. (1999). Unified Government, Divided Government, and Party Responsiveness. *American Political Science Review* 93 (4): 821–835

Cox, Gary W. and Mathew D. McCubbins (1991). Divided control of fiscal policy. In: Cox, Gary W. and Samuel Kernell (Eds.). *The Politics of Divided Government*. Westview Press, Boulder

Cutler, Lloyd N. (1988). Some reflections about divided government. *Presidential Studies Quarterly* 18: 485–492

Daniel, K. and J. Lott Jr. (1997). Term Limits and Electoral Competitiveness: Evidence from California's State Legislative Races. *Public Choice* 90: 165–184

Dick, Andrew R., and John R. Lott Jr. (1993) Reconciling voters' behavior with legislative term limits. *Journal of Public Economics* 50(1): 1-14

Ferraz, Claudio and Frederico Finan (2011). Electoral Accountability and Corruption: Evidence from the Audits of Local Governments. *American Economic Review* 101 (4): 1274–1311

Fiorina, Morris (1992). *Divided Government*. Macmillan Publishing Company, New York

Folke, Olle and James M. Snyder, Jr. (2011). Gubernatorial Midterm Slumps. Columbia University Working Paper

Friedman, Daniel and Donald Wittman (1995). Why Voters Vote for Incumbents but against Incumbency: A Rational Choice Explanation. *Journal of Public Economics* 57: 67–83

Garand, James C. (2010). Income Inequality, Party Polarization, and Roll-Call Voting in the US Senate. *Journal of Politics* 72 (4): 1109–1128

Garand, James C. and Marci Glaslock Lichtl (2000). Explaining Divided Government in the United States: Testing an Intentional Model of Split-Ticket Voting. *British Journal of Political Science* 30 (1): 173–191

Gelman, Andrew and Gary King (1990). Estimating Incumbency Advantage without Bias. *American Journal of Political Science* 34 (4): 1142–1164

Greene, William H. (2002). The Bias of the Fixed Effects Estimator in Nonlinear Models. Unpublished Manuscript, Stern School of Business, NYU

Greene, William H. (2008). *Econometric Analysis*. Pearson, New Jersey

Groseclose, Timothy, Steven D. Levitt and James M. Snyder, Jr. (1999). Comparing Interest Group Scores Across Time and Chambers: Adjusted ADA Score for the U.S. Congress. *American Political Science Review* 93: 33–50

Hanssen, F. Andrew (2004). Is There a Politically Optimal Degree of Judicial Independence? *American Economic Review* 94: 712–729

Hirano, Shigeo and James M. Snyder, Jr. (2009). Using Multi-Member-District Elections to Estimate the Sources of the Incumbency Advantage. *American Journal of Political Science* 53 (2): 292–306

Hodler, Roland, Simon Loertscher and Dominic Rohner (2010). Inefficient Policies and Incumbency Advantage. *Journal of Public Economics* 94: 761–767

Howell, William, Scott Adler, Charles Cameron and Charles Riemann (2000). Divided Government and the Legislative Productivity of Congress, 1945–94. *Legislative Studies Quarterly* 25 (2): 285–312

Johnson, Joseph M. and W. Mark Crain (2004). Effects of Term Limits on Fiscal Performance: Evidence from Democratic Nations. *Public Choice* 119: 73–90

Jones, David R. (2001). Party Polarization and Legislative Gridlock. *Political Research Quarterly* 54 (1): 125–141

King, Gary and Andrew Gelman (1991). Systemic Consequences of Incumbency Advantage in U.S. House Elections. *American Journal of Political Science* 35 (1): 110–138

Krehbiel, Keith (1996). Institutional and Partisan Sources of Gridlock: A Theory of Divided and Unified Government. *Journal of Theoretical Politics* 8 (1): 7–40

Lancaster, Tony (2000). The Incidental Parameters Problem Since 1948. *Journal of Econometrics* 95: 391–414

Lee, David S., Enrico Moretti and Matthew J. Butler (2004). Do Voters Affect or Elect Policies: Evidence from the U.S. House. *Quarterly Journal of Economics* 119 (3): 807–859

