Losers Go to Jail: Congressional Elections and Union Officer Prosecutions

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Job Market Paper
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November 7, 2016

Abstract

Democratic societies rely on fair judicial systems and competitive political systems. If politicians can control criminal investigations of influential groups and use them to undermine political opponents and protect supporters, it subverts these systems. I test whether prosecutions of politically active labor unions respond to Congressional election outcomes. I use novel data on federal indictments, campaign contributions to measure support, and a regression discontinuity to recover causal effects. I find that union officers are 67% more likely to be indicted when the candidate their union supported barely loses. These indictments weaken unions' ability to influence politics, making reelection more difficult for union-supported Representatives and easier for the union-opposed. As such, the discontinuity might reflect reduced indictments to protect election winners' union supporters or increased indictments to target winners' union opponents. A series of analyses suggest it includes both. The results show that US politicians manipulate the justice system to maintain power.

Keywords: Bureaucratic politics; Judicial politics; Labor unions

JEL Classification Numbers: D72, D73, J53, K42

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> "The politicians of the United States are not so fastidious as some gentlemen are... If they are successful, they claim, as a matter of right, the advantages of success. They see nothing wrong in the rule, that to the victor belong the spoils of the enemy."
>
> – Sen. William L. Marcy (D-NY), 1832

1 Introduction

Like markets, democracy draws much of its value from choice and competition (Stigler, 1972). In markets, consumers' choice between competing producers can improve welfare through product quality; in democracies, voters' choice between competing politicians can improve welfare through policy quality. Evidence shows that democracy and political competition improve policy and increase growth (Acemoglu et al. 2015; Besley, Persson, and Sturm 2010). The degree of competition, though, depends on the electoral rules in place, and those rules are established by reelection-minded politicians (Aghion, Alesina, and Trebbi, 2004). These politicians have an incentive to protect themselves by reducing political competition, and they sometimes create laws for this purpose (Trebbi, Aghion, and Alesina, 2008). However, new laws are observable so political and constitutional constraints might guard against this behavior. Political influence over the implementation of existing laws, on the other hand, is less transparent and may be more difficult to guard against. In this paper, I ask whether members of Congress exert pressure on criminal investigations of politically influential groups in order to maintain power.

I focus on labor unions, an ideal context. Unions are politically important, making up six of the top 10 organizations in US federal campaign spending (Center for Responsive Politics, 2016). As shown in Figure 1, even as union membership fell by 50% over the last 30 years, contributions rose by 300%.[1] Beyond contributions, unions make endorsements, influence their members' voting, organize demonstrations, and use members to staff phone banks, registration drives, and "get out the vote" initiatives. These activities are important.[2] Flavin and Hartney (2015) exploit state variation in collective bargaining laws to show that unions increase members' political activity. Using a regression discontinuity in union certification, Feigenbaum (2015) finds that increased union membership increases a county's Democratic voting and makes Congressional Representatives more liberal. Moreover, Democratic votes increase by more than union membership does, implying unions influence other voters as well.[3]

[Figure 1 about here.]

[1] Australian evidence suggests union contributions have large policy effects (Stanfield and Tumarkin, 2015).

[2] A large literature evaluates these activities, though not unions themselves (e.g., Arceneaux and Kolodny 2009; Garcia Bedolla and Michelson 2012; Green, McGrath, and Aronow 2013; Kendall, Nannicini, and Trebbi 2014; Madestam et al. 2013; Nickerson 2015).

[3] Ahlquist (2016) reviews evidence on unions' political influence.

These political activities rely on public support, the union's reputation, and a strong membership base, all of which are undermined when an officer is charged with embezzling union funds. Federal indictments (arrests and prosecutions) of union officers are common, well-publicized, and consequential. They reduce a union's ability to influence local voters by driving away members and undermining endorsements and campaigning. If Congressional Representatives' wide-ranging powers enable them to pressure investigators, then indictments can become politically biased as Representatives shield their supporters, target their opponents, or both.

To look for evidence of Congressional influence, I test whether indictments of union officers respond to election outcomes. From press releases, I create novel data on the universe of indictments in cases brought by the Department of Labor's Office of Labor-Management Standards (OLMS). This agency conducts nearly all criminal investigations of unions in the US, and it is only responsible for union investigations. I combine these indictments with union financial reports and contributions to Congressional campaigns. Treating a union's contributions as a signal of its support, I use a regression discontinuity (RD) to estimate the causal effect of an election outcome on subsequent indictments of locally-based officers in supporting unions.[4,5] I find that a close win lowers a union's probability of indictment by 1.5 percentage points, a large effect relative to the 3% base rate of indictment.[6] Given that 20 different unions contribute to the average close election, this implies that an indictment is subject to political manipulation in roughly one out of every three close elections.

In interpreting this result, it is important to emphasize that this is the effect of a federal Representative on indictments *in their district* and not aggregate indictments. Because there are equal numbers of close winners and losers each year, the identifying variation is orthogonal to national trends or changes in policies and instead reflects *which* officers are indicted rather than how many. Since indictments reduce unions' local influence, politically-responsive indictments protect incumbents from future electoral challengers and appear politically motivated.

Why does OLMS remain politicized? One possibility is that both pro-union and anti-union Representatives benefit from being able to pressure the agency. Two types of evidence suggest this is the case. First, I show that indictments are only politically-responsive when it is possible to mutually benefit all Representatives. I exploit the fact that in cities with multiple

[4]My main sample is based on nearly 564 indictments (2001-2012) and 620 elections from 2000-2010 where the winner received less than 60% of the vote (289 less than 55%; 117 less than 52%).

[5]Caughey and Sekhon (2011), Grimmer et al. (2011), and Snyder (2005) find evidence that incumbents are systematically more likely to win close Congressional elections and have criticized the validity of RD designs. (See Eggers et al. (2015) and Snyder, Folke, and Hirano (2011) for a critical response.) In my sample (a more recent time period than these studies) I do not find that union-supported incumbents are more likely to narrowly win than lose, and moreover, indictments are not predicted by union support for the incumbent (thus, controlling for this does not affect the results).

[6]Section 5.4 discusses several alternative explanations and rules out changes in criminal behavior, Representatives as a source of information, and prosecutorial appointments.

Congressional districts, a union's supported candidates might win some and lose others. This gives OLMS ambiguous incentives: an indictment that helps one Representative hurts another. In these cases, I show that a marginal election outcome does not affect indictments (the estimate is significantly different and indistinguishable from zero; not due to observable differences). I then build on this result to decompose the full discontinuity into two components: an indictment reduction that protects winners' supporters ("protection") and an indictment increase that undermines winners' opponents ("aggression"). Focusing on unions contributing to multiple close elections, I isolate quasi-random variation in the joint realization of election outcomes and treat those narrowly winning some elections and losing others as a quasi-random "control group" (where indictments are not politically influenced because OLMS has ambiguous incentives). I use those which barely won *all* and lost *all* close elections to identify the protection and aggression components, and find that union-supported Representatives lower the indictment rate *and* union-opposed Representatives raise it; both components are statistically significant and roughly the same magnitude.

To understand these results, it is helpful to know the effects of indictments. I estimate these effects using a difference-in-difference strategy that exploits the timing of indictments among the sample ever indicted. An indictment reduces the union's membership, revenue, operation of local affiliates, and campaign contributions.[7] As a result, after the indictment the previously union-supported party loses two percent of the vote and the probability of winning office falls by eight percentage points. Combined with the result that an indictment is manipulated in one of every three close elections, these magnitudes imply that politically biased union officer indictments explain 5% of the incumbency advantage estimated by Lee (2008). Thus, although the results are inherently distributional, they can still affect aggregate welfare by insulating Representatives from electoral challenge.[8] To illustrate this, I draw upon evidence that political competition improves policy quality, reduces rent capture, and raises incomes, and use these magnitudes to quantitatively interpret my estimates of indictments' effects on politics.[9]

[7]For these outcomes, I find modest (non-significant) evidence of pre-trends that suggests, if anything, unions were getting *stronger* before the indictment. I find no evidence that post-indictment declines were a continuation of an ongoing trend, and the magnitude of the declines exceeds what simple mean reversion might predict.

[8]Under certain conditions, politically-biased indictments can also increase political polarization. In Appendix Section C.6, I find evidence for these conditions.

[9]Political competition and electoral incentives increase growth (Besley et al., 2010; Padovano and Ricciuti, 2009); improve supply of local public goods (Arvate, 2013; Martinez-Bravo et al., 2014), policy implementation (de Janvry, Finan, and Sadoulet, 2010), and efficiency of government services (Ashworth et al., 2014; Helland and Sørensen, 2015); increase politician effort (Becker, Peichl, and Rincke, 2009; Bernecker, 2014; Gavoille and Verschelde, 2015) and entrant quality (De Paola and Scoppa, 2011; Galasso and Nannicini, 2011); and reduce corruption (Ferraz and Finan, 2011), interest group influence (Solé-Ollé and Viladecans-Marsal, 2012), and other rents to politicians (Galindo-Silva, 2015; Kauder and Potrafke, 2016; Svaleryd and Vlachos, 2009). Research has also identified harmful effects like short-sighted policy (Azzimonti, 2015; Bagchi, 2016; Bracco, Porcelli, and Redoano, 2013; Fiva and Natvik, 2013). Khemani et al. (2016) review both sides.

I close by considering how policy might respond to this political bias and whether constraints on legislators' behavior can reduce it. In support of this view, the estimated discontinuity is larger in states with higher levels of political corruption,[10] suggesting that reducing corruption could combat the political bias.

On the other hand, Congressional Representatives have wide-ranging powers that can *legally* pressure agencies. In Appendix A, I model the strategic interactions of unions, the investigator, and politicians, and show that if politicians can condition budget decisions on indictments then even an apolitical and intrinsically motivated investigator has an incentive to bias indictments. Empirically, I focus on a budget amendment isolating OLMS funding and show that Representatives with a supporter indicted are less likely to vote for a budget increase and those with an opponent indicted are more likely (both relative to similar Representatives without indictments). Because no practical laws can constrain Representatives' voting decisions, this suggests legal constraints might not be able to curtail politically biased indictments.

This work connects to three strands of literature. The first is political economy research studying politicians' efforts to shield themselves from competition.[11] That literature has focused on changing policies, but policy implementation is as important as policy itself,[12] and Congress can influence bureaucratic decisions in many ways.[13] I contribute to this literature by showing that this also leads to strategic implementation and enforcement that protects politicians.

Second, this study contributes to law and economics research on politics in the justice system. A large literature studies elected judges' response to political incentives,[14] and I contribute by showing that non-elected actors (i.e., investigators) can inherit the political incentives of others, which might affect the justice system more broadly. A separate literature studies whether politically appointed federal prosecutors exhibit a partisan bias in charging politicians with corruption.[15] I contribute to this by showing that political biases can emerge in cases against other politically influential groups and not just politicians.

Finally, this work relates to a literature on institutional development. Healthy societies rely

[10]One might be concerned that states' political corruption is endogenous with respect to politically biased indictments of union officers. Campante and Do (2014) show states with more isolated capital cities have higher corruption, and using their preferred measure as an instrument for corruption yields the same results.

[11]Baskaran and da Fonseca (2016); Drometer and Rincke (2014); Trebbi et al. (2008)

[12]Agarwal et al. (2014); Callen et al. (2015); Muralidharan, Niehaus, and Sukhtankar (2016)

[13]Congress appoints directors (Wood and Waterman, 1991) and advisory committees (Balla and Wright, 2001); designs authorizing legislation (Calvert, McCubbins, and Weingast, 1989; Gailmard and Patty, 2012; Huber and Shipan, 2008; McCubbins, Noll, and Weingast, 1987) and adds further restrictions in later legislation (MacDonald, 2010); and holds oversight and investigative hearings (Kriner and Schwartz, 2008; MacDonald and McGrath, 2016; McGrath, 2013; Parker and Dull, 2009). See Weingast and Moran (1983) for early work.

[14]Ash and MacLeod (2016); Berdejó and Yuchtman (2013); Canes-Wrone, Clark, and Park (2012); Gordon and Huber (2007); Huber and Gordon (2004); Lim (2013); Lim, Silveia, and Snyder (2016); Lim and Snyder (2015); Lim, Snyder, and Strömberg (2012)

[15]Gordon (2009); Meier and Holbrook (1992); Nyhan and Rehavi (2016)

on a range of institutions, including legal institutions that protect property rights and enforce contracts (Williamson, 1985) and political institutions that commit the state to honoring these in the future (Weingast, 1995). Politically-induced regulatory distortions are failures of both. These failures are familiar in developing countries,[16] and there is a general impression that institutions will improve with development (North, 1981). My results show that even in a developed country like the United States such institutions are imperfect, highlighting that passive improvements throughout development may not be sufficient.

The next section provides some background on OLMS and anecdotal evidence of political influence. I describe the data in Section 3 and the RD approach in Section 4. Section 5 presents my causal estimates of how election outcomes affect indictments (also summarizing identification tests, robustness checks, and heterogeneity). Section 6 presents evidence that the political bias is mutually beneficial. Section 7 estimates the effects of indictments and uses these estimates to interpret how the bias affects politics and policy before turning to a discussion of how policy might respond to the bias. Section 8 concludes.

2 Background and context

2.1 History, overview, and discretion

The Office of Labor-Management Standards (OLMS) is an agency in the Department of Labor that has its roots in the McClellan hearings on union corruption (1957-1959).[17,18] Many historians believe these hearings were an attempt to undermine unions' popularity after President Eisenhower was unable to win their support for the Republican Party (Lee, 1990; McAdams, 1964; Witwer, 2011). The nationally broadcast hearings exposed widespread corruption among labor unions and gave birth to the 1959 Labor Management Reporting and Disclosure Act (LMRDA or Landrum-Griffin Act) that is still the main set of laws for labor unions. OLMS is the only federal agency that enforces the LMRDA, and except for cases directly linked to larger organized crime investigations, OLMS is responsible for virtually all union-related criminal cases

[16] Fisman and Wang (2015) study Chinese health inspections and Nagavarapu and Sekhri (2015) study Indian electricity monitoring.

[17] This section draws upon several performance reports (Department of Labor, 2008; Government Accountability Office, 2000a, 2006; Hayes, 2013; Office of Management and Budget, 2008; Yud, 1999).

[18] Broadly, OLMS' annual budget is roughly $50 million and its staff is around 300 FTE employees, though both depend on partisan control (Figure C1). Two-thirds of staff are investigators, spread across 21 District Offices. Audits and investigations account for 50-60% of staff time. OLMS conducts 500-750 audits per year, half of randomly selected unions. Roughly 7-10% of random audits (no time trend) and 11-22% of targeted audits (increasing over time) produce a criminal case. 37% of cases are referred for federal prosecution and 80% of those are accepted. 75% of accepted cases produce an indictment and 90% of indictments result in conviction. When federal prosecutors turn down a case, OLMS can bring it to state prosecutors.

(OMB, 2008).[19]

OLMS has great autonomy and discretion in opening and pursuing cases. The DOL Office of the Inspector General (2012) argued that OLMS' process for choosing unions to audit was essentially arbitrary, and there was no systematic approach to focus on high-risk unions until mid-2011. The GAO (2000) pointed out OLMS is not even supposed to conduct investigations without a waiver from the Department of Justice ("a formality" it stopped requesting in the 1970's). In addition to near-complete discretion, OLMS is largely autonomous (only 10% of cases involve another agency; see Table C1).

2.2 Evidence of political influence

Ample evidence suggests OLMS is politicized. The President's Commission on Organized Crime reported:[20]

> Former enforcement officials of the Department of Labor have noted that the opening of investigations into funds related to certain powerful unions, or a significant local of those unions, often resulted in prompt intervention from the Office of the Secretary of Labor. Such contacts indicated, either implicitly or explicitly, that it was unwise to disrupt certain established political relationships. One of the key obstacles to more vigorous oversight of labor-management racketeering by the Department of Labor is the Department's undeniable susceptibility to political pressure from the leadership of the constituency it is supposed to oversee. (President's Commission on Organized Crime, 1986, p. 30)

The role of politics is seen in the choice of OLMS Director, a presidential appointee. George W. Bush appointed Don Todd, former Head of Opposition Research for the Republican National Committee (US News, 1991). Afterwards, Barack Obama appointed Todd's most prominent critic, Labor Relations Professor John Lund. Lund had previously written "It is clear that intervention by members of the US Congress and political groups hostile to trade unions has increased the amount of government financial supervision of unions (Lund, 2009)," which I interpret as the agency's acknowledgement of Congressional influence.

There are many ways Congress can influence OLMS. For one, Congress can adjust agency responsibilities.[21] This can include restricting its authority, as when Rep. William Ford called

[19]Financial crimes are generally too complex for local police departments (Jacobs, 2006). Because OLMS is designated specifically to investigate unions, other agencies usually refer union-related cases to it. Organized crime cases are the exception (usually handled by the FBI and DOL Office of the Inspector General).

[20]Though the PCOC was established by Republican President Reagan, its criticisms were bipartisan, including a charge that Reagan's administration shielded the Teamsters' President Jackie Presser from prosecution because he endorsed Reagan in 1984 (Jacobs, 2006, p. 43).

[21]Congress can also pressure agencies through investigative oversight, as it did frequently during the late

OLMS investigations in his district "a fishing expedition" and demanded Congressional review of their procedures (Detroit Free Press, 1991). On the other hand, it also includes forcing new, unwanted responsibilities on OLMS, as when a Congressional initiative led by Rep. Newt Gingrich led OLMS Director Robert Guttman to resign in protest of regulations that "would make it legitimate for the unions to feel that the portals of the Labor Department should be inscribed with Dante's famous phrase ['Abandon all hope, ye who enter'] (Guttman, 1992)."

A second important channel of influence is that Congress sets OLMS' budget. This, too, is a politicized process. When the House proposed budget cuts, former DOL Chief Economist Furchtgott-Roth (2007) claimed Congressional Democrats were trying "to protect the union bosses to preserve the flow of campaign contributions." Congressional budget pressure translates into large employment effects, seen in Figure C1. From its recent high (FY2006) to its recent low (FY2016), OLMS employment declined 46%, which gives the agency an obvious incentive to consider political responses to its investigations.

