Decomposing the Sources of Electoral Support for LDP Representatives

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Abstract

In this paper we use a research design that exploits unique features of Japanese elections to estimate and decompose the incumbency advantage in Japan’s Lower House elections. Like some existing related studies we also use repeated observations on the same candidates to account for unobserved factors that remain constant across observations. We find evidence that much of incumbent LDP representatives’ electoral advantage is due to their being higher quality than the average open seat candidate. We find no evidence that LDP representatives receive a direct office holder benefit. In fact, LDP candidates who lose one election and rerun in the subsequent election are found to receive an electoral advantage. This rerun benefit does not appear to be driven by the distribution of inter-governmental transfers.
1. Introduction

In many candidate-centered democracies, incumbent representatives are perceived to have an electoral advantage (e.g. Somit et. al. 1994). The incumbency advantage is a concern when it serves as a barrier to entry for high quality challengers, which not only limits the high quality choices offered to voters but also may reduce the accountability of incumbents. However, when elections select the highest quality representatives, the incumbency advantage can be an indication of a well-functioning democracy (see Zaller, 1993; Ashworth, 2005; Ashworth and Bueno de Mesquita, 2007).\(^1\) How we view the incumbency advantage is in large part dependent upon why we believe this advantage exists.

Japanese incumbents are commonly believed to have an electoral advantage (e.g. Hayama, 1992; Reed, 1994). What is less well known is why this pattern exists in Japan. In this paper I focus on the office holding benefit and candidate quality explanations for the success of LDP candidates in Lower House elections between 1960 to the 2005. Numerous scholars have identified particular advantages LDP incumbents should have over challengers. During the period of this study, the re-election rate for LDP incumbents is higher than for non-LDP incumbents – 86% as compared to 76%.

Descriptions of LDP representatives’ electioneering activities suggests that at least part of any incumbency advantage is probably linked to direct office holding benefits. Office holders are given access to committees that provide them influence over policy and a way to differentiate themselves from co-partisans (McCubbins and Rosenbluth, 1995; Tatebayashi and McKean, 2001). Holding office also allows incumbent representatives to claim credit for providing public expenditures for their constituents (e.g. Fukui and Fukai, 1993; Curtis, 1992). Office holders can also act as important intermediaries between their constituents and the central government (e.g. Bouissou, 1999).\(^2\)

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\(^1\)In the U.S., where the incumbency advantage has been most thoroughly scrutinized, recent estimates suggest that about half of the advantage is attributed to the benefits from holding office while the other half is likely to be due to the high quality of politicians who become incumbents (Ansolabehere, Snyder and Stewart (2001); Hirano and Snyder (2007)).

\(^2\)In the American politics literature many argue that this is the source of the large incumbency advantage in the U.S. (e.g. Cain, Ferejohn and Fiorina, 1987).
Recently Scheiner (2006) argues that the LDP advantage is due to the higher quality of LDP candidates relative to the opposition candidates. Scheiner claims that high quality candidates, in particular from the sub-national legislatures, are attracted to the party’s ability to provide particularistic benefits.\textsuperscript{3} Thus, the continued electoral success of LDP representatives is a natural outcome from a competitive electoral system.

A third possibility is that the LDP provides resources to help LDP incumbents stay in office. Thus, we may not observe an incumbency advantage in terms of vote shares but we may observe parties allocating resources to “marginal” candidates to help keep them safe.\textsuperscript{4} Recently Pekkanen, Krauss and Nyblade (2006) have focused on the LDP’s ability to redistribute government resources, in their case committee assignments, to “zombie” politicians - i.e. politicians who lose their SMD district election but win a PR seat. According to Pekkanen et. al., the particular committee assignments given to “zombie” politicians should provide an electoral benefit in future elections, which is consistent with the logic of protecting “marginal” incumbents.

One contribution of this paper is to decompose the sources of the Japanese incumbency advantage. Estimating the sources of representatives’ electoral support is particularly challenging because we are not able to observe important variables such as candidate quality and district preferences. A number of previous studies have used proxies to measure these components with variables such as previous office holding experience (e.g. Cox and Katz, 1996; Scheiner, 2006) and/or vote shares for other offices.\textsuperscript{5} One concern with this approach is that proxies often include some measurement error which may bias the results.

In the first half of the paper I exploit the multiple candidates from the same party competing within an electoral race under the multi-member district system. I also exploit

\textsuperscript{3}The definition of quality will follow Scheiner (2006, 137), “candidates who are likely to have developed a substantial organized base of support.”

\textsuperscript{4}This is consistent with the idea that the seat-maximizing party may choose to distribute resources to the “marginal” candidates rather than the safe seats (e.g. Lindbeck and Weibull, 1987; Dixit and Londregan, 1998).