Levitt, Steven D. and Catherine D. Wolfram (1997). Decomposing the Sources of Incumbency Advantage in the U.S. House. *Legislative Studies Quarterly* 22 (1): 45–60

List, John A. and Daniel M. Sturm (2006). How Elections Matter: Theory and Evidence from Environmental Policy. *Quarterly Journal of Economics* 121 (4): 1249–1281

Mayhew, David R. (1991). *Divided We Govern*. Yale University Press, New Haven

McCarty, Nolan, Keith T. Poole and Howard Rosenthal (2006). *Polarized America: The Dance of Ideology and Unequal Riches*. MIT Press, Cambridge, USA McCubbins, Mathew D. (1991). Government on Lay-Away: Federal Spending and Deficits under Divided Party Control. In: Cox, Gary W. and Samuel Kernell (Eds.). *The Politics of Divided Government*. Westview Press, Boulder

Neyman, Jerzy and Elisabeth Scott (1948). Consistent Estimates Based on Partially Consistent Observations. *Econometrica* 16: 1–32

Niemi, Richard, Thad Beyle and Lee Sigelman (2001). U.S. Officials' Job Approval Ratings: A Cooperative Project of the University of Rochester, University of North Carolina at Chapel Hill, & George Washington University. http://www.unc.edu/~beyle/jars.html

Niemi, Richard, Thad Beyle and Lee Sigelman (2010). Codebook: U.S. Officials' Job Approval Ratings: A Cooperative Project of the University of Rochester, University of North Carolina at Chapel Hill, & George Washington University. http://www.unc.edu/~beyle/jars.html

Poole, Keith T. and Howard Rosenthal (1991). Patterns of Congressional Voting. *American Journal of Political Science* 35 (1): 228–278

Poole, Keith T. and Howard Rosenthal (1997). *Congress: A Political-Economic History of Roll Call Voting*. Oxford University Press, New York

Poterba, James M. (1994). State Responses to Fiscal Crisis: The Effects of Budgetary Institutions and Politics. *Journal of Political Economy* 102 (4): 799–821

Prior, Markus (2006). The Incumbent in the Living Room: The Rise of Television and the Incumbency Advantage in U.S. House Elections. *Journal of Politics* 68 (3): 657–673

Rogers, James R. (2005). The Impact of Divided Government on Legislative Production. *Public Choice* 123: 217–233

Saeki, Manabu (2009). Gridlock in the Government of the United States: Influence of Divided Government and Veto Players. *British Journal of Political Science* 39: 587–607

SPPQ (2005). State Politics & Policy Quarterly. The Practical Researcher. Data Resource. http://academic.udayton.edu/sppq-TPR/index.htm

Sundquist, James L. (1988). Needed: A Political Theory for the New Era of Coalition Government in the United States. *Political Science Quarterly* 103: 614–624

Wooldridge, Jeffrey M. (2002). *Econometric Analysis of Cross Section and Panel Data*. MIT Press, Cambridge, USA

Appendix A

Table A1: Summary statistics (1975–2000)

Variable	Mean	Std dev.	Min.	Max.
Divided government	0.50	0.50	0	1
Lame duck	0.26	0.44	0	1
Term limit	0.62	0.49	0	1
Vote margin	8.67	7.58	0	50
One-term limit	0.06	0.25	0	1
Short term	0.07	0.25	0	1
General election	0.28	0.45	0	1
Midterm election	0.21	0.41	0	1
Real per capita income	13,430.59	2,517.99	7,811.56	24,137.61
Unemployment	6.21	2.15	2.20	18
State population	5.08e+06	5.32e+06	380,477	3.40e+07
Aged (65+) (%)	12.09	1.92	7.46	18.77
Young (5–17) (%)	19.99	2.28	7.07	26.87
# governor terms	1.5	0.72	1	5
No limit term > 1	0.18	0.38	0	1
Positive JAR (%)	52.37	13.87	13.00	82.50
Negative JAR (%)	40.07	14.93	6.00	84.00
Democratic governor	0.56	0.50	0	1
Political preferences	-0.01	0.21	-0.49	0.6
Political heterogeneity	0.29	0.11	0.02	0.56
Population density	162.44	228.03	0.65	1,118.73
Afro-Americans (%)	9.51	9.28	0.16	36.88
High-school diploma (%)	76.64	5.80	64.3	91.8
Income growth (%)	1.68	2.66	-15.72	18.21
Unemployment growth (%)	0.47	20.14	-45.05	116.07