It is worth considering this evidence in light of the literature on Congressional influence over bureaucracies. The examples above illustrate many commonly studied mechanisms of influence (Kriner and Schwartz, 2008; MacDonald, 2010; McGrath, 2013), and the tremendous discretion is consistent with theoretical results that politicians give agencies more statutory discretion when they can better influence its choices (Huber and Shipan, 2008). Additionally, few committees and sub-committees compete for OLMS oversight (three), which also increases Congressional influence (Clinton, Lewis, and Selin, 2014). In sum, OLMS is a small, isolated agency with little oversight, a history of political interference, and many conditions associated with Congressional influence.[22] Below, I show this affects how indictments are targeted.

3 Data

3.1 Data sources

I use three main data sources. The first is a list of criminal actions in OLMS cases from 2001-2015 created from short (2-6 sentence) press releases on the OLMS website describing indictments, convictions, and sentencing.[23] Appendix B gives an example. My data include roughly 1,300 cases, nearly all for embezzling union funds.[24] I coded which union and which local, the suspect's office within the union, the amount embezzled, conviction and sentencing

1990's (Government Accountability Office, 2000b,a, 1999), following unions' increasly partisan activity.

[22]Selin's (2015) data on 345 federal agencies show OLMS is structurally predisposed to political influence.

[23]I believe this is a near-complete list of all OLMS cases, but this is difficult to definitively verify.

[24]This differs from OLMS' published counts partly because I exclude cases where the indicted party was not a member or employee of the union (e.g., a contracted pension fund manager who embezzled funds from the union's account, but where no union official was complicit). I also combine multi-defendant cases into one case.

outcomes, the court in which the case was tried, the OLMS District Office responsible, and any other agencies involved. OLMS did not historically publish these data, but under Todd, OLMS made them available from 2001 onward to improve transparency (Lund, 2009).[25] I believe these data include nearly every criminal charge against labor unions in the US. State and local police rarely have the capacity to investigate financial crimes so nearly all union-related cases are federal (Jacobs, 2006), and other federal agencies usually refer union-related cases to OLMS since that is its specific function.[26]

Second, I determine the location of unions and their local affiliates using the Labor Management (LM) Reports, annual financial filings required under the LMRDA for unions representing private or federal employees.[27,28] The reports include basic financial information on roughly 1,500 unions and 30,000 divisions of those unions and can be linked across time. I determine the locations of unions' locals using their mailing address. The LM Reports also provide noisy measures of membership and receipts.

Finally, I use campaign spending from the Database on Ideology, Money, and Elections or DIME (Bonica, 2013). This includes cleaned contribution data filed with the Federal Elections Commission. I focus on contributions from organizations, and labor unions have been identified by the Center for Responsive Politics. Variables such as total spending, candidate parties, and information about primaries are also from the DIME data. Election variables (e.g., vote shares) are from Fowler and Hall (2014) and data provided by Gary Jacobson.

3.2 Data construction

Here I give a brief overview of data construction; more detail is in Appendix B. After cleaning the datasets, I merge the indictment and contribution data with the LM data. I then identify the most disaggregated division type (e.g., council, district, local) for each union in the data. For simplicity, I refer to these as locals, which they usually are.[29] Based on their mailing address, I locate these locals within a Commuting Zone (CZ), collections of counties

[25]Some observers believe they were published with political motives to discredit unions (Kaplan, 2007; Lilly, 2007). In Kaplan (2007), John Lund (later OLMS Director) and Deborah Greenfield (later DOL Deputy Solicitor) suggest OLMS intentionally included duplicate records to inflate indictment and conviction counts, which then proliferate across numerous websites and advocacy groups. I de-duplicate my data.

[26]Two types of cases are likely to be excluded from the data: 1) cases that are part of larger organized crime investigations, and 2) cases in which an employer makes illegal payments to the union. These cases are usually investigated by the FBI or DOL OIG, and although OLMS is often involved, my coverage may not be complete.

[27]My data under-represent unions that only represent state and local workers.

[28]Since 2003, these reports have been filed electronically. During the Bush Administration, OLMS made the data public back to 2000. Holmes and Walrath (2007) discuss challenges in obtaining older data.

[29]Many small unions have only a headquarters. These are included in the data (I treat that headquarters as a local, since it is the most disaggregated unit), though in practice they are rarely politically active.

approximating local labor markets (Tolbert and Sizer, 1996).[30] For each union, I then aggregate over all locals within a CZ and call this a Union-CZ.[31]

I merge each Union-CZ with Congressional districts that overlaps the CZ. I weight observations by the share of the district population in the CZ, giving each district equal weight. These weights, also used in Autor et al. (2016), are explored below. The contribution data allows me to identify all cases where the union or one of its locals contributed to a Congressional candidate.[32] The final dataset matches indictments for each union's locals in a CZ with the union's contributions to House candidates in overlapping districts. I aggregate indictments to two-year Congressional terms that start in early January following the election, so each observation is a Union-CZ-election with indictments measured during the two years after the election.

3.3 Summary statistics

Appendix Table C1 presents summary statistics on cases. My sample includes 641 cases (some including multiple defendants). These cases are serious; the median theft is $21,000 (in 2015 dollars) with substantial variation (the 10^{th} and 90^{th} percentiles are $4,000 and $120,000). 87% of cases result in conviction, and 23% of convictions result in prison. Importantly, 28% of cases involve a "top" official (such as president, vice president, etc.) and 49% involve the treasurer. These likely influence public perceptions more than indictments of low-ranking officers would, and these perceptions are what matters for political candidates. As discussed above, only 10% of these cases involve another agency, underscoring OLMS' autonomy.

Table 1 presents summary statistics on unions, elections, and commuting zones (CZ's). The table has three columns. The first presents unions, elections, and CZ's with no union contributions. The second presents those with union contributions, but where the election is not "close" (the winner received more than 60 percent of the vote).[33] The third presents my main estimation sample: those with union contributions to close elections.

Panel A shows this sample includes 75 unions, each operating an average of 280 locals across 109 CZ's. The unions in my sample are a small share of all unions (5%), but they are more than 100 times as large as non-political unions in terms of membership, receipts, locals, or geographic coverage, so my sample accounts for 85% of members in the data. Unions in my sample also experience more indictments: the probability a Union-CZ experiences an indictment is three times that of non-contributing unions. In total, 68% of unions in my sample have an official in

[30] See Autor and Dorn (2013), Autor, Dorn, and Hanson (2013), or Chetty et al. (2014) for more discussion.

[31] Locals' offices move frequently, but rarely across CZ's. I use the modal CZ to shut off endogenous mobility.

[32] I treat contributions from headquarters and locals interchangeably (most come from headquarters).

[33] Throughout, I use the share of the two-party vote, as is standard in the literature. Note that elections are always weakly closer than suggested by this measure.

at least one local indicted during the period.[34]

[Table 1 about here.]

Panel B shows summary statistics for elections, 91% of which have union contributions (Columns 2 and 3). Though not shown in the table, the average close election has 20 union contributors. Among close elections with union involvement (Column 3), 97% of Democrats receive contributions from at least one union, and Democrats get 88% of union contributions. Yet in only 61% of elections do all unions "agree" on a single candidate, while the other 39% see unions split between candidates.[35] Union contributions total $135 thousand in the average close election (almost 5% of total spending), underscoring the political importance of unions. In non-close elections, unions contribute less (see also Figure C2), but it is a larger share of total spending. Finally, while non-close elections are three times as common as close ones (N of elections), two-thirds of districts experience at least one close election during my period (N of districts). Panel C presents summary statistics on commuting zones. 80% of CZ's include a Congressional district with a union involved in a close election during the sample (Column 3), and these are much larger. The average CZ in my sample includes 2.3 Congressional districts.

Given that many CZ's include multiple districts, how do unions choose how many and which elections to contribute to? Table 2 restricts to the set of Union-CZ's that gave to at least one close election in the year (and thus are in my main sample), and describes their contribution behavior. On average, the CZ intersects 1.9 districts where Republicans win landslide victories (more than 60% of the vote) and unions sometimes give to the Republican (12%) but usually do not contribute (79%). These CZ's have an average of 1.7 close elections, and unions contribute to 90% these, typically supporting the Democrat (84%). Finally, these CZ's intersect an average of 2.8 districts in which the Democrat wins with more than 60% of the vote. Unions give to the Democrat in 70% of these, and almost never give to the Republican (<.1%).[36] Thus, unions seem to balance a desire to win with a preference for Democrats. This strategic contribution behavior underscores the importance of the RD design. Without exogenous variation in the *winner*, it would be impossible to know whether differences in indictments were due to political pressure or different choices of guilty and not-guilty unions to support the winner.

[Table 2 about here.]

[34]Although the share indicted is 20 times higher for politically active unions, the membership rate is 150 times higher, making indictments per member substantially lower.

[35]Ahlquist and Levi (2013) find that different unions have different policy agendas.

[36]Figure C2 shows the dollar amount of union contributions across Democratic vote share.

4 Empirical strategy

I use a regression discontinuity to estimate the causal effect of election outcomes on indictments. The estimating equation of interest is:

$$\begin{aligned} 1\{\text{Any Indictment}\}_{uct} &= \alpha + \beta\ \text{UnionCandWins}_{udt-1} \\ &\quad + \gamma_1 v_{udt-1} + \gamma_2 \text{UnionCandWins}_{udt-1} \times v_{udt-1} + \varepsilon_{ucdt} \end{aligned} \tag{1}$$

In (1), $1\{\text{Any Indictment}\}_{uct}$ is a an indicator for whether any officers of union u based in CZ c were indicted during the two-year period t (which I call an election cycle, or simply "cycle"). The key variable on the right hand side is $\text{UnionCandWins}_{udt-1}$, an indicator for whether the candidate supported by union u running in district d (overlapping CZ c) won the prior election. I use v_{udt-1} to denote the "centered" vote share of the u-supported candidate (i.e., vote share minus 1/2), which can have different slopes on either side of the discontinuity.

The coefficient of interest is β which captures the discontinuity in the probability of indictment when the union-supported candidate goes from barely losing (v_{udt-1} near zero and $\text{UnionCandWins}_{udt-1}$ equal to zero) to barely winning (v_{udt-1} near zero and $\text{UnionCandWins}_{udt-1}$ equal to one). The identifying assumption is that in very close elections, whether the union-supported candidate actually wins or loses is exogenous with respect to unobserved characteristics of the union, district, and CZ. These include pre-election responses to the ultimate outcome, so causal identification also requires the assumption that the *outcome* of very narrow elections was not forecastable, though I need not assume there are no pre-election responses to the fact that the election will be close.[37] Rather, I assume unions do not contribute to a particular candidate because he/she is going to win (rather than lose) by an asymptotically close margin. This identification strategy recovers the effects of election outcomes, not of contributions, so I need no assumptions that contributions are random.

A single Union-CZ-cycle with a single indictment outcome can appear in the data multiple times if the Union-CZ contributed to multiple close races in districts overlapping the CZ. Likewise, a single election outcome and vote share can appear multiple times if multiple unions in the CZ contributed to the same candidate. This has two implications. First, it implies correlation between observations. I address this using two-way clustered standard errors (Cameron, Gelbach, and Miller, 2012), clustering at the Union-CZ and the Congressional district levels. Table C5 of the Appendix shows the results are robust to more conservative clusters. Second, it produces an implicit weighting scheme. Elections are given more weight if more unions contributed, and Union-CZ's are given more weight if they contributed to more close elections.

[37] The recovered estimand is a local average treatment effect for close elections, and selection into that sample does not induce a bias.

Given the research question, this seems appropriate. Nonetheless, Table C7 shows that including only the single closest election for each Union-CZ yields nearly identical effects. Likewise, calculating indictment rates across all Union-CZ's that contributed to a single candidate in an election and doing the analysis at the election level produces similar results.

Finally, if a single Union-CZ gives to multiple close elections, it can appear on both sides of the discontinuity (with a winner in one election and a loser in another) with mechanically the same indictment level. These cannot all be excluded because such a rule would itself be discontinuous, but my main results exclude a portion of them by dropping Union-CZ-elections where the same union both won and lost other simultaneous close elections in the same CZ (thus the Union-CZ will appear on both sides of the discontinuity).[38] This sample is of obvious interest and I return to it below. I also exclude the rare cases where the union contributed to both candidates in an election (1.5% of my sample), though I show my results are robust to their inclusion. Finally, my main specification uses only the 2000-2010 cycles because the 2012 contribution data is less reliable; I also show the results are robust to including this data.

5 Main results

5.1 Election outcomes and indictments

The main results are shown graphically in Figure 2, which gives the relationship between the share of the vote received by the union-supported candidate (x-axis) and the share of contributing unions that had an officer indicted in an overlapping commuting zone during the two-year term following the election (y-axis). There is a sharp drop in the probability of indictment when the union-supported candidate wins the election (crosses 50%). The point estimates show a decrease in risk of nearly 40% (from just under 4% to just over 2%). To interpret Figure 2, bear in mind that a single percentage point in a Congressional election is typically between 2,000 and 3,000 votes, so each dot represents a bin of roughly 1,300 votes.

[Figure 2 about here.]

These results are based on the estimates in Column 1 of Panel A of Table 3, which uses a first-order polynomial away from the threshold and all elections in the 40-60 percentage point range. The 1.6 percentage point estimated reduction is large given the base rate of indictment of 3% ("DV Mean" in the table). Since the average close election has 20 union contributors, the estimated discontinuity equals one indictment in roughly every three close elections.[39]

[38] This exclusion restriction only depends on outcomes of *other* elections and so is continuous across the 50% threshold (both theoretically and empirically).

[39] $.016 \times 20 \approx 1/3$

Column 2 adds a rich set of controls for union, CZ, and district characteristics (see table notes for details). These controls dramatically raise the R^2, but the coefficient barely changes and remains statistically significant ($p < .05$) because the controls are continuous across the threshold (tested formally below), supporting the identification assumption.

[Table 3 about here.]

Column 3 restricts to a smaller bandwidth, based on elections in the 45-55 percentage point range (see Panel (a) of Figure C7 for the corresponding plot). The estimated discontinuity is nearly identical (1.8 percentage points), still statistically significant ($p < .05$), and again invariant to the inclusion of controls (Column 4). Finally, Column 5 restricts to an even narrower window: elections in the 48-52 percentage point range. Note that the sample size is less than 20% of that in Column 1, and the standard error is roughly double (the coefficient is not statistically significant; $p = .13$). However, the point estimate is nearly the same (2.2 percentage points) and again unaffected by controls (Column 6), suggesting the 40-60 percentage point window does not overestimate the effect, but does deliver valuable precision.

Panel B uses a quadratic specification for the running variable (see Panel (b) of Figure C7 for the plot corresponding to Column 1). In most cases this produces a larger point estimate which often remains or becomes statistically significant. These results are much less stable, perhaps because the quadratic is over-fitting the data, so my preferred specification is linear and for most of the paper I present results for both the 40-60 and 45-55 percentage point windows.

Overall, Table 3 shows clear causal evidence that local unions' officers are less likely to be indicted when their supported candidate defeats their opposed candidate. This result is substantively large and robust to reasonable specification changes. Next, I further demonstrate its robustness before turning to why this political bias persists.

5.2 Identification tests and robustness checks

Lee (2008) advocates three tests of the RD identification assumptions. First, the results should not be affected by the inclusion of controls, since these should be continuous across the discontinuity. This is shown in Table 3. Second, one should directly test for discontinuities in predetermined variables. This confirms that observations on either side are comparable and supports the assumption that unobservable characteristics are continuous as well. Table C2 shows this: No pre-determined characteristics exhibit significant discontinuities. Though some point estimates are modestly large, controlling for them in Table 3 makes little difference. Further, in Figure C3, I predict the probability of indictment using these predetermined controls (and not election outcomes) and present a placebo test of whether there is a discontinuity in

predicted indictments. There is no visible or statistical ($p = .936$) evidence of a discontinuity. Third, Lee (2008) recommends testing for "manipulation" using the McCrary (2008) test for discontinuities in the density of the running variable (vote share, in my case). As shown in Figure C4, there is no such discontinuity: union-supported candidates are no more likely to narrowly win than they are to narrowly lose.

Even using an RD, if unions could perfectly predict the outcome of a close election, they might strategically adjust their contributions in ways that might not be detected by the McCrary test or discontinuous observable characteristics. To assess this risk, I turn to a large sample of polling data obtained from RealClearPolitics.[40] Two results suggest that unions could not perfectly predict close election outcomes when making contributions. First, the distribution of the timing of polls and union contributions in Table 4 shows that nearly all contributions are made before polls are available. Only 10% of elections have polls more than 90 days before the election, by which time union support is typically already determined (83% of the time). Polls occur at the end of campaigns (when most predictive), and contributions occur early (to fund the campaign), so union support is established well-before good information is available.

[Table 4 about here.]

Second, even the most accurate polls are imperfect. Figure C5 shows the relationship between Democratic share in the election and in the last poll before it.[41] The polls are predictive but imperfect ($R^2 = .64$).[42] Table C3 shows the standard deviation of the "poll error" (the difference between the poll results and the election results) is around 3.7 percentage points. It also shows that polls predict the wrong winner in 40% of elections won by four or fewer percentage points (20% won by 4-12 percentage points).[43] Thus, even for contributions made late in the election cycle, outcomes cannot be perfectly predicted. Importantly, the RD identification assumption is *not* that all election outcomes in the 40-60 range are a "coin flip." Identification only requires that there is a range near 50% outcomes are exogenous and unpredictable. Elections further from 50% are used only to improve precision by modeling smooth changes in

[40]Polls are available for 2002 and 2006-2010. I believe RealClearPolitics has the universe of publicly available Congressional polls, but there is no way to verify this. Polls are not available in all elections, but are available for most close elections (see Table C3 for more). See the Data Appendix for more detail on this data.

[41]Figure C5 shows how polls vary around election outcomes; it does not test whether they are continuous across election outcomes (Figure C6 shows they are). In addition to being noisy, polls are biased (results not shown). They systematically predict closer elections than actually occur and overestimate Democratic performance, further casting double on the ability to perfectly forecast election outcomes.

[42]Polling sample sizes are not always available. When they are, the median has 500 respondents (mean: 575).