\textsuperscript{5}In the U.S. it is common to use the presidential vote as a measure of the normal vote (e.g. Ansolabehere et. al. (2000)). In Japan the proportional representation vote has been used to measure partisan preferences (e.g. Hirano 2006a).
the large number of cases where the same candidates appear in consecutive elections. These features of Japanese electoral politics help us to estimate the direct office holder benefits for LDP representatives under both the pre-1994 multi-member SNTV system and the post-1994 mixed member system. Assuming certain factors such as candidate quality remain constant across elections, we can difference out many of these unobservable factors such as candidate quality and the normal vote. This approach has been used to decompose the sources of the incumbency advantage in the U.S. (Levitt and Wolfram 1997; Ansolabehere et. al. 2000; Ansolabehere and Snyder 2002; Hirano and Snyder 2007).

The evidence in the first half of the paper is consistent with Scheiner (2006). Quality appears to be a large component of incumbency advantage among conservative candidates. Under the multi-member SNTV system the average conservative incumbent is found to be of higher quality than the average open seat conservative challenger.

The results also show that LDP representatives receive no clear electoral benefits from holding office in either the pre- or post-1994 electoral system. To the contrary, there appears to be a benefit from being out of office. Rerun candidates – i.e. candidates who lost the last election but run again – are found to have an advantage in both the pre- and post 1994 electoral systems. There is little evidence that zombie candidates receive a larger electoral advantage over other rerun LDP candidates in the mixed member system.

The electoral benefits from being a former incumbent is a well known phenomenon under the old system. Incumbents who lost an election under the old system would often run again in the subsequent election and win more votes than the previous election, which was referred to as the *jiten bane* (“runner-up” rebound). However, part of the value added in this first half of the paper is separating the *jiten bane* from other factors such as candidate quality and yearly electoral fluctuations. Furthermore we can show that all rerun candidates, and not just that that are former incumbents, appear to receive an electoral advantage.

The second half of the paper focuses on whether the insight from Pekkanen et. al. (2006) may help explain the electoral advantage given to losers. Is part of this advantage due to the ability of these rerun politicians to extract resources from the LDP? The conventional
explanation for the “runner-up” rebound has focused more on the effort of individuals to campaign while out of office (e.g. Reed (1994a, b)). However, there is reason to believe that the LDP may target inter-governmental transfers to the core constituencies of marginal candidates. Hirano (2006) claims that the core constituencies of marginal LDP representatives receive more inter-governmental transfers when the representative is elected. Thus, we might expect something similar for “zombie” politicians.

To test this idea, we can examine how being a “loser” politician affects the distribution of public expenditures. The research design in this second half of the paper uses a regression discontinuity framework to estimate the influence of individual politicians on the distribution of intergovernmental transfers as is done in Hirano (2006). The main innovation is to divide the LDP politicians between the rerun and retiring losers. The results suggest that under the pre-1994 system the core constituencies of loser candidates who were senior members of the LDP did not experience the same drop in intergovernmental transfers as the core constituencies that lost a representative altogether. Under the post-1994 system, there is little statistically significant evidence that “zombie” LDP representatives or any type of LDP representative affects the distribution of these intergovernmental transfers. Thus, the pattern public expenditure distribution does not appear to match the higher vote shares repeat challengers receive.

Throughout this paper we focus on Japan’s Lower House elections. The Japanese politics literature tends to focus the electioneering activities of Lower House representatives. Since the Lower House is considered to be the most powerful legislative chamber with access to the most resources, the direct office holder benefits should be greatest for this office.

2. Office Holding Benefits in a Multi-Member District System

In this section we estimate how much holding office affects conservative candidates electoral support under Japan’s multi-member district single non-transferable vote (SNTV) system. Conventional wisdom is that holding office should bestow substantial benefits to LDP representatives. Incumbent LDP representatives have access to the budgetary process, which
can be used to deliver pork barrel projects, committee assignments, which can be used to
differentiate themselves from co-partisans, and various policy instruments, which can be po-
tentially be influenced to benefit particular interests. Of course there are other non-policy
related benefits from holding office such as increased media coverage.

However, there are numerous reasons why holding office under the old system may yield
relatively few electoral benefits. First, as discussed above, the LDP may favor marginal
candidates who do not hold office. Second, Inoguchi and Iwai (1987) observe that being in
office takes candidates away from campaigning in their district. Third, strategic voters in a
multi-member system with multiple candidates from the same party may have an incentive
to vote for challengers to maximize the number of conservative candidates elected.

The direct office holder benefit is estimated using research design very similar to the one
introduced in Hirano and Snyder (2007). Hirano and Snyder decomposes the sources of the
incumbency advantage into its three components by taking advantage of the multi-member
district structure in U.S. state legislative elections.\(^6\) The Japanese multi-member district
system has the important feature of multiple candidates from the same party repeatedly
competing against each other with varying incumbency status. This feature allows us to
more directly measure the incumbency advantage over an average open seat challenger from
the same party. In addition since we are comparing the relative vote shares of candidates
from the same party we are less concerned about factors which affect both candidates that
change over time – e.g. national partisan swings or shocks to district characteristics.