Table A2: Variable descriptions

Variable	Description
Divided government	Divided government control: 1 (divided branch or divided legislature), unified government control: 0. Source: Alt, Lassen and Rose (2006)
Lame duck	Governor is a lame duck: 1, 0 otherwise. Source: List and Sturm (2006)
Term limit	State with gubernatorial term limit: 1, 0 otherwise. For details see Table 1. Source: List and Sturm (2006)
Vote margin	Vote margin measured as the percentage share of governor in vote of top two candidates - 50. Source: List and Sturm (2006)
One-term limit	States limiting governors to one term in office: 1, 0 otherwise. Source: List and Sturm (2006)
Short term (2 yrs)	States with 2-year governor terms: 1, 0 otherwise (4-year terms). Source: List and Sturm (2006)
R.p.c. income	Real per capita personal income in 1982–1984 dollars. Source: List and Sturm (2006)
Unemployment	Unemployment rate (%). Source: SPPQ (2005)
State population	Yearly state population. Source: List and Sturm (2006)
Aged (65+) (%)	Percent share of population over 65 years of age. Source: List and Sturm (2006)
Young (5–17) (%)	Percent share of population between 5 and 17 years of age. Source: List and Sturm (2006)
General election	General election year (executive and legislative): 1, 0 otherwise. Source. List and Sturm (2006)
Midterm election	Midterm election year: 1, 0 otherwise. Source: National Conference of State Legislators (NCSL)
Midterm congress	Midterm congress: 1, 0 otherwise. Source: National Conference of State Legislators (NCSL)
# governor terms	Number of gubernatorial office terms. Source: Alt, Lassen and Rose (2006)
No limit term >1	Governor does not face a binding term limit and is not serving his first term: 1, 0 otherwise. Source: own calculation
Positive JAR (%)	Percent positive job approval ratings (JAR). Source: own calculation based on Niemi, Beyle and Siegelman (2001, 2010)
Negative JAR (%)	Percent negative job approval ratings (JAR). Source: own calculation based on Niemi, Beyle and Siegelman (2001, 2010)
Democratic governor	Governor is a democrat: 1, 0 otherwise. Source: Besley, Persson and Sturm (2010)
Political preferences	Measure of political preferences on a liberal–conservative scale from roll-call votes of members of the 94th to 106th US Congress. State *mean* of the first dimension of DW-Nominate score of state representatives (House and Senate) in Federal Congress. Negative values for Democrats, positive values for Republicans. Source: own calculation based on McCarty, Poole and Rosenthal (2006)
Political heterogeneity	Measure of political preferences on a liberal–conservative scale from roll-call votes of members of the 94th to 106th US Congress. State *standard deviation* of the first dimension of DW-Nominate scores for state representatives (House and Senate) in the Federal Congress. Source: own calculation based on McCarty, Poole and Rosenthal (2006)
Population density	Population density: number of people per sq. mile. Source: Alt, Lassen and Rose (2006)
Afro-Americans (%)	Percent of Afro-American state population. Estimates based on *Current Population Reports/Statistical Abstract of the United States*. Not available for 1995/1996. Source: SPPQ (2005)
High-school diploma (%)	Percent of population holding a high-school diploma. Source: SPPQ (2005)
Income growth (%)	Percent income growth. Source: own calculation
Unemployment growth (%)	Percent unemployment growth. Source: own calculation

Table 1: Governor term limits in the US states

Term limits for governors by state (1975–2000)
States with no term limits: CT, ID[a], IL, IA, MA[b], MN, NH, NY, ND, TX, VT, WA[c], WI
States limiting governors to one term in office: VA
States limiting governors to two terms in office AL, DE, FL, LA, MD, ME, MO, NE, NJ, NV, OH, OK, OR, PA, SD, WV
State law changed from no term limit to a three-term limit: AZ (1992), AR (1992), CA (1990), CO (1990), MI (1992), MT (1992), RI (1994), WY (1992)
State law changed from a one-term limit to a two-term limit: GA (1976), KY (1992), NM (1991), MS (1986), NC (1977), SC (1980), TN (1978)