[43]There were no polls for 20% of elections won by four points or less (33% won by 4-8; 70% won by 8-12). Because polls are available for most close elections, a regression discontinuity using the sample of elections without a poll yields a very imprecise estimate, in which the standard error increases by 80% and coefficient is not statistically distinguishable from zero or my baseline estimates.

indictments away from that discontinuous threshold (and Table 3 shows the estimated discontinuity grows when using a narrower window).

In addition to identification tests, I present a number of robustness checks. Table C4 (Figure C8) shows the main results are smaller but still statistically significant ($p < .05$) without weights (the reason is discussed in the next section). Table C5 shows the results are robust to more conservative clustering. The discontinuity in both of my preferred specifications remains significant at the 5% level even when allowing for correlation between all unions in the same CZ and all districts in the same state.[44] The results even remain significant ($p < .10$) when allowing for arbitrary correlation between the errors of all locals of the same union.[45]

Table C6 shows that the results are not simply the effect of a Democratic win. There is no effect of a Democrat winning an election the union did not contribute to. I also restrict to elections where different unions contributed to different candidates and include an election fixed effect so identifying variation comes from unions in the same CZ contributing to different candidates in the same election. The point estimate is nearly identical though not statistically significant ($p = .149$) because this is only one quarter of the sample.[46]

Table C7 shows the results are robust to including cases where a union contributed to both candidates,[47] using only the Union-CZ's closest election (here I prefer the 45-55 percentage point specification because much of the data from 40-45 and 55-60 is dropped), dropping cities with historic mafia presence, including 2012 data, and using logit instead of a linear probability model. Finally, Table C8 shows the results are robust to using the Calonico, Cattaneo, and Titiunik (2014) approach to choose the bandwidth and standard errors.[48]

5.3 Heterogeneity

I interpret the results as evidence of political influence over investigations. In Figure 3, I show that the places, unions, and elections that drive the results support that interpretation (see figure notes for corresponding tables).[49] First, the incentive for Representatives to influence

[44]Note that a single CZ is not always contained within a single state.

[45]Many of the dimensions of heterogeneity discussed below yield a larger and more precisely estimated discontinuity. Such specifications become highly significant, even with these conservative clusters.

[46]The sample where unions contributed in the primary but not the general election is too small to be of use.

[47]I define the union-supported candidate as the one receiving the majority of the union's contributions.

[48]This is not my preferred approach because the bandwidth is recalculated for each change of dependent variable or sample, making comparison across results difficult. Moreover, it does not allow for two-way clustered standard errors or population weights. Finally, note that the Calonico et al. (2014) correction is meant to reverse the bias created by using cross-validation to choose the bandwidth. Rather than use cross-validation, I prefer to choose the bandwidth on the basis of past literature and extant evidence, and to present results using multiple bandwidth choices (the Calonico et al. (2014) bandwidths are always smaller than my 40-60 and larger than my 45-55 range). In this case, there is no bias to "undo."

[49]In an RD, heterogeneity should be analyzed by sub-samples rather than interactions (Hsu and Shen, 2016).

union investigations comes from unions' ability to sway voters in their area (including but not limited to members). When that area is a trivial share of all voters, there is little incentive for Representatives to invest costly effort to affect investigations. Panels (a) and (b) of Figure 3 display unweighted scatter plots showing the results are entirely driven by observations where the CZ is a substantial portion of the district population (10% or more).[50]

[Figure 3 about here.]

Similarly, Representatives should be more willing to invest effort when the union is more visible, politically relevant, or influential. Panels (c) and (d) show the results are concentrated among large unions (above-median membership). Finally, the incentive to influence investigations should be stronger when the election is more consequential. While the relative "importance" of elections is difficult to observe, a useful proxy is total spending in the election which should be larger in "high-stakes" elections where an important seat is at stake. Panel (e) and (f) of Figure 3 show the discontinuity is much larger in these high-stakes elections (above-median spending).

5.4 Alternative explanations

Union officer indictments are lower when the union-supported candidate narrowly defeats the union-opposed candidate, and Section 5.2 suggests this is causal. I interpret this as political influence over union investigations, and Section 5.3 suggests this is reasonable. Here, I argue against several alternative interpretations.

First, it is unlikely that the results are driven by changes in criminal behavior. Many indictments are for embezzlement occurring over a several year period. Moreover, I find *lower* indictment rates when the union-allied Representative wins. If having a friend in office affords any protection at all, then this is the opposite of what deterrence would predict for criminal behavior. Instead of deterrence, changes in criminal behavior could come from Representatives channeling pro-union pork-barrel spending to their supporters. If this pork increased opportunities to embezzle, then it also predicts the opposite of what I find. Embezzlement might, instead, substitute for pork, but evidence suggests not. This would imply embezzlement would be more common when the union is struggling, and the modest pre-indictment trends in membership and dues collected suggest embezzlement occurs when the union is growing.[51] In any case, most union-supported candidates are Democrats, and Republicans controlled the House for most of my period, so pork is unlikely (Albouy, 2013).

[50]Note that my baseline results weight by this variable (the share of the district population in the CZ). Table C4 (and Figure C8) show the discontinuity is significant ($p < .05$) for the full, unweighted sample, as well.

[51]The difference-in-difference analysis in Section 7.1 uses Union-CZ-specific linear trends to account for these.

Second, instead of political pressure, union-opposed Representatives might provide more information to the investigator than union-supported Representatives. This, too, is unlikely. Politicians can provide information to OLMS regardless of whether they win or lose, and given how often Congressional election losers re-challenge the incumbent, they have every incentive to do so. An information-based interpretation is also suspect because many cases are fairly small (the median case has $20,000 embezzled). If large cases are more likely to be carried out by local political power-brokers (so Representatives would have more knowledge of these), then the discontinuity should be larger for these cases; I find no such evidence. Rather than Representatives themselves, information could come from members and be reported to Representatives, but OLMS goes to great lengths to make its work known to union members, so I consider this unlikely. This would also imply smaller effects in CZ's where OLMS has an office (since the costs of members reporting to OLMS are the lowest there), and I find no such evidence.

Third, OLMS refers cases to federal prosecutors, who choose whether to accept and prosecute them. These prosecutors are appointed by the president (typically for four-year terms beginning the year after a presidential election), but anecdotally, members of Congress have influence over appointments. Rather than political pressure, it may that the union-supported candidate's win leads to an appointed prosecutor who is less enthusiastic about union embezzlement cases. This is unlikely to explain my findings. Federal prosecutors accept 80% of cases, and if they reject, OLMS can take it to state authorities and these cases are still in my data. Moreover, in Figure C10, I find that OLMS audits respond to election outcomes, suggesting the agency plays some role (though even conditioning on audits, indictments still respond to election outcomes).[52] I also find conviction effects that are nearly identical to indictment effects (Table C11). If the bias was driven by prosecutors, conviction effects would likely be larger than indictment effects. In Figure C9, I show that election outcomes only begin to affect indictments after one year. This is more consistent with bias in investigations (which take time to put together) than in prosecutions (which would manifest instantly). Finally, I find no evidence that the effect of election outcomes differs in years where prosecutors are appointed.

Together, this evidence supports my preferred interpretation: the political bias in prosecutions arises because of Congressional pressure to undermine political opponents and protect supporters. In the next section, I ask why such political pressures persist.

[52]Also seen in Figure C10. The OLMS investigative process has many points of discretion and I do not believe political influence would *only* affect indictments through audits. Informal discussions suggest roughly one third of cases begin through audits.

6 Mutual beneift

Anecdotal evidence suggests OLMS has a long history of being politicized. Why does this persist? In this section, I present two types of evidence suggesting that *both* union-supported and union-opposed Representatives benefit from being able to pressure the agency.

6.1 Commuting zones where mutual benefit is not possible

In principle, politically biased indictments can benefit union-supported Representatives by shielding their supporters and union-opposed Representatives by undermining their opponents. What if the reallocation is not mutually beneficial? I answer this by focusing on cases where a single commuting zone includes multiple districts and a union contributes to three or more of those (for reasons discussed shortly). I test whether there is any effect of an election win vs. loss in one district when Representatives in the other districts are split regardless.

If a CZ has both union-supported and union-opposed Representatives, these Representatives have opposing objectives for OLMS: the union-supported Representatives want fewer investigations in the area and the union-opposed Representatives want more. No reallocation can be mutually beneficial. If mutual benefits are important, it would suggest that the elections that have the biggest effect on indictments are those that are "pivotal" in that they either determine whether the CZ is entirely pro-union or they determine whether it is entirely anti-union (since these are the two cases where mutual benefit is possible). I estimate the regression discontinuity, equation (1), for different subsamples defined by outcomes in *other* simultaneous close elections. I use this to test whether a marginal win has a different effect on indictments when it is in a pivotal election.[53]

Table 5 contains the results. To compare piovtal and non-pivotal elections, it is necessary to focus on cases where a union contributed to three or more close elections in the same CZ, since at least two *other* elections are necessary for a Union-CZ's outcomes to be split in them.[54]

[53]It might be the case that union-supported/union-opposed Representatives matter even if their election was not close. I tested for this by looking for heterogeneity depending on outcomes of other elections (irrespective of closeness). Because many Union-CZ's contribute to landslide election winners, this reduces the size of the "lost all" sample (used in Column 2), shifting many to the "split outcomes" sample (used in Column 4). Estimates are qualitatively similar, but less precise and less robust to sensible specification changes. I interpret this as evidence that the only winners that matter are those who won close elections, and that using a noisy but correlated measure (winners of all elections) reduces the precision of the test. In my model, Representatives' incentive to interfere with investigations is larger when they won a close election, since the next election is likely to be close and union influence will matter more. Empirically, election closeness is fairly persistent (the within-district autocorrelation in winner's vote share is .68), so those elected in landslide elections may not have a reason to care about union indictments.

[54]A Union-CZ that only contributes to one or two close elections can never have split outcomes in *other* districts, so elections are always pivotal. This sample also yield a statistically significant negative discontinuity (results available upon request).

Because this is a relatively small sample, I improve precision by using the indictment count and restricting to cases where the CZ is a significant share of the district population.[55] Column 1 estimates the effects of one type of pivotal election: Those where union-supported candidates *won* all other close elections in the CZ during the same year. Elections like these are pivotal since if the union-supported candidate wins this election as well, OLMS can mutually benefit all local Representatives by decreasing investigations and indictments. In these pivotal elections, a win has a large (though non-significant) effect, lowering the expected number of indictments by .096 per Union-CZ. Column 2 focuses on the other set of pivotal elections (those where the union *lost* all its other close elections in the CZ) and shows a similar result (large, negative, and non-significant).

[Table 5 about here.]

Column 3 pools the samples from Columns 1 and 2 to estimate the effect of election outcomes for the full sample of pivotal elections. The discontintuity is large and statistically significant ($p < .05$), suggesting that narrowly winning a pivotal election reduces the expected number of indictments by .077, or one indictment per 13 unions. Column 4 focuses on the complement of this sample: the set of non-pivotal elections. No matter the outcome of these elections, OLMS will not be able to mutually benefit all local Representatives.[56] The effect of these election outcomes is small (less than half the size of Column 3) and not significantly different from zero. Importantly, the Column 4 sample size is bigger, and the standard error smaller, than in Column 3. Thus, Column 4 is not simply underpowered to detect an effect. Rather, pivotal elections have a significantly ($p = .057$) different effect than non-pivotal ones.

One concern is that unions, elections, or commuting zones that appear in the pivotal election sample might be different in other ways from those in the non-pivotal sample. Appendix Table C15 tests for differences in a number of characteristics, and finds most are small and not statistically significant. When there are differences, they are exactly as would be expected: the non-pivotal sample has slightly larger unions which are in CZ's with more Congressional districts and therefore contributed to more races (a Union-CZ that "flips more coins" is more likely to have split outcomes). In general, these characteristics imply a *larger* (more negative) discontinuity (Section 5.3), whereas Table 5 finds a *smaller* discontinuity in non-pivotal elections. I estimate the probability of being a pivotal district using these three characteristics and

[55]The results are similar, but less precise and conclusive, without the population restriction and using a binary indictment indicator. Table C11 shows my main specification using the indictment count as the dependent variable, and Figure 3 and Table C4 show that the results are concentrated where the CZ is 10% or more of the district population (the threshold I use here).

[56]Note that these Union-CZ-elections are the cases described in Section 4 where the same Union-CZ appears on both sides of the discontinuity and so are excluded from my main sample.

reweight both the pivotal and non-pivotal samples by propensity scores. After reweighting the samples, Columns 5 and 6 show an even larger and more significant ($p = .044$) difference in discontinuities between pivotal and non-pivotal elections.

In conclusion, indictments only respond to election outcomes that are pivotal in determining whether a political bias can be mutually beneficial. In the next section, I further test for the importance of mutual benefits by decomposing the discontinuity into two components.

6.2 Benefits to union-supported and union-opposed candidates

The RD in Section 5 shows there are fewer indictments under a union-supported Representative (a union-friend) than a union-opposed one (a union-enemy). This gap includes any "protection" the union-friend brings (lowering indictments) and any "aggression" the union-enemy brings (raising indictments). If it is important that both types benefit from the political bias, then both the protection and aggression components would be positive. To test this, I need a "control" group to calculate the counterfactual indictment rate that *would* prevail in the absence of political interference. Above, Section 6.1 shows that unions with split outcomes appear not to experience political interference because OLMS cannot mutually benefit all Representatives. With exogenous variation in whether or not a union has split outcomes, then, these can constitute a control group.[57]

I use Union-CZ's that contributed to two or more close elections (roughly half the sample). Among union-supported candidates in close elections, I calculate the average vote share of winners (v^+_{uct}) and losers (v^-_{uct}).[58] I then study the indictment rate of unions with all winners, those with all losers, and those with split outcomes, as their candidates' vote shares asymptotically approach 50%. For intuition, imagine these unions each flipped two coins (one in each district) and their candidate wins when the coin is heads and loses when it is tails. Then unions with two heads are randomly assigned all winners (the "protection" treatment), unions with two tails are assigned all losers (the "aggression" treatment), and unions with split outcomes give OLMS ambiguous incentives and experience no political interference (they are randomly assigned to "control"). I reproduce this intuition using an RD in the joint outcomes of multiple elections:

$$\begin{aligned} 1\{\text{Any Indictment}\}_{uct} = \alpha + \beta_W \text{AllWins}_{uct} + \beta_L \text{AllLosses}_{uct} \\ + \gamma_1 v^+_{uct} + \gamma_2 v^-_{uct} + \gamma_3(\text{AllWins}_{uct} \times v^+_{uct}) + \gamma_4(\text{AllLosses}_{uct} \times v^-_{uct}) + \varepsilon_{uct} \end{aligned} \tag{2}$$

[57] The sample of unions that did not contribute are a poor control group because they differ in many observable ways (that predict indictments) from the unions that do contribute.

[58] Alternative specifications using only the vote share from the closest election or using only Union-CZ's that contributed to exactly two close elections produce similar point estimates, but they are less precise.

In (2), AllWins_{uct} and AllLosses_{uct} are indicators that the Union-CZ won and lost all of its close elections, respectively. The linear trend away from the 50% threshold is allowed to differ for the sample with split outcomes. The constant term (α) is the probability of indictment for a Union-CZ with split outcomes in very close elections ($v^+_{uct} = v^-_{uct} = 0$ and $\text{AllWins}_{uct} = \text{AllLosses}_{uct} = 0$). This captures the counterfactual indictment rate for a quasi-random control group experiencing split outcomes in very close elections. If union-friends benefit by seeing a lower indictment rate then β_W should be significantly negative, indicating that indictments fall for the sample that won all elections (again for very close elections). Likewise, if union-enemies benefit from more indictments, then β_L should be significantly positive.

Figure 4 gives a graphical depiction of this decomposition. The blue diamonds are the average vote share (v^+_{uct} and v^-_{uct}) and indictment rate for Union-CZ's that did not have split outcomes (they won all or lost all elections). The gray circles are the average vote share for close election candidates supported by Union-CZ's with split outcomes (winning some, losing others). Dots near the 50% threshold (on the x-axis) are dots where all of a Union-CZ's elections were very close. There, Union-CZ's are plausibly exogenously assigned to the three groups (losing all, winning all, and split outcomes). If there is no political influence when reallocations cannot be mutually beneficial (Section 6.1), then the split outcome group's indictment rate at 50% represents the counterfactual indictment rate without such influence. It is clear that this rate is *between* that of all-winning and all-losing Union-CZ's, suggesting both protection and aggression.

[Figure 4 about here.]

The formal results are given in Table 6. The constant in Column 1 shows a 5.5% chance of indictment for a union contributing to multiple very close elections that happened to have split outcomes (large because more politically active unions have higher indictment rates than others, and these unions gave to at least two close elections). For Union-CZ's with similarly close vote shares, those that barely won all close elections have a .067 lower probability of indictment ($p < .01$), virtually eliminating the risk of indictment (not statistically different from -.055). Those that narrowly lost all elections have an indictment rate that is .038 (or 70%) higher than those with split outcomes ($p < .10$). Thus, both union-supported and union-opposed Representatives benefit from political bias in equilibrium.

[Table 6 about here.]

The results in Table 6 also allow for a decomposition of the total political bias (defined as the difference between barely winning all and barely losing all) into protection and aggression. The share of the total discontinuity that is due to protection is simply the effect of winning divided

by the total effect: $|\beta_W|/\big(|\beta_W|+|\beta_L|\big)$. The lower panel shows that 64% of the discontinuity is protection, and I can reject the null that there is no protection ($p < .01$) and that there is no aggression ($p < .05$), confirming the bias is mutually beneficial. I cannot reject the null that the discontinuity is equal parts protection and aggression.

Columns 2 and 3 of Table 6 replicate this decomposition separately for the George W. Bush and Barack Obama administrations. For both, there is a large discontinuity (9.5 and 12.3 percentage points, respectively). The point estimates suggest the protection share of the discontinuity is slightly smaller during the Bush Administration (58%) and slightly larger during the Obama Administration (78%), consistent with OLMS (an executive agency) sympathizing with its co-partisans, but the estimates are not significantly different from each other or from 50%. In conclusion, I find evidence for both aggression and protection effects, confirming that the equilibrium discontinuity benefits both pro- and anti-union Representatives.