**Specification**

Let \(i\) index candidates and \(j\) index races. Suppose race \(j\) is in a multi-seat district with
\(n\) seats, and suppose there are \(n - 1\) conservative candidates running in the race. Assume
that the votes received by candidate \(i\) are given by

\[
V_{ij} = \alpha_i + \beta I_{ij} + \theta_j + \epsilon_{ij} \tag{1}
\]

\(^6\)Hirano and Snyder have the advantage of voters casting \(n\) votes for \(n\) seats and only two parties, so
strategic voting is less of an issue for voters choosing between candidates from the same party.
where $\alpha_i$ is $i$’s “quality,” $I_{ij} = 1$ if $i$ is an incumbent and 0 otherwise, and $\theta_j$ is a race-specific term that captures all other factors affecting the vote, including the normal vote in the district, partisan tides, and the quality of the other parties’ candidates. The assumption is that these factors have the same effect for all of the conservative candidates.

Equation (1) can be directly estimated by including candidate- and race- specific fixed effects, together with the incumbency indicator variable. However, the equivalent differences-in-differences approach better illustrates the identifying assumptions. Consider a district with two LDP candidates, $i = 1, 2$. We have

$$V_{1j} = \alpha_1 + \beta I_{1j} + \theta_j + \epsilon_{1j}$$

$$V_{2j} = \alpha_2 + \beta I_{2j} + \theta_j + \epsilon_{2j}$$

Differencing yields

$$\Delta V_j = V_{1j} - V_{2j} = (\alpha_1 - \alpha_2) + \beta(I_{1j} - I_{2j}) + \eta_j$$

where $\eta_j = \epsilon_{1j} - \epsilon_{2j}$. To the extent that $(\alpha_1 - \alpha_2)$ is correlated with $(I_{1j} - I_{2j})$, in a cross-sectional regression the incumbency indicator variable would estimate the combined effects of the office holder benefits and the incumbent quality advantage over open seat conservative candidates.

To isolate the incumbency advantage we can exploit the fact that in multi-member districts the same pair of candidates often face each other more than once. Denote a subsequent meeting between the candidates from race $j$ as race $k$. Then

$$\Delta V_k = V_{1k} - V_{2k} = (\alpha_1 - \alpha_2) + \beta(I_{1k} - I_{2k}) + \eta_k$$

Subtracting equation (4) from equation (5) yields

$$\Delta V_k - \Delta V_j = \beta((I_{1k} - I_{1j}) - (I_{2k} - I_{2j})) + (\eta_k - \eta_j).$$

If candidate 1 is a non-incumbent in race $j$ and an incumbent in race $k$, and candidate 2 was an incumbent in both races, then $(I_{1k} - I_{1j}) - (I_{2k} - I_{2j}) = 1 - 0 = 1$, and $\Delta V_k - \Delta V_j =$
\( \beta + (\eta_k - \eta_j) \). Averaging across a large number of such cases, then, yields an estimate of \( \beta \) that is purged of candidate quality. This is simply a differences-in-differences estimator.

We can also estimate the electoral benefit from being a rerun candidate by including a \( Z_{ij} \) indicator variable that equals 1 if candidate \( i \) in race \( j \) ran in a previous election. Thus equation (1) can be rewritten as:

\[
V_{ij} = \alpha_i + \beta I_{ij} + \gamma Z_{ij} + \theta_j + \epsilon_{ij} \tag{7}
\]

In the above example if candidate 1 is a rerun candidate in race \( j \) then \( \Delta V_k - \Delta V_j = \beta - \gamma \). Not including \( Z_{ij} \) could bias the direct office holder estimate. If enough of the challengers in the sample are rerun candidates and \( \gamma > \beta \) then the direct office holder benefit may even appear to be negative. The direct office holder benefit may also appear negative when challengers receive more votes due to strategic voting or because challengers have more time to campaign in their districts.

The quality of the incumbent over an average open seat challenger is the difference between the estimated coefficient on the incumbency indicator variable in equations (4) and (6). If the difference is zero then any incumbency advantage can be attributed to the direct office holder benefits.

We should note that our estimate of \( \beta \) may be biased downward due to the possibility that \( \eta_{ij} < 0 \). If \( \tilde{V}_j \) is the maximum vote share of the \( n^{th} \) place candidate in an \( n \) seat district, then the bias may arise because \( E[\epsilon_{1j} - \epsilon_{2j}|V_{1j} > \tilde{V}_j \text{ and } V_{2j} > \tilde{V}_j] \) is likely to be negative when candidate 1 is an incumbent and candidate 2 is not. Assuming the incumbency advantage is positive, candidate 2 would on average require a larger positive shock than candidate 1 in order to win office.

In order to insure comparability across elections, the sample used to estimate the direct office holder benefits is restricted along the following dimensions: 1) the candidates must be from conservative parties;\(^7\) 2) the candidates must appear in more than one election; 3) the non-conservative parties must be the same across elections; 4) the number of non-conservative

\(^7\)Many independent candidates and candidates from other conservative parties were essentially viewed as LDP candidates in many elections.
incumbents is the same across elections; and 5) the number of conservative candidates are the same across elections. Among the many underlying assumptions is the additional assumption that the non-conservative candidates draw votes from all of the conservative candidates equally.