Notes: The year in brackets is the year in which the term limit legislation changed.

a. A two-term limit was passed in 1994 but repealed in 2002 by the Idaho State Legislature.
b. Term limits were enacted in 1994 but were declared unconstitutional by the Massachusetts Supreme Court in 1997.
c. Enacted a two-term limit in 1992, which was declared unconstitutional by the Washington Supreme Court in 1998.

Source: List and Sturm (2006)

Table 2: Divided government, term limits, lame ducks and electoral margin (1975–2000)

Year	Divided Government		Term Limit		Lame Duck		Vote Margin	
	Mean	Std dev.	Mean	Std dev.	Mean	Std dev.	Mean	Std dev.
1975	0.38	0.49	0.54	0.50	0.29	0.46	9.09	8.87
1976	0.38	0.49	0.54	0.50	0.33	0.48	9.58	10.32
1977	0.38	0.49	0.54	0.50	0.31	0.47	9.81	10.25
1978	0.38	0.49	0.54	0.50	0.31	0.47	9.92	10.33
1979	0.46	0.50	0.54	0.50	0.19	0.39	8.80	8.82
1980	0.48	0.50	0.54	0.50	0.17	0.38	7.85	6.45
1981	0.50	0.51	0.54	0.50	0.23	0.42	7.80	6.67
1982	0.50	0.51	0.54	0.50	0.21	0.41	7.59	6.79
1983	0.42	0.50	0.54	0.50	0.38	0.49	8.07	6.30
1984	0.40	0.49	0.54	0.50	0.38	0.49	8.09	6.26
1985	0.52	0.50	0.54	0.50	0.31	0.47	7.92	6.00
1986	0.52	0.50	0.54	0.50	0.33	0.48	8.38	6.13
1987	0.58	0.50	0.54	0.50	0.19	0.39	8.03	7.32
1988	0.58	0.50	0.54	0.50	0.17	0.38	8.23	7.46
1989	0.60	0.49	0.54	0.50	0.19	0.39	8.16	7.09
1990	0.58	0.50	0.58	0.50	0.17	0.38	7.87	6.96
1991	0.52	0.50	0.58	0.50	0.25	0.44	8.37	6.85
1992	0.58	0.50	0.71	0.46	0.23	0.42	8.50	6.84
1993	0.52	0.50	0.71	0.46	0.17	0.38	8.71	6.89
1994	0.52	0.50	0.79	0.41	0.17	0.38	8.64	6.86
1995	0.50	0.51	0.79	0.41	0.21	0.41	8.80	7.27
1996	0.50	0.51	0.79	0.41	0.23	0.42	8.65	7.27
1997	0.58	0.50	0.79	0.41	0.27	0.45	9.12	7.99
1998	0.58	0.50	0.77	0.42	0.29	0.46	8.91	7.92
1999	0.52	0.50	0.75	0.44	0.40	0.49	10.10	7.74
2000	0.50	0.51	0.75	0.44	0.42	0.50	10.55	8.01
Total	0.50	0.50	0.62	0.49	0.26	0.44	8.67	7.58