7 Discussion

7.1 Effects of indictments

I have shown that indictment of union officers exhibit a political bias. To understand how important this bias is, it is helpful to know the effects of indictments. Here, I estimate the effect of indictments on union resources, political activity, and votes for the union-supported party. I use an event study specification:[59]

$$Y_{uct} = \alpha_{uc} + \delta_t + \gamma_{uc}t + \sum_{\tau \neq -1} \beta_\tau Indict_{uc,t-\tau} + \varepsilon_{uct} \tag{3}$$

In (3), α_{uc} is a Union-CZ fixed effect (for vote share, I use Union-district instead), δ_t is a year effect, and $\gamma_{uc}t$ is a Union-CZ specific time trend. The β coefficients trace the level of the outcome Y (discussed below), relative to other Union-CZ's, during the years before and after the indictment.[60] Regression results are given in Appendix Table C13; here I graphically show coefficient estimates and confidence intervals.

Figure 5 shows indictments reduce union resources (membership) and political activity (cam-

[59]One could instrument for indictments using close election outcomes. But election outcomes might not be a relevant instrument – my t-statistics are around 3 (F-statistic: 9), short of conventional standards to avoid weak instruments – or a valid one – political representation may affect public attitudes in more ways than through indictments (Campbell, 2012; Carlsson, Dahl, and Rooth, 2015; Lenz, 2012).

[60]For ease of interpretation, I 1) use only the Union-CZ's first indictment, and 2) normalize all dependent variables by the Union-CZ specific mean. This means coefficients can be interpreted as percent changes, but unlike taking the log, zeros need not be excluded. I also restrict to the sample ever experiencing an indictment. Empirically, restricting the sample and including Union-CZ trends both help address pre-trends.

paign contributions).[61] These effects are large – an indictment reduces membership by 17% over the next four years and Congressional campaign contributions by 47% over the next three elections.[62] In Table C13, I show that indictments also reduce dues collected and the number of local affiliates.[63] I also show contribution reductions are even larger for close elections, with the effect on total contributions somewhat offset by *increased* contributions to landslide winners.

[Figure 5 about here.]

In light of evidence that unions affect elections (Ahlquist, 2016; Feigenbaum, 2015; Flavin and Hartney, 2015; Stanfield and Tumarkin, 2015), these effects on union resources and political activity are meaningful and Representatives have good cause to take them seriously (either as a harm or a benefit). Directly estimating the electoral effects of indictments is difficult since I have already shown that indictments are endogenous with respect to electoral outcomes. Nonetheless, I use the event study in (3) to estimate effects on union-supported candidates' vote share. For each Union-district, I identify the union-supported party in the election immediately preceding the indictment and calculate that party's vote share in contested elections before and after the indictment.[64] Figure 6 shows the results. Panel (a) shows the union-supported party loses 2% of the vote and Panel (b) shows the union-supported party's win probability falls by 8 percentage points (both over the next three elections). In sum, these indictments are meaningful for unions. They decrease membership, financial resources, local presence, and campaign activity, and as a result, they have political ramifications. I next turn to interpreting the magnitudes of these political effects.

[Figure 6 about here.]

7.2 Interpreting magnitudes

Above, I show an indictment reduces the union-supported party's next-period vote share by 1.3 percentage points and its win probability by 5.3 percentage points. These are large effects.

[61] The decline in campaign contributions suggests they are complementary to a good reputation. This mirrors results from corporate contributions (McDonnell and Werner, 2016), and is consistent with findings in Feigenbaum (2015) that membership increases raise contributions.

[62] There is some evidence of pre-trends outcomes I consider. This is unsurprising; I have already shown that indictments are endogenous. The modest pre-trends suggest unions were getting stronger and union-supported candidates doing better before the indictments, and this progress was dramatically reversed. There is no evidence that the post-indictment changes were a continuation of a secular decline.

[63] There is suggestive evidence of a reduction in new unionizations, as well, though the effects are not statistically significant. This may be because unionization elections are not particularly common or because NLRB election data is only available 2000-2009.

[64] As shown in Table C13, the effects are somewhat larger when including non-contested elections, but the pre-trends are larger as well.

Lee (2008) estimates the incumbency advantage to be 7.7% of the vote, or an increase in the win probability by 35.8 percentage points. I can combine my RD estimate of the discontinuity (which suggests an indictment is manipulated in roughly one out of three close elections) with these difference-in-difference estimates of the effects of indictments to calculate that politically biased union officer indictments explain 5% of Lee's estimated incumbency advantage.[65]

By protecting Representatives' union supporters and undermining union opponents, the political bias in indictments protects Representatives from political competition. What might this imply for policy and, thereby, aggregate welfare? To answer, this, Table 7 presents the results of several recent studies using a variety of empirical strategies to estimate the causal effect of political competition (measured as the winner's vote share) on legislative behavior. For each, I calculate the implied effect of a two percentage point reduction in competition (the long-run effect of one indictment). The results are drawn from a range of countries and offices and should not be taken literally. Nonetheless, they suggest the variety of outcomes and rough magnitudes at stake. The reduced competition implies a decrease in candidate quality (the share with prior political experience falls by 10 percentage points) and effort (absence rises by 3 percentage points), higher taxes and lower growth (between a 1% and 6% decrease in income), and more politician rent capture (16% higher outside earnings, 4% more special interest concessions, and 3% more public funding for political parties).

[Table 7 about here.]

Again, the results are drawn from various countries and offices and should not be taken literally. They do, however, illustrate that modest effects on political competition can be important. The first order welfare implications, then, are likely in how political biased union officer indictments undermine healthy, competitive elections and subsequent policy.

7.3 Policy implications

I have shown that Congressional Representatives pressure OLMS to strategically target investigations of politically influential labor unions, distorting both the legal and political systems and protecting incumbents from electoral challenge. How might policy address this political bias? There are two main possibilities: laws constraining Representatives' behavior or reforms to the design of the agency. Here, I discuss some evidence on each.

Constraints on Representatives' behavior will only be effective if the political bias arises from behavior that is illegal or can be made illegal. In support of this approach Table C12 divides states into above and below median corruption (measured using federal convictions for

[65] $(1.3/3)/7.7 = .056$, $(5.3/3)/35.8 = .049$

corruption-related crime (Glaeser and Saks, 2006)). The results suggest the discontinuity is larger in states with higher corruption, though the difference is not significant and somewhat dependent on the specification. One concern is that state-level corruption may be endogenous to biased union officer indictments. I draw upon evidence from Campante and Do (2014) that corruption is higher in states with more isolated capital cities, potentially because there is less media scrutiny of government.[66] Dividing states, instead, by above and below median capital city isolation yields the same conclusion, though now more robust to changes in specification (both sets of plots are shown in Figure C11). This suggests that the bias may arise from illegal behavior, so efforts to curb corruption might de-politicize union investigations.

On the other hand, Congressional Representatives have wide-ranging powers and it is impractical to imagine constraining all of them. In Appendix A, I model the strategic interactions of an intrinsically motivated investigating agency (with no political objectives of its own) and politicians with reelection incentives. In my model, politicians cannot engage in illegal activity, but can only affect the investigator by exerting costly effort to negotiate its budget (which the agency cares about because it allows it to conduct more investigations). In the model, I show the agency is strictly better off by reallocating its investigative resources to increase indictments in union-enemies' districts and decreasing them in union-friends' districts, because it creates a surplus for politicians that they can transfer back to it through its budget.

Empirically, I focus on a 2007 House budget amendment that isolates OLMS funding, and Table C14 shows that Representatives with a union-supporter indicted are less likely to vote to increase the budget, and those with a union-opponent indicted are more likely (Figure C12 gives a flexible representation of the data). This correlation is not causal (indeed, in the model it could reflect politicians punishing and rewarding OLMS for its indictments, or OLMS punishing and rewarding politicians for their votes), but it is not explained by party or standard measures of ideology. This suggests that Representatives' powers enable them to punish and reward OLMS for its actions, consistent with the examples given in Section 2. Since it is not conceivable for laws to restrict the conditions under which Representatives can vote for or against a budget amendment (or other legislative punishments and rewards for OLMS), this casts doubt the efficacy of constraints to eliminate this political bias.

An alternative approach to reducing this political bias would be to adjust the design of the agency. Selin (2015) provides a recent review of how design features affect agency independence. She also collects data on a range of structural characteristics of agencies, and assesses how these factors affect independence. Of the 345 federal agencies in the Selin data, OLMS has quite low independence from political influence,[67] highlighting that many structural reforms could

[66]The authors explore a number of alternative explanations, potential confounders, and an instrumental variable strategy based on geography. The results suggest this relationship is causal.

[67]Selin (2015) considers two dimensions of independence: the determination of key decision makers and

insulate the agency from political pressure.

Alternatively, reforms in agency procedures might reduce political influence. At the end of my main sample, OLMS Director John Lund implemented a series of reforms to reduce discretion in the case process. These included regression-based methods for identifying unions with high risk of fraud (based on financial data) and targeting investigative resources accordingly, and an improved system to monitor why investigators in District offices chose to open particular cases. While it is beyond the scope of this paper to evaluate these initiatives, it is plausible that they will reduce politically biased indictments in the future.

8 Conclusion

I have shown that union officer indictments fall as a causal effect of their supported candidate beating her opponent. These indictments matter for unions and their ability to influence politics, so reduced indictments can help union-supported Representatives win reelection and increased indictments can help union-opposed Representatives. In cities where Representatives are divided and provide the investigator ambiguous incentives, elections do not affect indictments. Building on this, I decompose the full discontinuity, finding that it includes both reductions for winners' supporters and increases for winners' opponents.

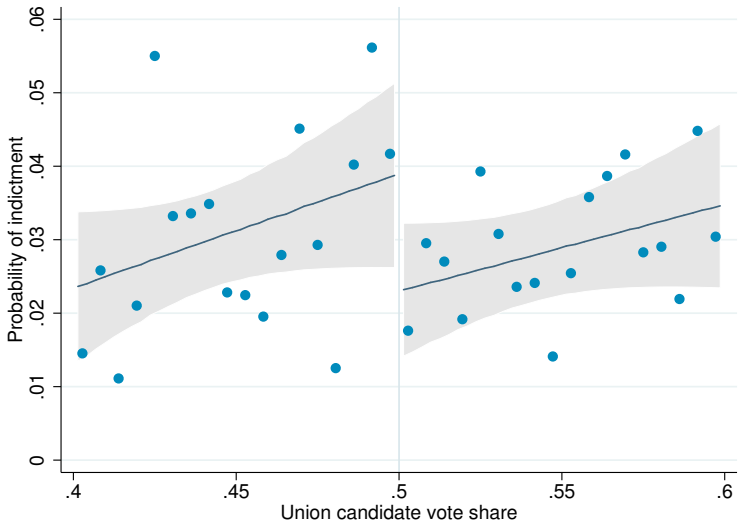
These results show that politicians use their powers to pressure bureaucracies to enforce laws in ways that reduce electoral competition and make them more difficult to challenge, behavior with potentially large effects on policy and rent capture. This has important implications for the design of political and bureaucratic institutions. Influencing union investigations is likely easier because they are mostly concentrated in a single, relatively obscure agency that is only responsible for such investigations. These risks should be taken into account when developing rules for political oversight of bureaucracies, determining a bureaucracy's responsibilities, and deciding the appropriate discretion in implementing politically contentious policies.

review of agency policies. Her estimates place OLMS at the 21^{st} percentile of decision maker independence (OLMS score: -.77; minimum across agencies: -.85, mean: 0, SD: .93) and the 45^{th} percentile of independence from policy review (OLMS score: -.44; minimum across agencies: -.99, mean: 0, SD: .86). Averaging the two latent factors, her estimates place OLMS at the 22^{nd} percentile of independence.

Figure 1: Union political and labor market relevance

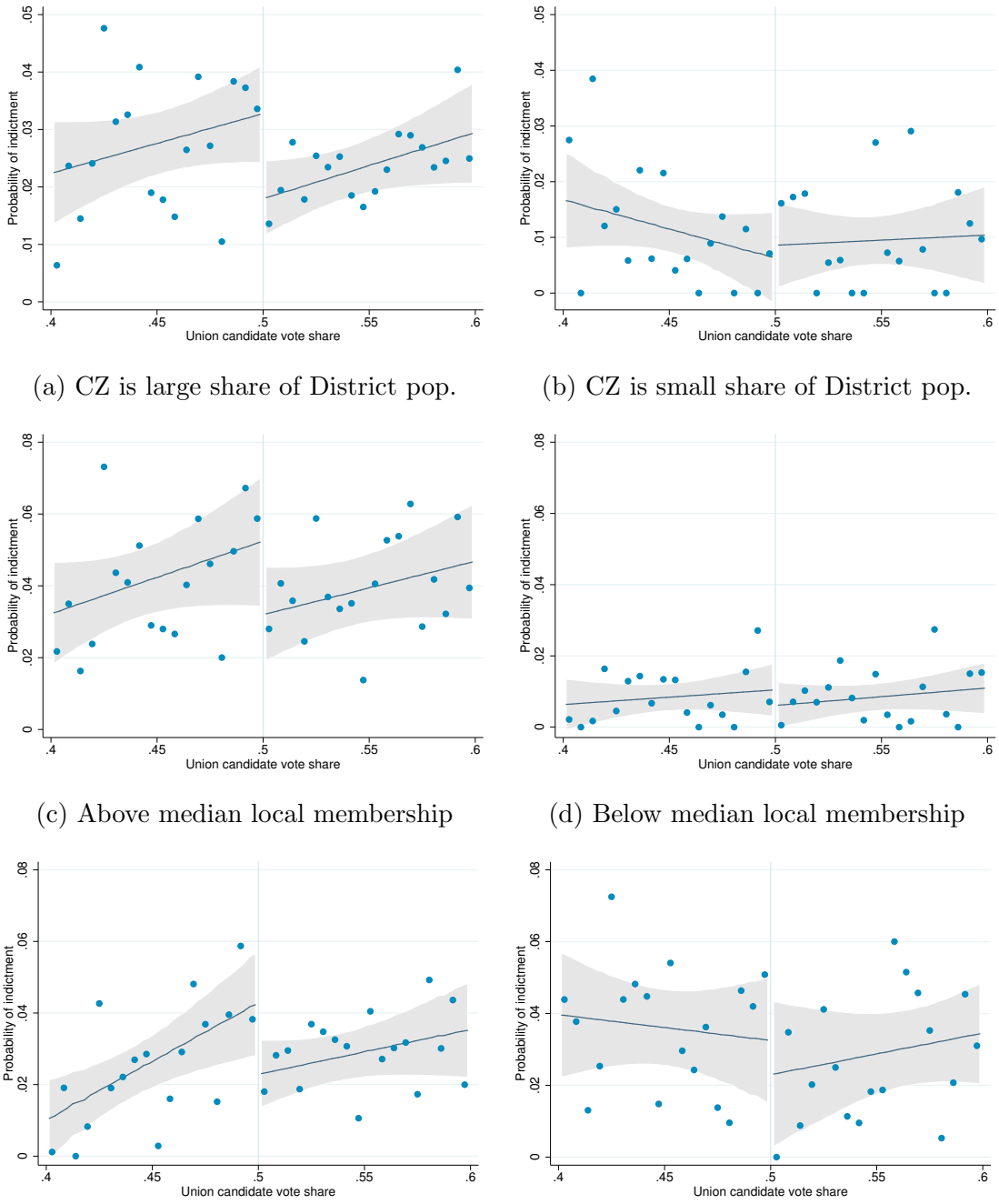
Source: Author's calculations based on DIME contribution data (Bonica, 2013) and Hirsch and Macpherson (2003) union membership data. Contributions are summed to the four-year political cycle to smooth over fluctuations between years with and without a Presidential election. Over the period, total federal contributions (from all sources) increased by 250%, slightly less than the union increase.

Figure 2: Election outcomes and indictments



Binned scatter plot. Fitted values and confidence intervals are based on Table 3 Panel A Column 1. "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote.

Figure 3: Heterogeneity in political relevance



(a) CZ is large share of District pop.

(b) CZ is small share of District pop.

(c) Above median local membership

(d) Below median local membership

(e) High-stakes elections

(f) Low-stakes elections

Binned scatter plot. Fitted values and confidence intervals are based on Table C4 Columns 3 and 4 (Panels (a) and (b)) and Table C9 Columns 1 and 2 (Panels (c) and (d)) and Columns 5 and 6 (Panels (e) and (f)). Panels (c)-(f) are based on above-/below-median splits. "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote. CZ is Commuting Zone. High-/Low-stakes elections based on total spending in race. Threshold used for CZ being "large" share of District population is 10%.

Figure 4: Separating the effects of union-friends and union-enemies

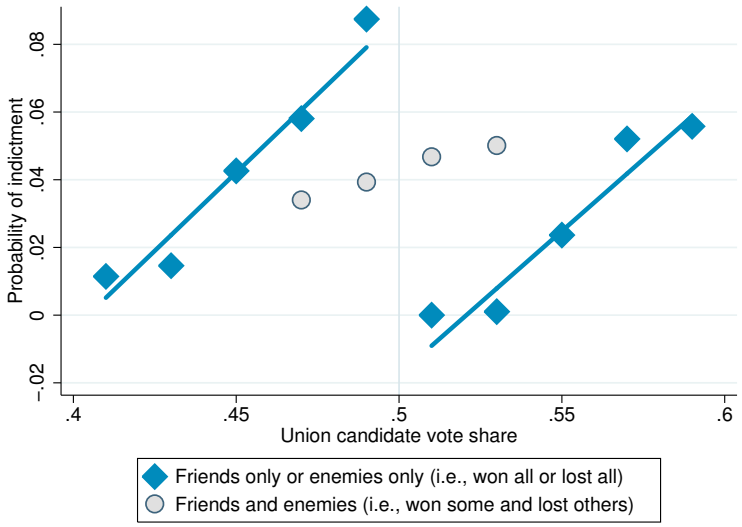
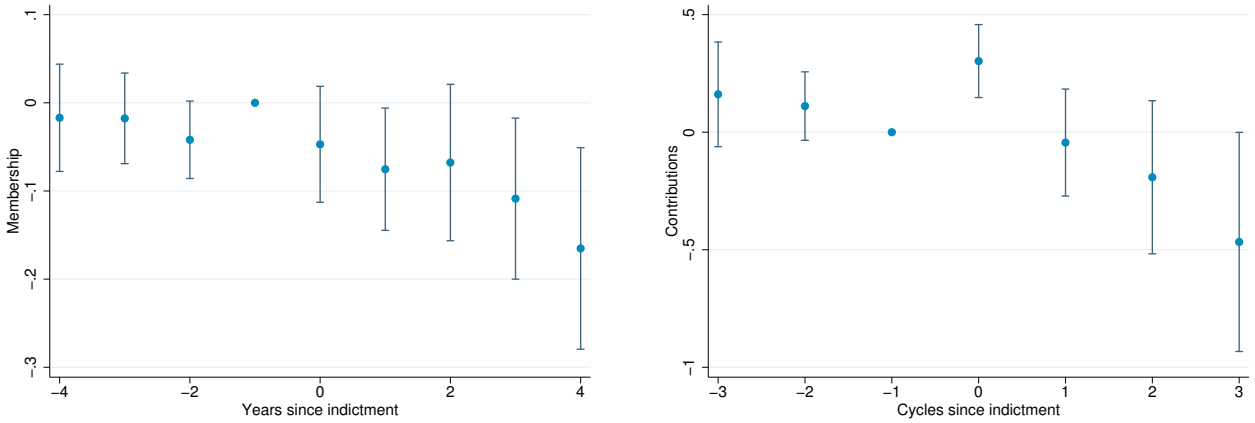


Figure based on 4,673 Union-CZ's that contributed to two or more close elections (where the winner received 60% or less of the vote); see Table 6 for statistical results. For each Union-CZ, I calculate the average vote share received by union-supported candidates in close elections. The blue diamonds are based on bins for Union-CZ's for which all union-supported candidates in close elections won or all lost (lines are the corresponding regression discontinuity estimate). Gray circles are bins for Union-CZ's for which some union-supported candidates won close elections and some lost close elections.