The electoral data used for this estimation comes from Steven Reed’s Japanese Election CD.

Results

The first set of results in Table 1 provides a rough estimate of the overall electoral advantage incumbent members of the conservative parties have over challengers. This is an estimate of \( \beta \) from equations (4) and (5). Our estimate of the overall incumbency advantage is approximately 4 percentage points. Although this is less than half the size of the incumbency advantage estimated for U.S. Congressmen, it is a large proportion of the average vote share of a conservative candidate. The overall incumbency advantage declines slightly as the district magnitude increases, however, its proportion of the average conservative candidate’s vote share remains the same. There does not appear to be any significant change in the overall incumbency advantage before and after 1980.

The second set of results in Table 1 estimate the direct office holder benefits. When both candidate and race specific fixed effects are included in the specification, the direct office holder benefit is found to be negative. Conservative representatives lose approximately 2 percentage points of their electoral support when they become incumbents irrespective of their quality. As discussed above, this may reflect one or a combination of several things: 1) the LDP’s favoring of “zombie” politicians; 2) strategic voting; and/or 3) the non-office holders’ electioneering efforts.\(^8\)

The difference between the first and second set of results gives some indication of the magnitude of the quality of incumbents relative to open seat challengers. The large difference

\(^8\)It is also possible that the bias mentioned above could lead to a smaller than expected estimate of the direct office holder benefits. More work needs to be done to estimate the magnitude of this bias.
between the first and second set of results suggests that much of the incumbency advantage for conservative representatives is due to the quality of the representatives.

The third set of results in Table 1 include two rerun indicator variables along with the candidate- and race- specific fixed effects. One indicator variable is 1 when the challenger previously held office and 0 otherwise. The other indicator variable is 1 when the challenger previously ran for office but was not a former incumbent and 0 otherwise.

When these indicator variables are included, the coefficient on the incumbency indicator variable drops in both magnitude and statistical significance. Former incumbents who run again have approximately a 4 percentage point higher vote share than they did in the past. Even rerun candidates who did not previously hold office have about a 2 percent point rise in their vote shares. In analyses not presented in the table there is no evidence that former incumbents who were more senior had a bigger rise in their vote shares.

2. Office Holding Benefits in a Mixed Member System

In this section we estimate how much holding office affects candidates’ electoral support under the mixed member electoral system. It is unclear how much of the above results are specific to the incentives of the multi-member district system and the political institutions associated with that system. The existence of direct office holder benefits may be a characteristic of candidate-centered electoral systems with single member districts. Ashworth and Bueno de Mesquita (2006) show why incumbents in multi-member district systems have an incentive to shirk when voters cannot attribute public good provision to specific representatives. In the SMD component of Japan’s mixed member system it should be much easier to reward or punish incumbents for providing government resources and services. Also under the SMD system where most districts have close to two effective candidates, strategic voting should be less of an issue.

However, there are reasons why holding office under the mixed member system may still not provide substantial electoral benefits. If Pekkenan et. al. (2006) are correct then we should observe the greatest electoral benefit to incumbents elected from the LDP’s proportional representation list and from their single member district. Furthermore, it is not clear
that parties will nominate candidates based on their ability to exploit all of the office holding benefits.

The direct office holder benefits are estimated by exploiting the repeat challenger research design introduced in Levitt and Wolfram (1997). Under Japan’s mixed member electoral system there are a surprisingly large number of cases where the same candidates compete in consecutive elections. This may in part be due to the large number of candidates on the PR lists who also compete in the SMDs. Since many of the repeat challengers are “zombie” politicians this will allow us to investigate whether these representatives have a particularly high office holder benefit as Pekkenan et. al. predict. As Levitt and Wolfram show the repeat challengers allow us to difference out the unobservable characteristics such as the normal vote and candidate quality.

Specification

As in section 2 i indexes the district and t indexes the time period. There are \( n-1 \) non-LDP candidates in the district. Assume that the votes received by the LDP candidate in district \( i \) is given by

\[
V_{it} = \alpha_{1i} - \sum_{j=2}^{n} \alpha_{ji} + \beta I_{1it} - \sum_{j=2}^{n} \delta I_{jit} + N_{i} + \gamma_{t} + \epsilon_{it}
\]

(8)

where \( \alpha_{1i} \) is the LDP candidate in district \( i \)’s “quality”. \( I_{1it} \) equals 1 if the LDP candidate in district \( i \) at time \( t \) is an incumbent and 0 otherwise, and \( N_{i} \) is the LDP normal vote and \( \gamma_{t} \) is a year specific shock. \( \alpha_{ji} \) is the “quality” of the non-LDP candidate from party \( j \). Similarly, \( I_{jit} \) equals 1 if the non-LDP candidate from party \( j \) in district \( i \) at time \( t \) is an incumbent and 0 otherwise. We are assuming that there is little or no strategic voting, which seems reasonable since most districts had close to two effective candidates.