Table 3: Main results

Dependent Variable: Divided Government

	RE OLS	FE OLS	FE OLS	RE LOGIT	FE CLOGIT	FE CLOGIT
	(1)	(2)	(3)	(4)	(5)	(6)
Lame duck	0.102**	0.104**	0.120**	0.613***	0.632**	0.766***
	(0.044)	(0.045)	(0.049)	(0.210)	(0.267)	(0.294)
Term limit	-0.230**	-0.322**	-0.300**	-1.368***	-1.847**	-1.819**
	(0.101)	(0.135)	(0.143)	(0.293)	(0.834)	(0.874)
Vote margin	-0.014***	-0.013***	-0.013***	-0.089***	-0.090***	-0.090***
	(0.003)	(0.003)	(0.003)	(0.012)	(0.021)	(0.021)
One-term limit	-0.182*	-0.151	-0.179	-1.259**	-1.180	-1.324*
	(0.101)	(0.132)	(0.134)	(0.497)	(0.719)	(0.730)
Short term	-0.223	-0.366	-0.365	-1.248*	-2.029	-2.063
	(0.143)	(0.276)	(0.285)	(0.643)	(1.495)	(1.571)
Midterm	0.037*	0.039*	0.031	0.192	0.202*	0.160
	(0.022)	(0.022)	(0.026)	(0.148)	(0.121)	(0.137)
R.p.c. income	4.65e-06	-8.68e-06	1.98e-05	4.77e-05	-3.69e-06	1.26e-04
	(1.85e-05)	(2.96e-05)	(4.86e-05)	(6.73e-05)	(1.76e-04)	(2.86e-04)
Unemployment	-0.021*	-0.024	-0.027	-0.113**	-0.122	-0.158
	(0.012)	(0.015)	(0.021)	(0.050)	(0.079)	(0.118)
Population	8.51e-09*	7.01e-08***	7.41e-08***	6.39e-08	3.71e-07***	3.91e-07***
	(5.14e-09)	(2.34e-08)	(2.27e-08)	(4.08e-08)	(1.28e-07)	(1.27e-07)
Aged (65+)	-0.022	0.009	0.013	-0.103	-0.002	-0.035
	(0.021)	(0.042)	(0.058)	(0.098)	(0.230)	(0.330)
Young (5–17)	-0.031*	-0.021	-0.013	-0.163***	-0.125	-0.084
	(0.017)	(0.019)	(0.032)	(0.059)	(0.111)	(0.167)
State FE	no	yes	yes	no	yes	yes
Year FE	no	no	yes	no	no	yes
Observations	1,214	1,214	1,214	1,214	1,086	1,086
(pseudo) R-squared	0.114	0.104	0.117		0.115	0.127
Number of states	48	48	48	48	43	43

Notes: Standard errors are adjusted to within-state clustering and reported in parentheses.
Significance level: * 0.05 < p < 0.1, ** 0.01 < p < 0.05, *** p < 0.01. Source: own calculations

Table 4: Subsamples: Post-election years, states with term limit legislation

Dependent Variable: Divided Government

	Subsample: first year of congress			Subsample: states with term limit legislation		
	RE	FE	FE	RE	FE	FE
	(1)	(2)	(3)	(4)	(5)	(6)
Lame duck	0.111**	0.116**	0.122**	0.105**	0.129**	0.149**
	(0.045)	(0.048)	(0.052)	(0.048)	(0.052)	(0.057)
Term limit	-0.247***	-0.377**	-0.335**			
	(0.094)	(0.153)	(0.163)			
Vote margin	-0.013***	-0.013***	-0.012***	-0.014***	-0.015***	-0.015***
	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)
Standard controls	yes	yes	yes	yes	yes	yes
State FE	no	yes	yes	no	yes	yes
Year FE	no	no	yes	no	no	yes
Observations	597	597	597	754	754	754
R-squared	0.118	0.100	0.119	0.086	0.112	0.135
Number of states	48	48	48	38	38	38

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * $0.05 < p < 0.1$, ** $0.01 < p < 0.05$, *** $p < 0.01$. Source: own calculations

Table 5: Gubernatorial experience

	Dependent Variable: Divided Government			
	(1)	(2)	(3)	(4)
Lame duck	0.119*	0.142**	0.104**	0.118**
	(0.060)	(0.062)	(0.047)	(0.049)
Term limit	-0.328**	-0.308**	-0.323**	-0.311**
	(0.136)	(0.144)	(0.141)	(0.148)
Vote margin	-0.013***	-0.013***	-0.013***	-0.013***
	(0.004)	(0.003)	(0.003)	(0.003)
# governor terms	-0.019	-0.027		
	(0.054)	(0.055)		
No limit term >1			-0.000	-0.020
			(0.055)	(0.055)
Standard controls	yes	yes	yes	yes
State FE	yes	yes	yes	yes
Year FE	no	yes	no	yes
Observations	1,214	1,214	1,214	1,214
R-squared	0.105	0.118	0.104	0.117
Number of states	48	48	48	48