Figure 5: The effect of an indictments on unions

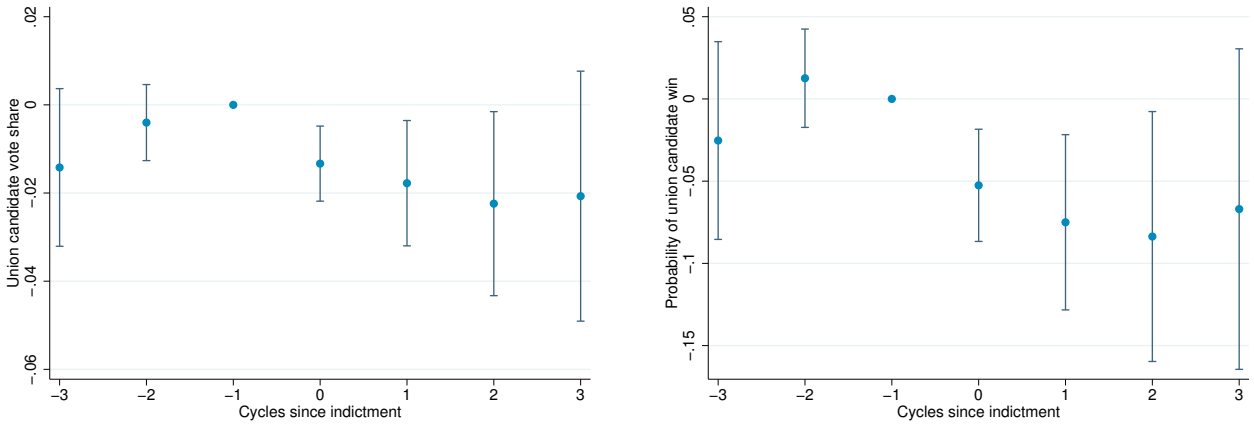


(a) Membership effects

(b) Campaign contribution effects

Event study estimates of membership and contributions before and after a Union-CZ's first indictment. Both variables normalized by Union-CZ mean, and estimates include year effects and Union-CZ-specific trends. See Table C13 Columns 1 and 4 for estimates, and (3) for the estimating equation. CZ is Commuting Zone.

Figure 6: The effect of an indictments on elections



(a) Union-supported party vote share

(b) Union-supported party win probability

Event study coefficients. A unit of observation is a Union-district. Election "0" corresponds to the first election after the indictment. "Union candidate vote share" is the vote share in the district that went to the party the union supported in the election immediately preceding its indictment (union candidate win probability is similarly defined). See Table C13 Columns 8 and 9 for estimates, and (3) for the estimating equation.

Table 1: Summary statistics

	No union contributions	Contributions, no close elections	Contributions, close elections
	Panel A: Union characteristics		
Annual membership	1.1	107	166
(in thousands)	(7.2)	(273)	(284)
Annual receipts	.75	5.0	108
(in millions)	(7.4)	(7.3)	(199)
Number of locals	2.1	16.5	282
	(10)	(41)	(422)
Number of commuting	1.7	8.6	109
zones	(5.7)	(20)	(125)
Share of CZ's with		.242	.571
contributions		(.142)	(.319)
Share of districts with contrib.		.274	.463
(conditional on giving within CZ)		(.171)	(.189)
Indictments per cycle	.009	.061	1.82
	(.062)	(.162)	(2.84)
Share of CZ-cycles	.005	.001	.014
with indictment	(.037)	(.002)	(.024)
Ever indicted	.03	.14	.68
N of Union-CZ-cycles	12,396	38,523	19,067
N of unions	1,314	7	75
	Panel B: Election characteristics		
Democratic incumbent	.09	.59	.41
Democrat wins	.04	.58	.43
1+ union donates to Dem.		.79	.97
Dem. share of contribs.		.73	.88
All unions agree		.87	.61
Union contributions		69.9	135
(in thousands)		(64.5)	(115)
Union contributions		.080	.046
(as share of total)		(.08)	(.039)
N of elections	281	2,010	754
N of districts	3	163	293
	Panel C: Commuting zone (CZ) characteristics		
2000 Population (in thousands)	28.4	143	1,404
Congressional Districts	1.1	1.3	2.3
N	37	58	605

"Close elections" are those where the winner receives less than 60 percent of the vote.

Table 2: Contribution behavior of politically active Union-CZ's

	(1)	(2)	(3)
Democratic vote share:	<40%	40%-60%	>60%
Share where Union			
gives to Democrat	.094	.844	.70
gives to Republican	.117	.051	0
does not contribute	.789	.105	.30
Average number	1.93	1.70	2.78

Cells show the probability a union contributes to Democrat, Republican, or not at all, conditional on contributing to at least one close election in the CZ during the cycle (thus being in my main sample), separately by Democratic vote share.

Table 3: Main results

$DV: 1\{Indictment\}$	(1)	(2)	(3)	(4)	(5)	(6)
	Panel A: Linear					
Union cand. wins	-0.016**	-0.013**	-0.018**	-0.017**	-0.022	-0.018
	(0.007)	(0.006)	(0.009)	(0.008)	(0.015)	(0.013)
DV Mean	0.030	0.030	0.029	0.029	0.032	0.032
R^2	0.001	0.024	0.002	0.025	0.003	0.042
N	20688	20549	10264	10201	3989	3961
N of Union-CZ's	6153	6129	4808	4772	2882	2861
N of elections	620	615	289	287	117	116
	Panel B: Quadratic					
Union cand. wins	-0.018*	-0.012	-0.028**	-0.026**	-0.023	-0.030*
	(0.009)	(0.008)	(0.013)	(0.011)	(0.015)	(0.016)
DV Mean	0.030	0.030	0.029	0.029	0.032	0.032
R^2	0.001	0.024	0.002	0.025	0.004	0.043
N	20688	20549	10264	10201	3989	3961
N of Union-CZ's	6153	6129	4808	4772	2882	2861
N of elections	620	615	289	287	117	116
Range	[.40, .60]		[.45, .55]		[.48, .52]	
Controls	No	Yes	No	Yes	No	Yes

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, shown in parentheses. Controls: lagged membership, log amount of contribution, number of CD's in the CZ, share of the district voting Republican in previous presidential election, party of union-supported candidate, incumbency of union-supported candidate, log of total spending in the election, number of races the Union-CZ contributed to, and fixed effects for year and the number of close elections the Union-CZ contributed to. Estimates based on main sample (see text).

Table 4: Share of polling and union contributions by days until election

	(1)	(2)	(3)
Percent within	All polls	First poll	First contribution
14 days	32%	14%	3.3%
30 days	69	53	6.8
60 days	87	77	14
90 days	93	90	17
180 days	97	94	29
365 days	100	100	49

Table shows the distribution of days before the election for polling and each unions' first contribution to a candidate (i.e., the contribution which establishes "union support").

Table 5: The importance of mutual benefits

DV : Indict. count	(1)	(2)	(3)	(4)	(5)	(6)
	Pivotal	Pivotal	Pivotal	Non-pivotal	Pivotal	Non-pivotal
Other close elect. outcomes	Won all	Lost all	Won all or lost all	Won some, lost some	Won all or lost all	Won some, lost some
Union cand. wins	-0.096	-0.050	-0.077**	0.037	-0.081**	0.050
	(0.066)	(0.039)	(0.037)	(0.032)	(0.038)	(0.036)
p for H_0: $\beta_{piv} = \beta_{non}$			0.057		0.044	
DV Mean	0.072	0.063	0.068	0.068	0.063	0.070
R^2	0.003	0.006	0.003	0.001	0.004	0.001
N	1144	789	1933	2391	1933	2391
N of union-CZ's	525	355	738	681	738	681
N of Districts	104	72	124	121	124	121
Weights	None	None	None	None	Pr(Pivotal)	Pr(Pivotal)

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. "Pivotal" indicates the given election outcome either determines whether the CZ is represented by all pro-union or determines whether it is all anti-union Representatives. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. All specifications based on linear polynomials using elections in which the union candidate received 40-60 percent of the two-party vote ("close elections" in other districts is defined analogously). All conditioning is based on the outcomes of *other* close elections in the CZ that the union contributed to, and these outcomes are continuous across the 50% threshold in the current election. Sample restricted to cases where the CZ makes up 10% or more of the district population, and the Union-CZ contributes to three or more close elections in the district. Columns 5 and 6 use propensity scores weights based on the probability of being pivotal, estimated using the three significant characteristics given in Table C15.

Table 6: Decomposing Aggression and Protection

	(1)	(2)	(3)
	Coefficient estimates		
Constant	.055***	.036**	.077***
	(.012)	(.016)	(.022)
All Union cand.'s win	-.067***	-.054**	-.096**
	(.018)	(.024)	(.027)
All Union cand.'s lose	.038*	.040	.028
	(.027)	(.037)	(.045)
Sample:	Full	Bush	Obama
N	4,673	2,359	2,314
	Hypothesis testing		
Discontinuity	-.106***	-.095**	-.123***
	(.029)	(.038)	(.043)
Protection share	.635	.576	.776
	(.182)	(.274)	(.307)
p for H_0: No protection	.000	.036	.012
p for H_0: No aggression	.045	.122	.466
p for H_0: 50/50 prot./agg.	.458	.781	.369

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-cycle. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. Standard errors of protection share calculated by delta method. Sample based on unions contributing to two or more elections in the 40-60 percentage point range (close elections). Thus, the constant reflects the indictment rate of Union-CZ's with both a win and a loss. See (2) for estimating equation.

Table 7: Implied effects of political interference

Study	Setting	Outcome	Effect of indictment manipulation
Galasso and Nannicini (2011)	Italian Parliament	Entrant has political experience	9.6 pp. decrease
Bernecker (2014)	German Parliament	Absence rate	2.8 pp. increase
Besley, Persson, and Sturm (2010)	US States (average of all elections)	Tax revenue as share of income Income per capita	11.7% increase 1% decrease
Padovano and Ricciuti (2009)	Italian Municipalities	Income per capita	6% decrease
Becker, Peichl, and Rincke (2009)	German Parliament	Outside earnings	16% increase
Solé-Ollé and Viladecans-Marsal (2012)	Spanish Municipalities	Land development concessions to special interests	4.1% of a standard deviation increase
Svaleryd and Vlachos (2009)	Swedish Municipalities	Public funding for political parties Politician's wage	2.8% increase 0.8% increase

As shown in Table C13 and Figure 6, an indictment reduces union candidate's subsequent vote share by 2 percentage points. Table displays calculations of policy effects based on applying this effect to from a sample of studies of political competition that use winners' share of the vote. "pp." denotes percentage point. The 11.7% increase in "tax revenue as a share of income" is a percent, not percentage point, increase (off of a base of 5.7%).

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A Theory

Here, I develop a model of strategic interaction between unions, Representatives, and OLMS to explore that question. The model primarily focuses on the key strategic tension: the investigators and the Representatives. The investigators are intrinsically motivated to maximize indictments, and have no political objectives of their own. Representatives, however, have reelection incentives and recognize that indictments affect the ability of unions to campaign for or against them in the future.

The model yields two main insights. First, a political bias in OLMS indictments (skewed towards districts represented by union-enemies and away from those of union-friends) creates a surplus because both types of Representatives benefit. Union-friends want fewer investigations, and union-enemies want more. Second, because Representatives set the budget, they can transfer part of the surplus created by the bias back to the investigator. Thus, even an intrinsically motivated investigator will be willing to trade off indictments in one district for more indictments in another.

These insights are formalized below. Throughout the model, with few exceptions, Greek letters are used for exogenous parameters, lower case letters are used for choice variables, and upper case letters are used for equilibrium outcomes.

A.1 Environment

A.1.1 Voters

Each election has two candidates: H and L (for high and low policy positions; explained below). Each district has a single measure of voters made up of three types.

There is a share ϕ_P of predictable voters. These voters may vote on the basis of policy positions, incumbency status, candidate quality, etc., but their positions are perfectly predictable and cannot be influenced by campaign spending.[68] A share $\xi_H \in [0, 1]$ will vote for candidate H.

There is a share ϕ_I of impressionable voters who can be persuaded by campaign activities. Let ω_J be the total campaign support (including contributions) for candidate J from non-union sources. This support will be determined outside of the model. Let c_J be endogenously determined union campaign support for J. Then the share of impressionable voters who will vote for candidate H will be $(\omega_H + c_H)/(\omega_H + c_H + \omega_L + c_L)$, the standard contest function commonly used in the literature.

[68] These are sometimes called policy-oriented voters or informed voters.

There is a share ϕ_R of completely random voters, whose views cannot be predicted or influenced. A share $u \sim U[0,1]$ of these voters will vote for candidate L (and $1-u$ vote for H).

Thus, the total of votes cast for H will be:

$$v_H = \phi_P \xi_H + \phi_I \left(\frac{\omega_H + c_H}{\omega_H + c_H + \omega_L + c_L} \right) + \phi_R (1-u)$$

and the probability H wins can be written as $Pr(H \text{ wins}) = Pr(v_H - v_L > 0)$.

Because of the uniform distribution $\big(Pr(u < x) = x\big)$, this probability denoted V_H can be rewritten as:

$$V_H \equiv Pr(H \text{ wins}) = \frac{1}{2} + \alpha + \beta \left(\frac{\omega_H + c_H - \omega_L - c_L}{\omega_H + c_H + \omega_L + c_L} \right) \tag{4}$$

where $\alpha = \frac{\phi_P}{2\phi_R}(2\xi_H - 1)$ is the predictable voters' *net* bias towards H (which may be negative),[69] $\beta = \frac{\phi_I}{2\phi_R}$ is the importance of impressionable voters, and $\frac{\omega_H + c_H - \omega_L - c_L}{\omega_H + c_H + \omega_L + c_L}$ is the normalized campaigning advantage of candidate H.

Equation (4) shows that the probability candidate H wins is affine in his or her normalized campaigning advantage. Figure A1 shows this is a reasonable approximation of the data. Restricting to Congressional elections 2000-2012 with incumbent spending between 10% and 90% of the total, the figure presents a binned scatter plot based on 10 deciles of the normalized incumbent spending advantage and incumbent win probability. The linear fit clearly represents the data well, and the empirical analog to α and β are labeled.

[Figure A1 about here.]

A.1.2 Unions

An exogenous measure of homogenous workers is employed by a monopsonist covered by a union contract. Each worker produces μ units of surplus, which is captured by the union if the worker belongs to the union and the firm otherwise. Let U_t be the measure of workers who are unionized at time t.

Each period, the union's objective function is to maximize next period's expected union membership.[70] This membership depends on the policies in place at the time, P_{t+1}, reflecting the fact that many of the policies that unions most intensively lobby for and against are policies

[69] Note that if H is the incumbent, then $\phi_P \xi_H$ votes will vote for the incumbent regardless of campaigning. Later, I will model a shock to incumbent popularity by shifting a portion of these predictable voters who will vote for H to become impressionable (subject to campaigning influence).

[70] Unions invest tremendous resources in unionizing workers. Critics claim this is because they are greedy and are maximizing power and dues. Supporters claim it is because they are altruistically trying to help as many workers as possible organize. This reduced form remains agnostic as to which of these fundamental forces might be at work. I choose to focus only on next period's membership because adding a long-run player would complicate the model and yield little additional intuition.

that directly affect their ability to unionize new members (e.g., right-to-work laws, public sector unionization, whether elections can be conducted through card-checks, the composition of the NLRB).

Unions invest in political campaigns in order to influence the policies implemented. However, unions are penalized for the share of resources devoted to politics. This is based on public opinion polling data that regularly finds widespread criticism of union political activity. A 2011 Harris Poll reported that 72% of Americans (60% in union households) believe unions are too involved in politics (CBS, 2011). One explanation is that union resources devoted to political activity crowd out resources devoted to providing benefits to members, such as training, collective bargaining, or strike support. Unions that devote a large share of their resources to political activities will deter new members from joining. (ζ is a parameter governing this effect.)