Since the same candidates are competing in elections at time \( t \) and \( t+1 \), we isolate the effects of \( \beta, \delta \) and \( \gamma \) by simply differencing across elections. Thus, assuming candidate quality remains constant across elections then we have the following:

\[
\Delta V_{it+1} = \beta \Delta I_{1it+1} - \sum_{j=1}^{n} \Delta \delta I_{jit+1} + \Delta \gamma_{t+1} + \epsilon_{it+1} - \epsilon_{it}
\]

(9)
The \( \Delta \gamma_{t+1} \) can be captured by a simple year fixed effect. If the incumbency advantage is symmetric for LDP and non-LDP candidate then we could recode \( I \) to be equal to 1 if only the LDP candidate is an incumbent, –1 if only the non-LDP candidate is an incumbent, and 0 otherwise. Thus, equation (8) could be rewritten as:

\[
\Delta V_{it+1} = \beta \Delta I_{it+1} + \Delta \gamma_{t+1} + \epsilon_{it+1} - \epsilon_{it} \tag{10}
\]

The estimate of \( \beta \) may be downward biased because \( E[\epsilon_{it}|V_{it} > \bar{V}] > 0 \), where \( \bar{V} \) is the vote share needed to win office. In other words, the expected value of the shock needed to win office is larger than the expected value of the shock required to maintain office.

We can also include separate terms for whether the incumbent is an incumbent due to winning a single member district or due to winning a position on the proportional representation list. This will allow us to examine whether the pattern Pekkanen et. al. (2006) observe for cabinet posts translates into an electoral advantage.

Furthermore we can include an indicator variable for whether or not the LDP candidate previously ran for office to test whether the effect identified in the previous section also holds true in the mixed member electoral system.

The data source is again Steven Reed’s Japanese Election CD. The sample includes all races where all the candidates are the same across elections. The one exception is for Communist party candidates who are allowed to have different candidates across elections. Also parties with less than 10% of the vote and elections with both LDP and non-LDP incumbents are excluded from the analysis.\(^9\)

\( \text{Results} \)

Since we do not have a good measure of the normal vote or multiple candidates from the same party, we unfortunately cannot estimate the overall incumbency advantage for the single member districts under the mixed member system. The results in column 1 of Table 2 suggest that there is no office holder benefit for LDP candidates. There appears to be a

\(^9\)Relaxing these restrictions does not significantly change the results.
negative office holder benefit for non-LDP candidates – i.e. LDP candidates do better when they face incumbents from the opposing party.

In second column of Table 2 rerun candidates are separated into candidates who previously ran for office and candidates who had not. Most of the effect appears to be due to the rerun LDP candidates who are facing an incumbent from a non-LDP party. Interestingly, in an analysis not shown in this table, it appears that rerunning gives a benefits primarily when facing an incumbent from the other party but not in open seats. However, this result is identified off of only a few observations.

Despite Pekkenan et. al.’s finding that “zombie” politicians are more likely to receive assignments to particularistic committees there is little evidence that becoming a “zombie” candidate gives LDP candidates much of an electoral benefit. This is not to say that they do not do well, but the difference between the advantage to “zombie” politicians and candidates who rerun, is not statistically significant.

The positive coefficient on the non-LDP incumbent indicator variable is difficult to interpret. One potential interpretation is that the LDP may be supporting their candidates in these marginal areas. The LDP may have an incentive to favor the repeat candidates from the LDP who are facing a non-LDP incumbent for the same reason the party may support “zombie” politicians in general.

An alternative argument is that voters may punish non-LDP incumbents for not being able to provide the services that the LDP incumbents could provide. If this is true then we might expect the constituencies with non-LDP incumbents to receive fewer government resources.

There is also the possibility that the result could be driven by the bias created from focusing on repeat challengers. This possibility needs to be explored further for both the results in this and the above sections. However, we would also expect other repeat challenger type analysis of the incumbency advantage in the U.S. which do find a significant office holder benefit to suffer from a similar bias.

4. Holding Office and Government Transfers
The above results may reflect the LDP’s efforts to support “marginal” candidates. This may be the correct strategy for a party seeking to maximize its seat share. In this section, we examine the evidence that the distribution of public expenditures to the constituencies of rerun and “zombie” candidates differed from the distribution to other constituencies.

Previous studies have found some empirical evidence that LDP representatives can affect the distribution of inter-governmental transfers (e.g. Doi, 2001; Hirano, 2006a,b). In particular Hirano (2006a,b) finds that under the old system, inter-governmental transfers appear to be higher around the home bailiwicks of incumbent LDP representatives. The inter-governmental transfers appear to decline in the bailiwick when the representative loses an election. However, this same pattern is not found under the mixed-member electoral system.

If the LDP is targeting these rerun candidates as “marginal” candidates who could get elected with the support of the party then we should observe a rise in the inter-governmental transfers to the constituencies of these candidates.

To test this claim, I use the same regression discontinuity design as applied in Hirano (2006). The regression discontinuity helps isolate the causal impact of having an LDP representative. Unlike Hirano (2006) for the old electoral system the losing candidates are classified according to whether or not they choose to run again in the next election. In analysis of the mixed member system incumbents are classified according to whether they won in a single member district or from the PR list. One implication of the evidence and logic in Pekkanen et. al. (2006) is that being elected from the PR list may increase inter-governmental transfers.