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * $0.05 < p < 0.1$, ** $0.01 < p < 0.05$, *** $p < 0.01$. Source: own calculations

Table 6: Last-round effects

Dependent Variable: Divided Government

	(1)	(2)	(3)	(4)	(5)	(6)
Lame duck	0.136**	0.175***	0.097**	0.111**	0.088*	0.104**
	(0.056)	(0.065)	(0.045)	(0.047)	(0.047)	(0.050)
Term limit	-0.324**	-0.293**	-0.337**	-0.312**	-0.326**	-0.302**
	(0.136)	(0.144)	(0.136)	(0.142)	(0.137)	(0.146)
Vote margin	-0.013***	-0.013***	-0.013***	-0.013***	-0.012***	-0.012***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Last term	-0.057	-0.093				
	(0.053)	(0.061)				
Last term no limit			-0.089	-0.102		
			(0.071)	(0.076)		
Last margin > 5					-0.061	-0.059
					(0.074)	(0.074)
Standard controls	yes	yes	yes	yes	yes	yes
State FE	yes	yes	yes	yes	yes	yes
Year FE	no	yes	no	yes	no	yes
Observations	1,214	1,214	1,166	1,166	1,214	1,214
R-squared	0.107	0.123	0.109	0.122	0.106	0.119
Number of states	48	48	48	48	48	48

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * 0.05 < p < 0.1, ** 0.01 < p < 0.05, *** p < 0.01. Source: own calculations

Table 7: Closely elected governors

Dependent Variable: Divided Government

	Vote margin ≤ 3%		Vote margin ≤ 2%	
	(1)	(2)	(3)	(4)
Lame duck	0.106	0.100	0.176*	0.137*
	(0.128)	(0.105)	(0.101)	(0.070)
Term limit	-0.228	-0.039	-0.116	-0.051
	(0.272)	(0.256)	(0.154)	(0.195)
Vote margin	-0.002	0.002	-0.003	0.001
	(0.007)	(0.006)	(0.006)	(0.004)
Standard controls	yes	yes	yes	yes
State FE	yes	yes	yes	yes
Year FE	no	yes	no	yes
Observations	378	378	298	298
R-squared	0.097	0.202	0.206	0.314
Number of states	42	42	37	37

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * $0.05 < p < 0.1$, ** $0.01 < p < 0.05$, *** $p < 0.01$. Source: own calculations

Table 8: Political factors – Job approval ratings, political heterogeneity, party affiliation

Dependent Variable: Divided Government

	(1)	(2)	(3)	(4)	(5)	(6)
Lame duck	0.104*	0.122**	0.095**	0.107**	0.095*	0.108**
	(0.059)	(0.059)	(0.045)	(0.048)	(0.051)	(0.053)
Term limit	-0.337***	-0.283**	-0.295**	-0.264*	-0.443***	-0.426***
	(0.121)	(0.122)	(0.129)	(0.138)	(0.149)	(0.157)
Vote margin	-0.011**	-0.011**	-0.013***	-0.012***	-0.011***	-0.010***
	(0.004)	(0.004)	(0.003)	(0.003)	(0.003)	(0.003)
Positive JAR	0.004	0.004				
	(0.003)	(0.003)				
Political preferences			-0.052	0.043		
			(0.265)	(0.258)		
Political heterogeneity			0.720**	0.800**		
			(0.305)	(0.313)		
Democratic governor					-0.278**	-0.288***
					(0.106)	(0.104)
Standard controls	yes	yes	yes	yes	yes	yes
State FE	yes	yes	yes	yes	yes	yes
Year FE	no	yes	no	yes	no	yes
Observations	635	635	1,214	1,214	1,198	1,198
R-squared	0.117	0.181	0.115	0.129	0.179	0.192
Number of states	48	48	48	48	48	48

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * $0.05 < p < 0.1$, ** $0.01 < p < 0.05$, *** $p < 0.01$. Source: own calculations