The union's total resources available at time t depends on the surplus collected from unionized workers μU_t and on the support it enjoys among the public (S_t). The more public support a union has, the more effective a campaign endorsement, organized strike, or public boycott will be. Thus, support improves the effectiveness of both campaigning and membership activities, and I model this public support as increasing total union resources. Letting $c = c_H + c_L$ be campaign activity, next period's expected union membership is given by:

$$E\big[U_{t+1}\big] = E\big[P_{t+1}\big] - \zeta \frac{c}{\mu S_t U_t} \tag{5}$$

A.1.3 The investigator

OLMS acts as a singular infinitely-lived entity.[71] The choice to model the agency as infinitely lived reflects the fact that many bureaucrats serve their entire careers within the bureaucracy.[72] In a period t OLMS has a budget of B_t units of investigatory resources which can be allocated across K districts. Investigative effort i_k in district k turns into indictments I_k through the decreasing returns technology $I_k = i_k^\sigma$ with $0 < \sigma < 1$, and OLMS' objective is to maximize the present discounted number of indictments, solving:[73]

[71]The choice to model the agency as singular abstracts from the types of principle-agent problems faced by bureaucracies around the world. See Besley and Ghatak (2005), Hirsch (2016), and Prendergast (2007) for discussion.

[72]Serving as the Director of Research at Americans for Limited Government after stepping down as Director of OLMS during the George W. Bush Administration, Todd (2014) describes in detail the challenges faced in firing an employee. After "approximately a year of going through the process which took up a large part of my time" in an effort to fire one employee, that employee retired. Todd reports that the employee was advised to retire "because if they were fired from the federal government they would never get another job since no one would believe anyone could be bad enough to get fired from the federal government." In his eight years directing OLMS, Todd never fired an employee. Reflecting on his attempt, he says "I had no idea what I was getting into."

[73]Because my empirical strategy uses identifying variation in representation that is orthogonal to underlying criminal behavior (which is assumed to be continuous across the 50% threshold) I abstract from this behavior

$$\max_{i_k} \sum_{\tau=0}^{\infty} \delta_o^t \sum_{k=1}^{K} i_{\tau,k}^{\sigma} \quad s.t. \quad \sum_{k=1}^{K} i_{\tau,k} \leq B_\tau \text{ for each } \tau$$

where δ_o is OLMS' discount rate.

Note that as investigations go to zero, the marginal return to investigating district k ($\sigma i_k^{-\sigma}$) goes to infinity. Thus, in equilibrium, there will never be a district without investigations (equivalently, without indictments).[74] Therefore, I model the effect of indictments on public support for the union as:

$$S_t = \Phi / I_t = \Phi i_t^{-\sigma}$$

where Φ is an exogenously defined upper bound of potential support.

A.1.4 Politicians

Representatives are citizen-candidates with reelection motives who debate separately about OLMS' budget and the policy P affecting unions. The Representative from district k has a bliss point of π_k in the policy dimension and campaigns on policy position p_k. Representatives dislike advancing positions they do not believe in, and each has quadratic loss in the distance between their bliss point and their advocated policy. The ultimate policy is an average of the policy positions of the various Representatives:[75]

$$P = \frac{1}{K} \sum_{k} p_k \tag{6}$$

I assume that Representatives announce their position p_k during their first campaign and

in my model. It is surely the case that districts differ in the extent of embezzlement, but this complication is not useful for my purposes.

[74]This is obviously unrealistic. Since politicians move before indictments are revealed, the only thing that matters is that the *probability* of indictment satisfies these conditions. I abstract for the probabilistic nature of indictment realizations for simplicity.

[75]This formulation implies that policy is linear in each Representative's position, giving equal weight to all Representatives. It is hard to know whether this is realistic. One model would allow Representatives to exert costly effort to influence policy, and the most extreme Representatives (furthest from the center) would have the most influence. This would imply that the policy effect of a marginal shift in policy preferences would be largest for the most extreme Representatives. Another model would assume that implemented policies would be determined by the median Representative. Since there is uncertainty in election outcomes, the identity of the median Representative is not known *ex ante* and so many Representatives near the center would have positive probability of being the median (implying the expected policy effect of a marginal shift in policy preferences would be the largest for the least extreme Representatives). Both models seem plausible, so I choose to give equal weight to any marginal shift in policy preferences, which has the added benefit of tractability.

cannot change this policy position later or they will be punished for having low character.[76,77]

Independently from the bargaining process over the policy P, politicians also bargain over OLMS funding.[78] As in reality, each year the President proposes an OLMS budget Θ_t. Representatives take this proposal and negotiate over adjustments by investing costly effort. Denote by r_k and ℓ_k the effort the District k Representative invests to raise and lower, respectively, the budget. Let this effort affect next period's budget according to:

$$B = \Theta + \sum_{k=1}^{K} r_k - \sum_{k=1}^{K} \ell_k \tag{7}$$

Note that if there is the same degree of support for increasing as decreasing the budget, then the President's budget will pass unadjusted.

Finally, all Representatives seek reelection. Let R be the probability the incumbent is reelected and η the utility of winning the election. The decision problem for an entering politician (running for the first time) is:[79]

$$\max_{p_k} \quad -\Upsilon(p_k - \pi_k)^2 + \eta(1 - R)$$

and the problem a Representative in office faces is:

$$\max_{r,\ell} \quad -\Upsilon(p_k - \pi_k)^2 + \eta R - r_k^2 - \ell_k^2$$

where $\Upsilon \geq 0$ captures the disutility of deviating from their true policy bliss point.

I do not model candidate entry, but assume that both parties put forth a candidate through a stochastic process in which the challenger's type (bliss point, exogenous campaign support, and appeal among predictable voters) is a martingale. This means that last period's challenger is the optimal forecast of next period's challenger.

[76]This is similar to the key assumption in Kartik and McAfee (2007). It is supported by empirical evidence that voters perceive candidates who switch positions as less trustworthy, decisive, and honest (Carlson and Dolan, 1985; Hoffman and Carver, 1984; Tomz and Van Houweling, 2012), particularly when it is a switch on an ideologically-driven issue (Doherty, Dowling, and Miller, 2015). McCaul et al. (1995) survey North Dakota state legislators and find that they believe voters care more about the consistency of their views than how close their views are to the voters'.

[77]This is an infinite penalty for changing one's position. A finite penalty would not change the results, but would complicate all expressions.

[78]Note that the OLMS request for FY2017 was $45 million, just 0.35% of the DOL's total request. Thus, I treat the OLMS funding decision as not crowding out other priorities.

[79]Note that $1 - R$ is the probability that the challenger wins office over the incumbent.

A.1.5 Timing of the stage game

The stage game in each period is composed of three sub-periods. First, Representatives take office and pass policies and a budget for OLMS. Second, OLMS conducts investigations and announces indictments. Third, Representatives' challengers and their platforms are announced. Exogenous campaign support is realized and the predictable voters preferences are observed. With this information, unions decide whether to campaign and how much. After all campaign activities, election outcomes and payoffs are realized.

A.2 Equilibrium

A.2.1 Union contributions

H denotes the "high" policy type candidate, defined as the index i such that $p_i > p_{-i}$. It is straightforward to see that the union will only support the candidate advancing the higher policy position, denoted H, if any candidate at all. The first order condition from the union's problem yields the following optimal contribution rule:[80]

$$c_H = \max\left\{\psi\big[\beta S_t\big]^{1/2}\sqrt{p_H - p_L} - (\omega_H + \omega_L), \quad 0\right\} \tag{8}$$

where $\psi = \sqrt{\frac{2\omega_L \mu U_t}{\zeta K}}$ is a positive constant function of exogenous parameters and predetermined resources that captures the benefits of contributions relative to their costs.

The expression (8) provides important intuition. First, note that the union will only choose to contribute if the contributions will be effective (ψ and β are large), it has sufficient resources available (S_t is large), the gain from a candidate winning is large enough (the distance in policy positions $\sqrt{p_H - p_L}$ is large), and the existing campaign activity is small enough (since union campaigning will be less effective when there is already a large amount of campaigning). If the union decides to contribute, these same factors affect how much it contributes.

The key incentive for politicians to interfere with the investigatory process is because indictments reduce support for unions, which reduces their campaign activities. It is helpful to derive this effect. First, note that the c_H expression is not discontinuous anywhere (it has a kink, but no jumps). Next, we can substitute $(\Phi i^{-\sigma})^{1/2}$ for $S^{1/2}$ and solve:

$$\frac{\partial c_H}{\partial i} = -\frac{\sigma}{2} i^{(-\sigma-2)/2} \psi\big[\beta\Phi\big]^{1/2}\sqrt{p_H - p_L} < 0 \tag{9}$$

[80] This derivation is simplified by the fact that policy is linear in Representatives' positions and union membership is linear in policy. This separability means the effect of the local Representative on membership is invariant to election outcomes in other districts.

or zero, after the union crosses the threshold of no longer contributing. Thus, indictments reduce union contributions.

A.2.2 Equilibrium in the stage game

To begin, consider the equilibrium of the one-period stage game.

Theorem 1 *The unique Subgame Perfect Nash Equilibrium of the one-period stage game*

1. *does not feature a political bias in investigations.*
2. *features wasted effort from both union-supported and union-opposed politicians.*

Proof. The Subgame Perfect Nash Equilibrium can be found using backwards induction. In the third sub-period, union contributions will be allocated according to (8).

In the second sub-period, OLMS will "consumption smooth" by equalizing investigations across the K districts. This proves Part 1 of the theorem

In the first sub-period, Representatives take OLMS' allocation as fixed. Let $f \in \{1, 2, ..., K\}$ index a district represented by a union friend and $e \in \{1, 2, ..., K\}$ be one represented by a union enemy. Then the first order condition of the politician's problem yields the optimal effort to raise (in the case of an e-type district) or lower (for an f-type) OLMS' budget, in terms of its political consequences:

$$\begin{aligned} r_e &= \frac{\eta}{2}\frac{\partial V_L}{\partial c_H}\frac{\partial c_H}{\partial i}\frac{\partial i}{\partial B}\frac{\partial B}{\partial r_e} \\ &= \frac{\eta}{2K}\frac{\partial V_L}{\partial c_H}\frac{\partial c_H}{\partial i} \end{aligned} \tag{10}$$

$$\begin{aligned} \ell_f &= \frac{\eta}{2}\frac{\partial V_H}{\partial c_H}\frac{\partial c_H}{\partial i}\frac{\partial i}{\partial B}\frac{\partial B}{\partial \ell_f} \\ &= -\frac{\eta}{2K}\frac{\partial V_H}{\partial c_H}\frac{\partial c_H}{\partial i} \end{aligned} \tag{11}$$

If unions are not politically active (the political activity condition in (8) is not met), then $\partial c_H/\partial i = 0$ and there is no incentive to invest costly effort in affecting OLMS budget. Otherwise, since $\partial V_H/\partial c_H > 0$ and $\partial V_L/\partial c_H < 0$ and $\partial c_H/\partial i < 0$ (shown above) a Nash equilibrium among Representatives will always involve both types exerting strictly positive effort to affect OLMS' budget. Since the expression (7) shows that it is *net* effort that changes the budget, the two types of effort cancel each other out and this is clearly inefficient. Some of this costly effort, specifically $2\min\{\sum r, \sum \ell\}$ units, is wasted as both types of politicians ineffectually try to change the budget. This proves Part 2 of the theorem. ■

A.2.3 Equilibrium in the repeated game

OLMS' deviation is possible because it has no consequences. As is standard, if all parties are sufficiently patient then they can sustain a mutually beneficial improvement over the one-period stage game equilibrium. This is seem in Theorem 2.

Theorem 2 *For a sufficiently high OLMS discount factor, there exists a Subgame Perfect Nash Equilibrium of the repeated game that*

1. *involves a political bias in investigations.*
2. *is weakly better than the stage game SPNE for all agents.*

Proof. Again, let $f \in \{1, 2, ..., K\}$ index a district represented by a union friend and $e \in \{1, 2, ..., K\}$ be one represented by a union enemy. Let K_f denote the number of f-type districts and K_e denote the number of e-type districts. Consider the following adjustments to agents' actions (which will make them all weakly better off than the simple Subgame Perfect Nash Equilibrium being played period after period):

1. f-type Representatives reduce effort to lower the budget by ε
2. OLMS allocates the new $K_f\varepsilon$ investigations to e-type districts

f-type Representatives are strictly better off because they have the same indictments and reelection probabilities with less costly effort. e-type Representatives are strictly better off because they have more indictments and better reelection probabilities with the same effort. OLMS is strictly better off because it has more indictments. Finally, Representatives from districts without politically active unions (non-f- and non-e-type Representatives) are no better or worse off because they are unaffected by indictments and do not invest effort. Thus, they are indifferent, and have no incentive to deviate from this equilibrium (a deviation would require effort costs with no benefit).

This equilibrium can be sustained through a grim trigger strategy. If Representatives do not act appropriately on the budget, OLMS can harm them by strategically increasing or decreasing investigations in their district. (This can occur in the same period, because Representatives move before OLMS moves, within the period.) Likewise, if OLMS investigations are inappropriately allocated, Representatives can punish it through the budget during the next period. ■

In the equilibrium described in the proof, the gains to f-type Representatives comes solely through reduced bargaining effort. It is also possible that OLMS can reduce investigations in their districts, targeting those investigations, instead, towards e-type districts. Its willingness

to do this, however, depends on relative the number of f-type and e-type districts and the curvature of $I_k = i_k^\sigma$ at $i_k = B/K$. Thus, there are other ways that a political bias might emerge, but the important insight illustrated in the proof is that the repeated nature of the game means it is always possible to sustain a politically biased equilibrium that is strictly better than an unbiased on for union-supported and union-opposed politicians, as well as the investigator.

A.2.4 Endogenous political positions

In what has been done so far, I have taken the policy positions of politicians as given. However, the position taken by a policy entrant will cater to the availability and usefulness of union campaign resources. (Recall that I assume that a politician cannot change their policy position because of credibility costs; thus the only relevant choice is that of the entrant.) Recalling that R denotes the probability the incumbent is reelected (so $1 - R$ is the probability the challenger wins), the election challenger's choice problem is given by:

$$\max_p \quad -\Upsilon(p - \pi)^2 + (1 - R)\eta$$

From the first order condition, this yields:

$$p = \pi - \frac{\eta}{2\Upsilon}\frac{\partial R}{\partial p} = \pi - \frac{\eta}{2\Upsilon}\frac{\partial R}{\partial c_H}\frac{\partial c_H}{\partial p}$$

To the extent that choosing a higher p (closer to the union's desires) reduces the probability of incumbent reelection (increasing the challenger's chances) the challenger will raise their proposed policy above their bliss point. This is true whether the challenger chooses to become an H-type or an L-type; union political power influences the policies of both types of candidates.

Note that if the challenger chooses a p higher than the incumbent, then they become p_H (the incumbent becomes p_L), R is replaced by V_L, and $\frac{\partial R}{\partial c_H} < 0$ and $\frac{\partial c_H}{\partial p} \geq 0$. If, on the other hand, the challengers is an L type, then $\frac{\partial R}{\partial c_H} > 0$ but $\frac{\partial c_H}{\partial p} \leq 0$ because the union is less likely to campaign when the ideological gap is small. Thus, in either case $\frac{\partial R}{\partial p} \leq 0$ and the challenger's position will be weakly higher than their bliss point. Again letting V_H be the probability of H

winning and V_L be the probability of L winning, we can rewrite this expression as:[81]

$$p_H = \pi_H + \frac{\eta}{2\Upsilon}\frac{\partial V_H}{\partial c_H}\frac{\partial c_H}{\partial p_H} \quad \text{if challenger is } H \text{ type}$$
$$p_L = \pi_L + \frac{\eta}{2\Upsilon}\frac{\partial V_L}{\partial c_H}\frac{\partial c_H}{\partial p_L} \quad \text{if challenger is } L \text{ type}$$

With this in mind, it is helpful to consider how union contributions respond to a shock to incumbent popularity, such as frustration with the war in Iraq, Congressional gridlock, budget deficits, the economic recovery, etc. I model a decline in incumbent popularity by shifting some of the $\phi_P\xi_J$ predictable voters who would have deterministically voted for the incumbent politician J to become impressionable voters. These voters previously affected only $\alpha = \frac{\phi_P}{2\phi_R}(2\xi_H - 1)$, but now they increase $\beta = \frac{\phi_I}{2\phi_R}$, the importance of impressionable voters.

Two things are worth noting about this modeling strategy. First, in becoming impressionable voters, these citizens are still open to voting for the incumbent. Indeed, since incumbents often have a financial advantage over challengers (Figure A1), the majority of them will. Rather than becoming staunchly anti-incumbent, these voters are now more open to voting against the incumbent than they otherwise would be. Second and relatedly, it is also possible that some predictable voters shift from voting deterministically for the incumbent to deterministically *against* the incumbent. This would affect α and I am not ruling it out. Rather, I am assuming that there are some voters who, instead of perfectly turning against the incumbent, simply become open to voting against the incumbent.

As a result of a negative shock to incumbent popularity, β will increase. By increasing the return to union contributions (their effectiveness), this increases the incentive of entrants to cater to unions' policy position, which increases the policy position that they propose. To see this, note:

$$\frac{\partial p_H}{\partial \beta} = \frac{\eta}{2\Upsilon}\left[\frac{\partial^2 V_H}{\partial c_H \partial \beta}\frac{\partial c_H}{\partial p_H} + \frac{\partial V_H}{\partial c_H}\frac{\partial^2 c_H}{\partial p_H \partial \beta}\right] \quad \text{if challenger is } H \text{ type}$$

with a similar expression for $\partial p_L/\partial\beta$. Each term is positive. (In the case of $\partial p_L/\partial\beta$, all terms are negative. Since the product of two negative numbers is positive, again the expression as a whole is positive.) $\frac{\partial^2 V_H}{\partial c_H \partial \beta}$ is positive because β raises the return to all contributions, including union contributions, and $\frac{\partial^2 c_H}{\partial p_H \partial \beta}$ is positive because there is a complementarity between higher marginal value of contributions and higher policy positions.

[81] Obviously, if the union is not politically active, then $\partial c_H/\partial p_H = 0$ and $p_J = \pi_J$ because the candidate has no incentive to shift positions to cater to the union.