The measure of inter-governmental transfers used in this section is national treasury disbursements. The national treasury disbursements are conditional grants distributed by the central government. These grants, which make up roughly 14% of local government revenue, are used to fund several types of programs including compulsory education, disaster relief, health and welfare, and construction. Previous studies claim that LDP representatives
have substantial influence on national treasury disbursements (Doi, 2001; Kobayashi 1991).

**Specification**

Under certain assumptions, focusing on districts where candidates win or lose by very narrow margins potentially addresses some of the issues of non-random assignment of representatives. The basic intuition is that if there is no difference in candidates’ vote shares, then the winner would be determined at random. Thus, the outcome of extremely closely elections can be attributed to the randomness in vote outcomes (Lee, 2005; Lee, Moretti and Butler, 2002; Linden, 2004; Miguel and Zaidi, 2003). According to the analysis above, we should continue to expect that personal support organizations that are able to elect candidates are more highly valued than those that lose.

The estimation for the analysis of close elections is as follows:

\[ S_{ie,m} = \alpha_{ie} + \theta_1 C_{ie,m} + \theta_2 C_{ie,m} Z_{ie} + \theta_3 C_{ie,m} W_{ie} + \epsilon_{ie,m} \]  

(11)

\( S_{ie,m} \) is a measure of per capita central-to-local government transfers directed to municipality \( m \). In the analysis of the old system \( Z_{ie} \) is an indicator variable for whether the LDP candidate lost in district \( i \) in the election to legislative session \( e \) but then runs in the next election. In the analysis of the mixed member system \( Z_{ie} \) is an indicator variable for whether LDP is an incumbent from having won off the PR list. \( W_{ie} \) is an indicator variable for whether LDP candidate won the last seat in district \( i \) in the election to legislative session \( e \). \( C_{ie,m} \) is also an indicator variable if the municipality is part of the representative’s core constituency. For the analysis of the old system a core constituency is a municipality where the candidate received more than 30% of the municipality vote. For the analysis of the mixed member system a core constituency is a municipality where the candidate receive more than 60% of the municipality vote. The fixed effect \( \alpha_{ie} \) captures various characteristics of the district.

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[^10]: The other major central-to-municipality transfer the Local Allocation Tax (LAT) has traditionally been perceive to be less open to political intervention on a year-to-year basis since it is based on a formula. Some claim that LAT is also politicized but further research needs to be done in this area.

[^11]: This design is particularly suitable for the pre-1994 multi-member district single non-transferable vote system since the coordination issues in these systems are likely to increase the randomness of electoral outcomes.
such as the number of LDP representatives elected, as well as various election specific shocks. $\theta_1$ measures the difference in government transfers that municipality $m$ receives from being part of LDP candidate’s core support in district $i$ as compared to other municipalities in the district.

Hirano (2006b) finds that $\theta_3$ is positive and statistically significant. This is an indication that marginal LDP representatives affect the distribution of inter-governmental transfers to their core electoral support. If the LDP continues to favor rerun and/or “zombie” candidates then we would also expect $\theta_2$ to be positive and statistically significant as well.

For this analysis, we restrict the sample to those where the difference between the winner of the last seat and first runner up is very small. In these narrow elections, whether the LDP candidate wins or loses can be due to random variability in election outcomes. More specifically in the analysis of the multi-member districts we focus on elections where the difference in vote shares for the candidate winning the last seat and the first runner up is less than 2% or less than 1%. In the analysis of the single member districts in the mixed member system the difference in vote shares for the winning and losing candidates is less than 5% or less than 2%. If election outcomes are due to random disturbances in this narrow window then $W_i$ could be considered to be orthogonal to the observable and non-observable factors that may potentially influence both government transfers and electoral outcomes.

Since we are focusing on LDP candidates who compete for the last seat in a district, we exclude districts where non-LDP candidates hold both the last and runner-up positions. Only districts where either or both of these positions are occupied by the LDP are included.

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12 An alternative approach that increases the efficiency of the estimates is to include polynomials of the vote difference as well as these polynomials interacted with an indicator variable for whether the LDP incumbent won. The specification with 3rd order polynomial is $S_{imit} = \kappa_0 + \kappa_1W_{ikt} + \sum_{z=1}^{3}(\kappa_{2z}V^z + \kappa_{3z}V^zW_{ikt}) + X_{imit}\beta + \epsilon_{imit}$. This type of polynomial specification is commonly applied to analyses of discontinuities based on election outcomes (Lee, 2005; Linden, 2004; Miguel and Zaidi, 2003). Since we cannot include the district fixed effects in this analysis, the dependent variable and the three additional covariates are deviations from the district mean values for these variables, and the sample is limited to municipalities which are part of the winner or loser’s core electoral support.