Table 9: Socio-demographic and economic controls

Dependent Variable: Divided Government

	(1)	(2)	(3)	(4)
Lame duck	0.098**	0.115**	0.109**	0.119**
	(0.048)	(0.051)	(0.046)	(0.048)
Term limit	-0.291**	-0.285**	-0.322**	-0.298**
	(0.117)	(0.124)	(0.137)	(0.147)
Vote margin	-0.014***	-0.014***	-0.014***	-0.014***
	(0.003)	(0.003)	(0.003)	(0.003)
Population density	0.001	0.001		
	(0.003)	(0.003)		
Afro-Americans	-0.007	-0.007		
	(0.038)	(0.039)		
High school	-0.008	0.012		
	(0.007)	(0.028)		
Income growth			-0.004	-0.010*
			(0.005)	(0.005)
Unemployment growth			0.001	0.001
			(0.001)	(0.001)
Standard controls	yes	yes	yes	yes
State FE	yes	yes	yes	yes
Year FE	no	yes	no	yes
Observations	1,118	1,118	1,167	1,167
R-squared	0.108	0.118	0.106	0.117
Number of states	48	48	48	48

Notes: Linear probability models estimated by OLS. Standard errors are adjusted to within-state clustering and reported in parentheses. Standard controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * $0.05 < p < 0.1$, ** $0.01 < p < 0.05$, *** $p < 0.01$. Source: own calculations

Table 10: Legislative seat shares - Summary of fixed effects regression results

Dependent Variable: Legislative seat share of governors' party

	Baseline	Subsamples		Governor experience		Last round effects			Closely elected governors		Political factors			Socio-demographic, economic factors	
Table	Table 3	Table 4		Table 5		Table 6			Table 7		Table 8			Table 9	
Column	(3)	(3)	(6)	(2)	(4)	(2)	(4)	(6)	(2)	(4)	(2)	(4)	(6)	(2)	(4)
Lame duck	-0.041*	-0.042*	-0.050**	-0.030	-0.044**	-0.044	-0.039*	-0.043**	-0.011	-0.031	-0.020	-0.038*	-0.040**	-0.044*	-0.039*
	(0.021)	(0.021)	(0.023)	(0.025)	(0.021)	(0.030)	(0.021)	(0.021)	(0.038)	(0.029)	(0.023)	(0.021)	(0.019)	(0.023)	(0.022)
Term limit	0.082	0.082		0.078	0.067	0.082	0.069	0.082	-0.105	-0.028	0.038	0.070	0.144**	0.067	0.081
	(0.065)	(0.074)		(0.064)	(0.064)	(0.064)	(0.062)	(0.064)	(0.083)	(0.044)	(0.045)	(0.062)	(0.066)	(0.056)	(0.066)
Vote margin	0.009***	0.008***	0.010***	0.010***	0.010***	0.009***	0.010***	0.010***	0.002	0.002	0.007***	0.009***	0.008***	0.010***	0.009***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)
Subsample/ Included control		1 year congress	Term limit states	# govern. terms	No limit term >1	Last term	Last term no limit	Last margin>5	Vote margin <3	Vote margin <2	Positive JAR	Pol. pref. Pol. heter.	Dem. govern.	Pop. density Afro-Am. High school	Income growth Unempl. growth
Std. controls	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
State FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Year FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Observations	1,198	589	744	1,198	1,198	1,198	1,152	1,198	362	282	626	1,198	1,198	1,104	1,152
R-squared	0.229	0.217	0.288	0.230	0.231	0.229	0.226	0.229	0.356	0.466	0.310	0.235	0.359	0.243	0.228
No. of states	48	48	38	48	48	48	48	48	41	35	48	48	48	48	48

Notes: Linear regressions including state and year fixed effects. Standard errors are adjusted to within-state clustering and reported in parentheses. Std. controls: Short term, One-term limit, Midterm congress, R.p.c. income, Unemployment, Population, Aged (65+), Young (5–17). Significance level: * 0.05 < p < 0.1, ** 0.01 < p < 0.05, *** p < 0.01. Source: own calculations