Thus, a negative shock to incumbent popularity raises the value of union contributions and, as a result, raises the degree to which challenger politicians are willing to cater to unions' policy positions in exchange for more campaign support. These endogenous shifts in challenger policy positions can either amplify or dampen the response of campaign activities to an increase in their return, as seen by the following:

$$\frac{\partial c_H}{\partial \beta} = \psi\sqrt{\frac{S(p_H - p_L)}{\beta}} + \psi\sqrt{\frac{\beta S}{p_H - p_L}}\frac{\partial p_H}{\partial \beta} \quad \text{if incumbent is } L \text{ type}$$

$$\frac{\partial c_H}{\partial \beta} = \psi\sqrt{\frac{S(p_H - p_L)}{\beta}} - \psi\sqrt{\frac{\beta S}{p_H - p_L}}\frac{\partial p_L}{\partial \beta} \quad \text{if incumbent is } H \text{ type}$$

Recalling that $\partial p_H/\partial\beta$ and $\partial p_L/\partial\beta$ are both positive, this shows that an increase in the effectiveness of contributions will unambiguously increase contributions to the challenger (against an L-type incumbent). This is because the added adaptation of the H-type challenger amplifies the added return to contributions. On the other hand, the effect on contributions to incumbents cannot be unambiguously signed. It can be shown that the sign of $\partial c_H/\partial\beta$ when the incumbent is an H-type is the same as the sign of:

$$1 - \frac{\eta}{\Upsilon}\frac{\beta}{(p_H - p_L)^2}\frac{\omega_L}{\omega_H + c_H + \omega_L}$$

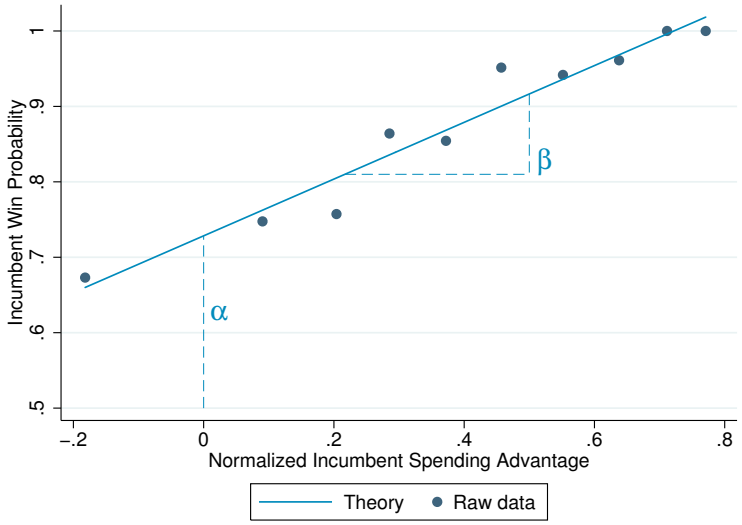
This term cannot be signed. If it is positive, then campaigning on behalf of the incumbent will increase when their popularity falls. If it is negative, then the adjustment of the challenger towards less anti-union policies proved sufficient to disincentivize union support for the incumbent. This is likely to happen when the challengers' benefits from holding office are high relative to the ideological costs (η/Υ is large), the ideological distance is small ($(p_H - p_L)^2$ is small), and the challenger already has a large share of the impressionable voters ($\omega_L/(\omega_H + c_H + \omega_L)$ is large) since this is the case when campaigning in favor of H has the largest returns (a property of diminishing returns to campaigning in the contest function).

An increase in β essentially has both income and substitution effects. It increases the total possible policy effect that a union can have, given any level of campaign activity (with a given level of cost), which is an increase in the union's effective income. Because it increases their influence, it then causes the challenger to further align with the union's preferences. For a challenger that the union already prefers (an H-type), these income and substitution effects both go in the same direction, and the union campaigns more for a candidate that it likes more. For a challenger the union does not like (an L-type), these effects go in opposite directions.

The union can campaign more with less incurred costs, but the L-type challenger's movement gives it less of a desire to do so. If the L-type moves enough, the union may actually reduce campaigning, as its not worth the (even lower) cost to avoid an L-type candidate whose policy positions aren't so bad.

Finally, it is worth noting that the fact that campaign contributions respond differently to incumbent popularity shocks differently depending on whether the union supports or opposes the incumbent is entirely driven by the assumption that challengers can adapt ideology while incumbents cannot. To see this, note that if the costs of ideological deviations went to infinity ($\Upsilon \to \infty$) then $\partial p/\partial \beta$ would be zero, and challengers would not shift their ideology either. In this case, the effect of a change in β would be the same regardless of who is in office. Thus, differential contribution responses to incumbent popularity shocks is a test for whether endogenous policy positions are important.

Figure A1: Incumbent Spending Advantage and Win Probability



Binned scatter plot, linear fit, and theoretical interpretation of incumbent spending advantage (normalized by total spending) and incumbent win probability from Congressional elections 2000-2012 in which incumbent spending was between 10% and 90% of total spending.

B Data

I collected all the press releases from OLMS' website. Most of the time, a single case has three records (one for the indictment, one for the conviction, and one for the sentencing). Below are three examples from one real case, where I have censored the defendant's name (the actual name is reported in the press releases). The structure of records for this case is typical.

Indictment record:

> On April 15, 2009, in the United States District Court for the Western District of Michigan, [DEFENDANT NAME], former President of Communications Workers Local 84-415 (located in Grand Rapids, Mich.), was indicted on one count of embezzling union funds in the amount of $10,988.86 and one count of falsifying union records. The indictment follows an investigation by the OLMS Detroit District Office.

Conviction record:

> On June 10, 2009, in the United States District Court for the Western District of Michigan, [DEFENDANT NAME], former President of Communications Workers Local 84-415 (located in Grand Rapids, Mich.), pled guilty to one count of embezzling union funds in the amount of $10,988.86 and one count of falsifying union records. The plea follows an investigation by the OLMS Detroit District Office.

Sentencing record:

> On October 26, 2009, in the United States District Court for the Western District of Michigan, [DEFENDANT NAME], former President of Communications Workers (CWA) Local 84-415 (located in Grand Rapids, Mich.), was sentenced to six months in prison and one year of supervised release, ordered to pay the remaining amount of restitution owed ($9,991.86) within 30 days of the judgment and pay a $125 special assessment. On June 10, 2009, [DEFENDANT NAME] had pled guilty to one count of embezzling union funds in the amount of $10,988.86 and one count of falsifying union records. The sentencing follows an investigation by the OLMS Detroit District Office.

For each, I coded the date of indictment, the court in which it was filed, the defendant, his/her position (President),[82] the union (Communications Workers of America), the local,

[82] I used six classifications for positions: "Top" officer (including president, vice president, executive director,

its location, the amount embezzled, and the OLMS District Office responsible, the conviction status (guilty), the sentence (6 months prison, 1 year probation/parole, and a fine). I then aggregate all cases involving the same union local during the same year into one. These was done through a combination of algorithms and manual coding. I excluded a small number of diversionary programs (because there is no information about the defendant or union) and cases where the union was the victim of fraud (e.g., financial holdings companies stealing from the union, where no union officer was indicted with the company).

Next, I turned to the LM data, also obtained from OLMS' website. Each entity (e.g., union headquarters, district, and local are separate entities) has a unique filing number that enables longitudinal merging. I cleaned this data and merged it with the criminal action data using the name of the union, the local, and (where necessary) the location of the local reported in the criminal action data combined with the mailing address from the LM data. The results of this merge are shown in Table C1.

I then determined the modal city and state for the mailing address (reported annually) for each filing number. I merged these to counties, and then commuting zones.

Then, I identified the most disaggregated class "type" of entity for each union. That is, each filing number reports a "type" (e.g., district, council, lodge, etc.). For each union, I determined which type (in each year) was reported by the largest number of filing entities. This is the most disaggregated type, and I call it a local (which it usually is). I then aggregated up to the Union-CZ-cycle, as stated in the text.

Next, I turned to the contribution level data from the DIME campaign contribution database. I used contributions to House elections, dropped contributions from an individual (as opposed to an organization), and used contributions where the Center for Responsive Politics had coded the organization's industry as a labor union (Contributor Category starts with "L"). I exclude transactions of type 24A ("independent expenditure against") because they normally have an identical record of type 24E ("independent expenditure for") in the opponent's data. I also exclude negative contributions, which are refunds that a campaign gives the contributor (often, these are a retiring candidate giving back unspent contributions from campaigns in earlier, past election cycles).

I merged each contributor's contribution totals (within a district-cycle) to the LM data. Finally, I combined union contributions to a district (from either headquarters or any local of the union) with the Union-CZ LM and criminal action data.

To match counties and Congressional districts, I use MABLE/GEOCORR, which has dis-

or national director), treasurer (including comptroller), accountant (including dues clerks and bookkeepers), political officers (including legislative directors, though these are extremely rare in the data), "other" officer (including general secretary, trustees, etc.), and "rank-and-file" (also very rare). In a reasonable number of cases, no position is reported.

tricts for every year and includes the share of the district (resp., county) population in the overlapping county (resp., district).

I also use polling data for several identification tests. This data is from RealClearPolitics, which seeks to aggregate the universe of publicly available opinion polls leading up to elections. I use data from my main sample of elections: 2000-2010, except no data is available for 2000 and 2004. Polls are not available for all elections. Of the 1,740 Congressional elections during these years, I have 789 polls for 287 elections.[83] Polls are disproportionately conducted for close elections (see Table C3). For "Democratic share of poll respondents," I use the Democratic share of the two-party respondents (that is, Democratic share of respondents who chose from the two available candidates, removing those who pledged to vote for a third party candidate from both the numerator and denominator). This is to maintain consistency of measurement with the election data.

[83]For graphical simplicity, Figure C5 excludes two outliers: One where the Democrat received 100% of the vote (and 56% of the poll) and one where the Democrat received 70% of the vote (and 72% of the poll).

C Additional Results

C.1 Background and summary statistics

[Figure C1 about here.]

[Table C1 about here.]

[Figure C2 about here.]

C.2 Tests

[Table C2 about here.]

[Figure C3 about here.]

[Figure C4 about here.]

[Figure C5 about here.]

[Table C3 about here.]

[Figure C6 about here.]

C.3 Robustness

[Figure C7 about here.]

[Table C4 about here.]

[Figure C8 about here.]

[Table C5 about here.]

[Table C6 about here.]

[Table C7 about here.]

[Table C8 about here.]

C.4 Heterogeneity and alternative explanations

[Table C9 about here.]

[Figure C9 about here.]

[Table C10 about here.]

[Table C11 about here.]

[Figure C10 about here.]

[Table C12 about here.]

[Figure C11 about here.]

C.5 Extensions

[Table C13 about here.]

[Table C14 about here.]

[Figure C12 about here.]

[Table C15 about here.]

C.6 Can politically-biased indictments increase polarization?

Politically-biased union investigations could increase polarization if districts where anti-union candidates win have "extra" indictments, further weakening the union's ability to influence politics, and districts where pro-union candidates win have "insufficient" indictments, further increasing the union's influence. For this to be true, three conditions would need to hold.

First, indictments would need to be artificially high in anti-union represented districts *and* low in pro-union represented districts. This is shown in Section 6.2. Second, indictments would need to weaken unions ability to campaign and influence politics. This is shown in Section 7.1. Third, politicians would need to adapt their policy positions close to those of the unions in order to gain further political favor (or, equivalently, reduce their political opposition). I turn to this third condition now.

C.6.1 Theory intuition

The test for whether politicians adapt their positions to that of unions is formally derived in A.2.4, but the logic is as follows. Because unions get involved in politics to influence policy, the extent of their campaigning depends on the distance between candidates' platforms. If both candidates have similar platforms, unions don't find it worthwhile to get involved. I model a negative shock to incumbent popularity as some predictable voters who would have deterministically voted for the incumbent becoming impressionable voters, now open to being convinced to vote for the challenger. Because campaigning only affects impressionable voters, this raises the returns to union political activity.

I show that this pulls the challenger towards unions' preferred policy, regardless of whether the union supports the challenger or the incumbent. That is, if the union opposes the incumbent, the union-supported challenger caters to the union's preferences in order to win more support. If the union supports the incumbent, the union-opposed challenger also caters to union preferences to offset some of their support for the incumbent. As a result, if the union supports the challenger, it will be far more responsive to incumbent popularity shocks because the increased returns to campaigning and the added catering of policy positions unions work in the same direction. If the union supports the incumbent, on the other hand, the increased return to contributions will be partially offset by the union-opposed candidate's catering, and the contribution response will be smaller.

To test this, I develop a shift-share (Bartik-style) instrument for incumbent popularity. The idea is to capture natural swings in public opinion that often cause voters to lash out against incumbents depending on their party and how extreme or moderate they are. I calculate within-party quartiles of DW-Nominate scores, a standard measure of ideology based on roll-call votes (Poole and Rosenthal, 1997). I instrument for the change in popularity of an incumbent using the average change in vote share (from last election to the current) of Representatives in the same party and ideology quartile but a different state. The identifying assumption is that changes in ideologically similar Representatives' vote shares are driven by broad swings in public opinion (e.g., frustration with the war in Iraq) rather shifts in union contribution strategy. Next, Section C.6.2 discusses the construction of the Bartik-style instrument in detail, including graphical and qualitative summaries of the variation over my sample period. Section C.6.3 gives the details on the econometric approach, and Section C.6.4 presents the results.

C.6.2 The shift-share instrument

To implement the shift-share (Bartik-style) instrument, I divide all Representatives within each party into four quartiles based on their DW-Nominate score (a standard measure of ide-

ology). I then calculate the change in vote share from last election to the current election, and average over all incumbents within the same within-party quartile but in a different state. Formally, let v_{it} be the share of the two-party vote received by incumbent i who belongs to party $p(i)$ and represents state $s(i)$ at during two-year term following the year-t election. I take the $DWNominate_{it}$ scores for each party $p(i)$ and period t, and (within party) divide them into four quartiles, denoted $q_{pt}(i) = 1, 2, 3, 4$.[84] Then the shift-share instrument for the popularity of incumbent i is given by the mean change in vote share for those of the same party, quartile, and year, but different states:

$$\hat{\Delta} v_{it} = \frac{\sum_{j=1}^{435} 1\{p(j) = p(i); q_{pt}(j) = q_{pt}(i); s(j) \neq s(i)\}(v_{it} - v_{it-1})}{\sum_{j=1}^{435} 1\{p(j) = p(i); q_{pt}(j) = q_{pt}(i); s(j) \neq s(i)\}} \tag{12}$$

where $1\{\cdot\}$ is an indicator function.

To better understand this instrument, consider Figure C13. Panel (a) demonstrates a single year: 2008. On the x-axis are the means for the four party-specific DW-Nominate quartiles, and on the y-axis is the average change in vote share received by the incumbent party, relative to the same party's vote share in the last election (along with the 95% confidence interval). The most moderate Democrats saw a large increase in the share of the vote they received, relative to the previous year, while the most moderate Republicans saw a decrease. This was the year that Barack Obama defeated John McCain, a moderate Republican. Much of this effect is likely due to Obama's campaigning and appeal, which primarily won over moderate Republicans but had little sway on more extreme Republicans. In other words, this is precisely the sort of predictable variation in incumbent's reelection chances that unions might respond to.

[Figure C13 about here.]

Panel (b) presents a more systematic representation of the variation captured by the instrument over the full time period. The figure plots the predicted change for each party-specific quartile in each year. Gray diamonds represent a decrease in vote share received, and blue circles represent an increase. For both, the size of the shape captures the magnitude of the change (with larger shapes being larger changes).

The figure shows that Republicans saw broad decreases in vote share during 2000, while the most liberal Democrats saw large increases. This was the same year that Al Gore captured the majority of the popular vote, and the Green Party's Ralph Nader captured a significant share as well. Thus, it's broadly consistent with a left-leaning swing in public opinion. These

[84] The results are unchanged when using other numbers of quantiles.

very liberal Democrats then saw their vote share fall the next year. 2004 was the year of a divisive presidential election (Kerry vs. Bush) and moderates from both parties saw falling vote share while the extremes saw rising popularity. In 2006, largely because of frustration with the wars in Iraq and Afghanistan, all Democrats saw gains and all Republicans saw losses. 2008 is discussed above. In 2010, due to frustration with the slow economic recovery from the Great Recession and widespread concerns about the Affordable Care Act (Obamacare), all Democrats saw losses and all Republicans saw gains. In 2012, many of these Republican gains were reversed (partly, perhaps, due to the unpopular Presidential candidate Mitt Romney), while the surviving Democrats saw little change in vote share. In short, the instrument seems broadly consistent with intuition about US politics over the period, and seems to be primarily capturing public opinion swings due to broad events rather than union campaigning strategy.

C.6.3 Econometric details

I am interested in how union contributions to the party of the incumbent and the party of the challenger respond to these shocks. I estimate:

$$\Delta UnContr_{dpt}^{levels} = \delta_t + \beta \hat{\Delta} v_{dp(incum)t} + X'_{dpt}\gamma\varepsilon_{dpt} \tag{13}$$

where $\Delta UnContr_{dpt}^{levels}$ is the one-period change in union contributions to party p in District d at time t, $\hat{\Delta} v_{dp(incum)t}$ is the predicted change in vote share (as described above) for the District d incumbent,[85] and X_{dpt} is a vector of controls. I estimate the model separately for p (on the left-hand side) being the incumbent's party, and p being the challenger's party.

Note that since the estimating equation is in first differences, it already removes time-invariant sources of heterogeneity like higher levels of union contributions in one district than in another, or differences in average fundraising levels between the two parties.

While I present both specifications, my preferred specification does not use the change in contributions in levels because it produces imprecise estimates. I do not wish to take log contributions because I do not want to lose the zeros. Instead, I prefer to use the Davis and Haltiwanger (1990, 1992) approach, and take the first-difference and normalize by the mean of consecutive observations:

$$\Delta UnContr_{dpt}^{DH} \equiv \frac{UnContr_{dpt} - UnContr_{dpt-1}}{(UnContr_{dpt} + UnContr_{dpt-1})/2} \tag{14}$$

where I interpret 0/0 as 0. The resulting normalized first difference has exactly the same

[85] I prefer to estimate the reduced form, instead of the IV, because the units are not particularly interpretable anyway. Regressing the change in the incumbent's vote share on $\hat{\Delta} v_{dp(incum)t}$ yields a coefficient of .73 and an F-statistic of over 150, so the shock is certainly relevant.

interpretation as a log-difference (a one unit change in x results in a β percent change in Y), but it does not lose the zeros.