13 The 1% and 2% levels reflect the difference in the vote share for the winner of the last seat in the district minus the vote share for the first runner-up in the district. The results are the same even if a 0.5% threshold is used. However, there is a tradeoff with the reduction in the number of observations. This difference is smaller than the 4% window used in Lee, Moretti and Butler (2002).
in the analysis. Districts where LDP candidates occupy both of these positions are included since we are interested in comparing the allocation of transfers within the districts and not between districts.\footnote{The results are substantively the same if we only focus on cases where an LDP candidate competes against non-LDP candidates for the last seat in the district.}

The municipality level economic, demographic and transfer data were gathered from the \textit{Nikkei NEEDS} database and various issues of the \textit{shichosonbetsu kessan jyokyo shirube}. All the nominal monetary variables are converted into real terms. The electoral data comes from JED-M. Some of the district level information about elections comes from Steven Reeds Election CD. There are over 3,000 municipalities within Japan\'s 47 prefectures. This data is aggregated to the district level for some analyses. In this paper, I focus on the period between 1977 to 2002. Prior to 1977 and post 2003, the municipality level data is not readily available.

\textit{Results}

The results in the first two columns of Table 3 suggest under the multi-member district system the core constituencies of rerun politicians did not have the same drop in inter-governmental transfers as the core constituencies of the LDP members who lost an election and retired. This result is consistent with the idea that rerun candidates in the multi-member district system may have been treated differently than non-rerun candidates. They may have continued to enjoy some of the office holding benefits.

This result can be seen by the positive coefficient on the \textit{LDP Core Run Again} variable. This coefficient is roughly the same magnitude as the coefficient on the \textit{LDP Core} variable. This indicates that while the core constituents of candidates who lost the election had lower transfers relative to the rest of their district, the core constituents of the rerun candidates did not observe the same drop. If this pattern indicates the support the rerun candidates receive from the party we see that the core constituencies of these candidates are not receiving an unusually large allocation of inter-governmental transfers. Thus, the electoral bonus that rerun candidates receive does not appear to be explained by the inter-governmental transfers

17
alone.

Furthermore, this pattern of inter-governmental transfers is not uniform across rerun candidates. The last four columns examine the difference between senior and junior LDP representatives (i.e. whether the candidates won more or less than three terms). The constituencies of senior LDP rerun candidates (i.e. candidates who were elected more than three terms) continue to receive inter-governmental transfers. This does not support the claim that the LDP is simply targeting marginal candidates, since if that were true then we should observe no difference in the distribution of government resources between the junior and senior LDP rerun candidates.

The results for the inter-governmental transfers under the mixed member system are presented in Table 4. The results confirm the Hirano (2006) finding that having an LDP representative elected in a SMD does not increase transfers to the representative’s core constituency. There is also no evidence that electing an LDP candidate off of the PR list increases intergovernmental transfers either. Thus, there does not appear to be much support for extending Pekkanen et. al. claims to the actual transfer of particularistic inter-governmental transfers.

The point estimates in Table 4 suggest that the core electoral support of losing LDP candidates’ constituencies receive more subsidies than the core electoral support of winning LDP candidates’ constituencies. The sign on the coefficients is consistent with the findings in section 3 that LDP candidates who face a non-LDP incumbent tend to have an increase in their vote share as compared to other elections.

Neither the results in Table 3 nor the results in Table 4 provide much evidence that the LDP is providing additional support to the constituencies of rerun candidates that could explain the higher vote shares candidates receive after losing office.

5. Holding Office and Campaign Expenditures

To examine whether candidates may be exerting more effort campaigning when they are “zombie” politicians we can examine how campaign expenditures change with a change in a
candidate’s incumbency status. Although this figure does not reflect all of the electioneering expenditures it may serve as an indicator of candidates’ effort. Thus, we might expect that “zombie” candidates would have higher campaign expenditures than other candidates.

Estimating the factors determining campaign expenditures is complicated. For the purposes of this preliminary draft, the research design is the same as in sections 2 and 3 except the dependent variable is changed to campaign expenditures, first as a proportion of the expenditure limit and second as a proportion of the total expenditures in the district. This repeat challenger design has the advantage of taking into account the quality of the candidates and district level factors in explaining campaign expenditures. The campaign expenditure data is again from Steven Reed’s Japanese Elections Database.

The results in both Tables 5 and 6 show that neither incumbents nor rerun candidates observe a statistically significant rise in their campaign expenditures. Thus there is little evidence that official campaign expenditures are related to the electoral patterns described above.

6. Conclusion

The initial goal of this paper was to decompose the sources of the incumbency advantage in Japan. Towards that end we find that much of the incumbency advantage is likely to be due to the quality of LDP candidates. LDP representatives receive little or no electoral benefit from being in office. The more surprising finding is that unlike in the U.S., candidates who lose one election have higher vote shares in the subsequent elections, even after controlling for the quality of the other candidates and district characteristics.

To some extent this electoral benefit from being a loser is likely to be related to the absence of an office holder benefit. If such an office holder benefit exists then we might observe more strategic retirements. Instead high quality candidates may simply realize that they received a poor shock in one election and that on average they are probably at least as high quality as the incumbents. This high quality candidates who lose do not have to worry about overcoming any additional office holder benefits given to the incumbent in the next election.
The former Vice President of the Liberal Democratic Party, Ono Banboku, once made the following claim: “A monkey that falls from a tree is still a monkey, but a legislator who loses an election is a nobody.”\textsuperscript{15} The results in this paper suggest that at least in terms of election outcomes, this statement is not entirely correct. The question still remains as to what exactly a legislator who loses an election becomes. In other words, why exactly does this rerun benefit appear to exist?

The second half of the paper attempted to explore the possibility that the electoral advantage of rerun candidates is due to favorable treatment by the LDP. This explanation would be consistent with the way Pekkanen et. al. (2006) describe the allocation of committee assignments to PR and SMD candidates. However, there is no strong evidence that government transfers were significantly higher for rerun candidates as compared to regular incumbent candidates.

It is possible that these rerun candidates spend greater amounts of effort cultivating their constituencies between elections (Reed 1994a,b). It is unclear whether candidates are exerting more effort or simply spending more time in their districts or some interaction of these two factors. One thing to examine is whether last place LDP candidates also receive an electoral benefit in the next election. This would suggest that the answer is not just greater amount of time but rather effort is an important component.

Further work also needs to be done to rule out the possibility that the results are simply a statistical artifact. Hirano and Snyder (1997) show that focusing on repeat challengers can lead to a 50% underestimate of direct office holder benefits. However, given the large number of rerun candidates, it is not clear that the same biases will exist in the Japanese case. More research needs to be done to investigate this possibility.

The other finding that much of the electoral advantage given to Japanese representatives is likely to be due to quality raises some questions as to why this “quality” advantage exists. Is it because one party controls the distribution of public expenditures as Scheiner (2006) suggests? Or is it due to the harsh intra-party competition under the multi-member district

\textsuperscript{15}As quoted in Inoguchi and Iwai (1987), Woodall (1990), and Saito (2006)
system that is very efficient at selecting high quality candidates? Or is something related to
the structure of the electorate that allows this “quality” to be transferred across candidates?
These are open questions that will be addressed in future research.
References


Hirano, Shigeo and James M. Snyder, Jr. 2007. “Using Multi-Member-District Elections to Decompose the Sources of the Incumbency Advantage.” Manuscript.


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<th>4 Seat</th>
<th>5 Seat</th>
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<th>Post 1980</th>
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<td>0.040* (0.003)</td>
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<td></td>
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<td>-0.023 (0.008)</td>
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<td>0.008 (0.011)</td>
<td>0.029* (0.013)</td>
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**Table 2:**
*Office Holder Benefits*  
*Under the Mixed-Member System*  
*(1996-2005)*  

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<td>LDP PR Incumbent</td>
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<td>0.010</td>
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<tr>
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<td>0.013</td>
</tr>
<tr>
<td>non-LDP Incumbent (1st election)</td>
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<td>0.016</td>
</tr>
<tr>
<td>non-LDP Incumbent (rerun)</td>
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<td>0.013</td>
</tr>
<tr>
<td>non-LDP PR Incumbent</td>
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<td>0.009</td>
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<table>
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<tr>
<th>Observations</th>
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<tbody>
<tr>
<td>Races</td>
<td>106</td>
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</table>


Table 3
Transfers to Municipality Governments
Run Again vs. Retire
1977 to 1992

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<th>Senior</th>
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<td>2%</td>
<td>1%</td>
<td>2%</td>
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<tr>
<td>LDP Core</td>
<td>-0.14*</td>
<td>-0.19*</td>
<td>-0.08</td>
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<tr>
<td></td>
<td>(0.06)</td>
<td>(0.08)</td>
<td>(0.08)</td>
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<td>0.03</td>
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<tr>
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<td>(0.07)</td>
<td>(0.09)</td>
<td>(0.09)</td>
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<td>0.33*</td>
<td>0.09</td>
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<td>(0.08)</td>
<td>(0.09)</td>
<td>(0.11)</td>
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<tr>
<td>ln (Dep Pop / Pop)</td>
<td>1.44*</td>
<td>1.35*</td>
<td>1.59*</td>
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<td></td>
<td>(0.23)</td>
<td>(0.29)</td>
<td>(0.35)</td>
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<td>ln (1st Tier Workers/Workers)</td>
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<td>-0.10</td>
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<td></td>
<td>(0.02)</td>
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<td>ln p/c Income</td>
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Municipality*legislative session fixed-effects and year fixed-effects are included in all regressions. Standard errors are clustered by district*legislative session. * indicates statistical significance at the 5% level. LDP Died, non-LDP Died, Senior LDP Died, and Marginal LDP Died are all divided by the number seats in the district.
Table 4
Close Elections and National Treasury Disbursements to Municipalities Under SMD/SNTV/PR, 1997 - 2002

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<td>ln (Dep Pop / Pop)</td>
<td>1.44*</td>
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District-legislative session fixed-effects are included. * indicates statistical significance at the 5% level. Standard errors are clustered by district-legislative session.
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