C.6.4 Results

The results are presented in Table C16. Column 1 shows how contributions to the current incumbent's party change in response to a change in the incumbent's predicted vote share. Consistent with the predicted response to an increase in contribution effectiveness, union contributions significantly increase when incumbent popularity falls ($p < .05$). The magnitude implies that a 10 percentage point decrease in the incumbent's expected vote share (roughly a move from a "normal" to a close election) increases contributions by 9.7%. Columns 2 and 3 show this effect is unchanged when controlling for lagged incumbency (which strongly predicts lagged contributions), party, and district fixed effects (since the specification is in first-differences, fixed effects allow for district-specific trends in union contributions).

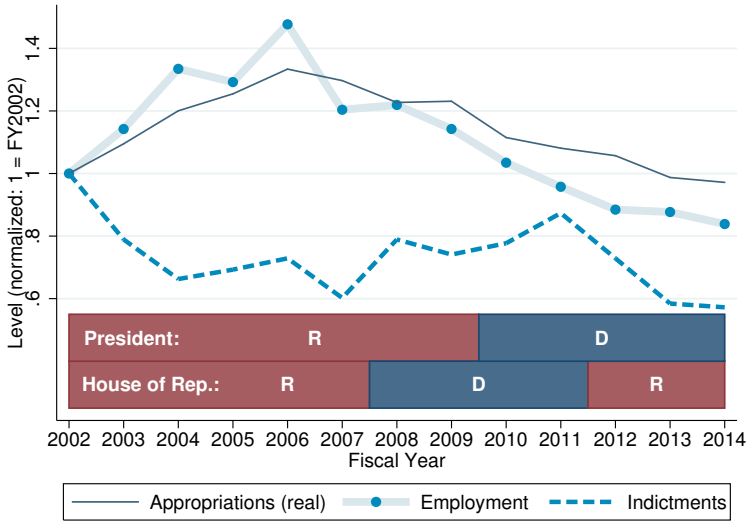
[Table C16 about here.]

Columns 3-6 repeat the same exercise for contributions to the current challenger's party. The estimated coefficients show the challenger contribution response is three times the incumbent contribution response. A 10 percentage point decline in the incumbent's expected vote share implies a 30% increase in contributions, a statistically significantly larger response than seen in incumbent contributions. In the model, this effect is larger because challengers are better able to cater their policy positions to the union.

Panel B shows that this conclusion holds when using the difference in levels. It also holds for different numbers of quantiles (not shown), and Figure C14 plots the residuals to show that it is not simply a different non-linear effect. Instead, union contributions to challengers are systematically more responsive to incumbent popularity shocks that contributions to incumbents. The model gives one lens to interpret this fact.

[Figure C14 about here.]

Figure C1: OLMS budget over time



Source: Various annual reports. OLMS budget (in 2015 dollars), FTE employment, and reported indictments by fiscal year, all normalized by FY2002 levels. Note that the budget for Fiscal Year t is passed in calendar year $t-1$ by the Administration and Congress in control at the time. Bars at the bottom indicate partisan control of the Presidency and the House. Indictment counts are based on on numbers reported in annual reports, which may or may not be subject to double-counting (see Kaplan (2007) for a discussion). OLMS did not release annual reports between 1978 and 2003 (Lund and Roovers, 2008).

Figure C2: Union contributions and race competitiveness

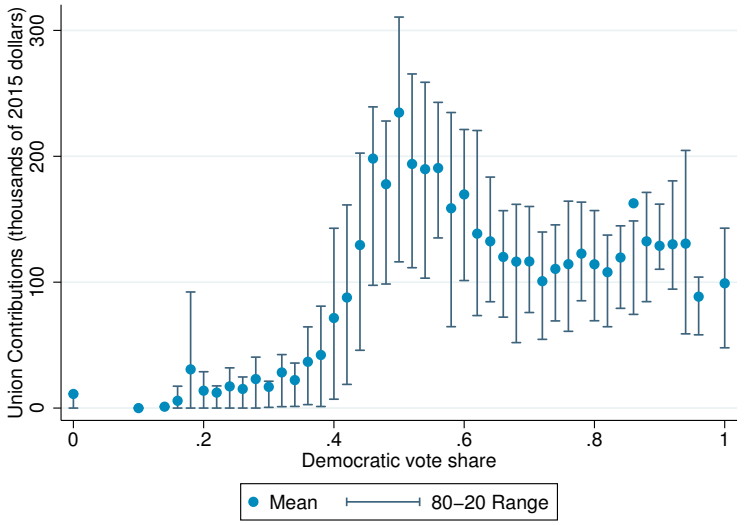
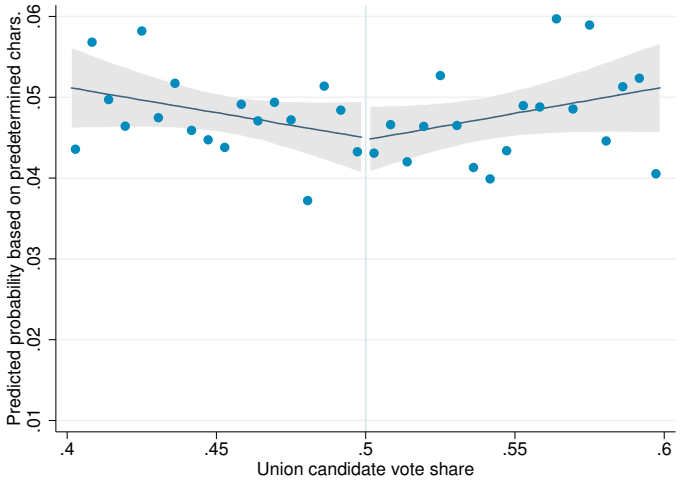


Figure displays union contributions across the Democratic share of the two-party vote, a measure of the competitiveness of the election.

Figure C3: Placebo test for discontinuity in fitted values



Binned scatter plot of fitted values for *predicted* indictments, based on predetermined characteristics (not including election outcomes). Discontinuity in fitted value is not statistically significant ($p = .936$). Controls used for fitted values include lagged membership, the logged amount of the contribution, the number of CD's in the CZ, the share of the district that voted Republican in the previous election, whether the union-supported candidate was a Democrat, whether the union-supported candidate was the incumbent, the log of total spending in the election, the number of races the Union-CZ contributed to, and fixed effects for year and the number of close elections the Union-CZ contributed to.

Figure C4: McCrary Test for manipulation

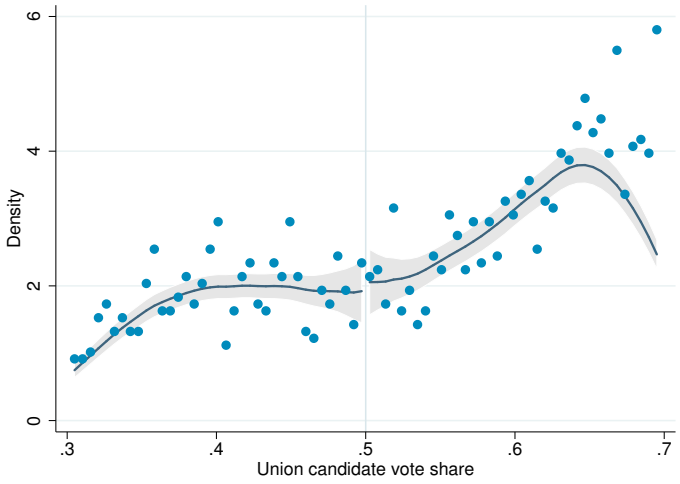


Figure displays density of vote share received by each union-supported candidate. Density, fitted values, and confidence intervals are based on McCrary (2008).

Figure C5: Poll-predicted results and actual election outcomes

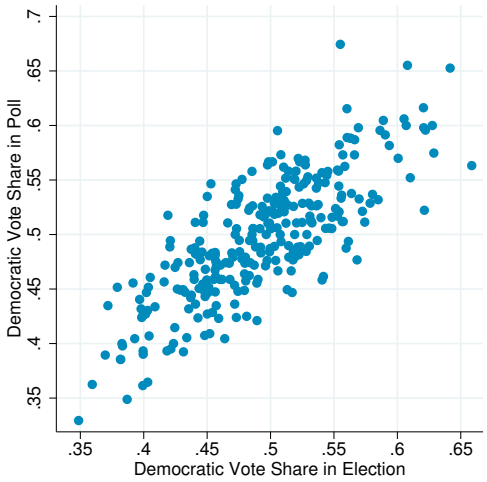
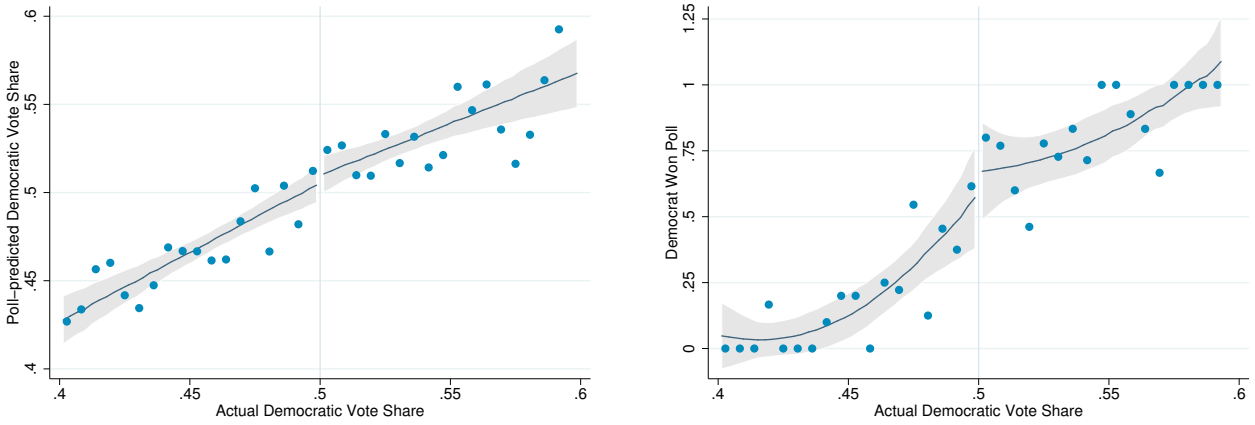


Figure is based on 285 elections showing the Democratic share in the last poll before the election (88% of which were within a month of election day and 59% of which were within two weeks) against the Democratic share in the actual election. See the Data Appendix for discussion of polling data. $R^2 = .64$

Figure C6: Testing for discontinuous poll results

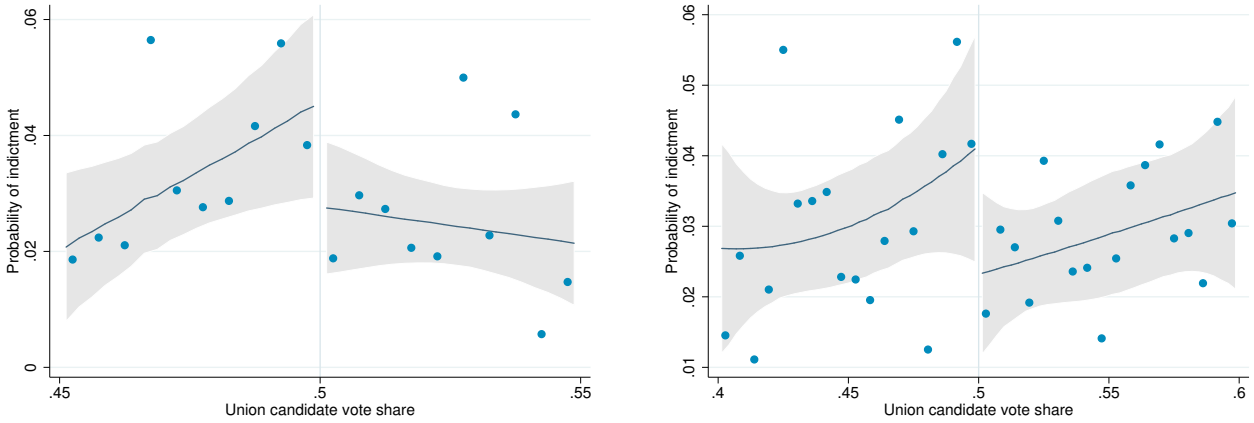


(a) Discontinuity in Democratic share in poll

(b) Discontinuity in Democratic lead in poll

Both estimates based on 253 elections with Democratic vote share between 40 and 60 percent. Neither discontinuity is statistically significant: $p = .560$ in (a) and $p = .587$ in (b). Panel (a) uses linear controls for Democratic vote share (quadratic controls yield $p = .276$) and Panel (b) uses quadratic controls for Democratic vote share (linear controls yield $p = .161$). See Data Appendix for discussion of polling data.

Figure C7: Robustness to polynomial and bandwidth choice

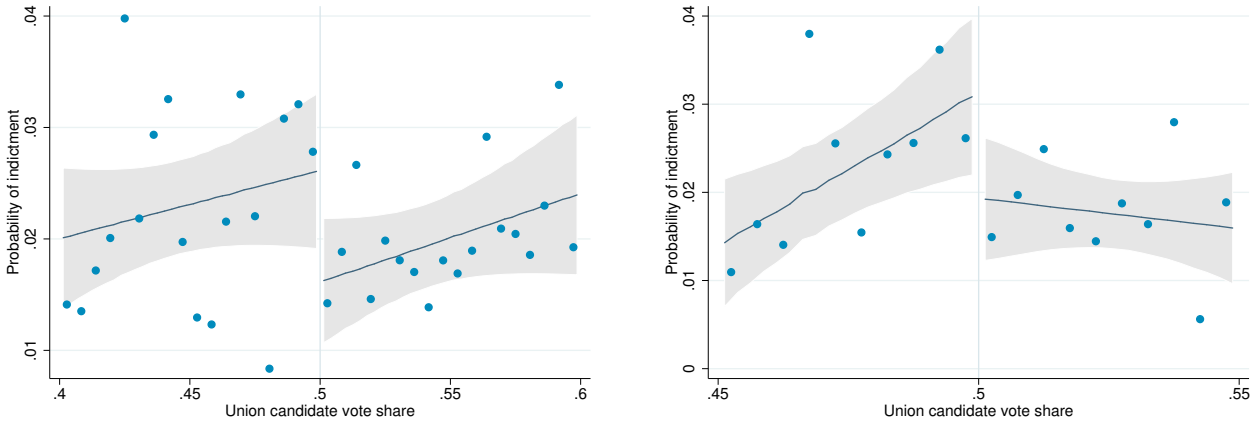


(a) Range: .45 to .55

(b) Quadratic fit

Binned scatter plot. Fitted values and confidence intervals are based on Table 3 Panel A Column 3 (a) and Panel B Column 1 (b). "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote.

Figure C8: Unweighted graphs

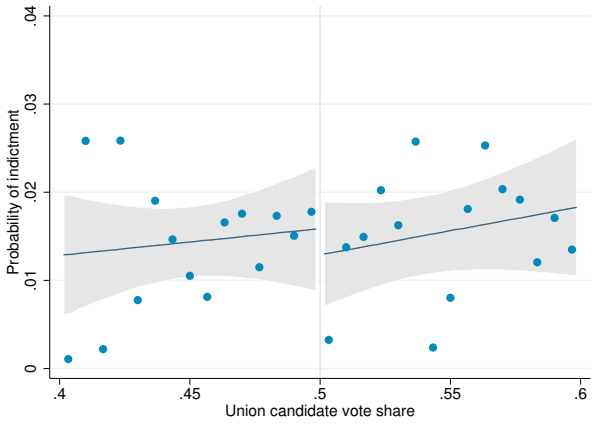


(a) Range: .40 to .60

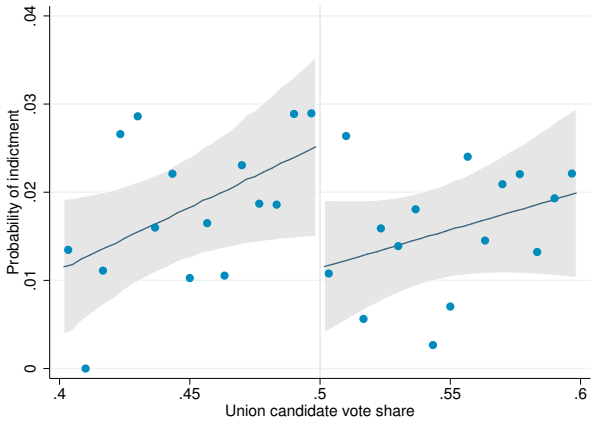
(b) Range: .45 to .55

Binned scatter plot. Fitted values and confidence intervals are based on Table C4 Panel A Column 2 (a) and Panel B Column 2 (b). "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote.

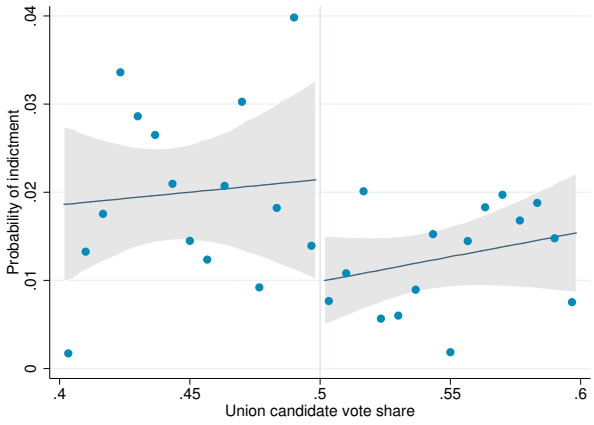
Figure C9: Indictment effects over time



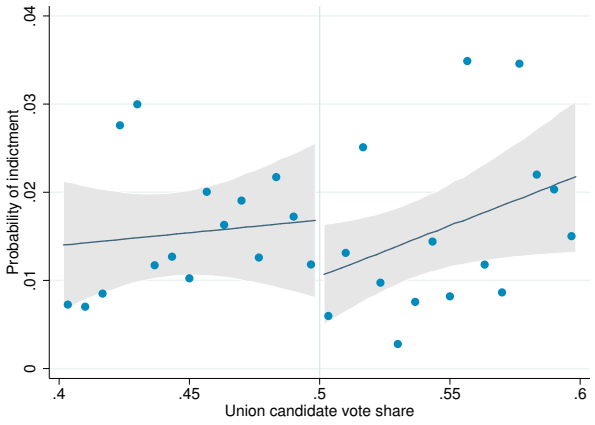
(a) First year after election



(b) Second year after election



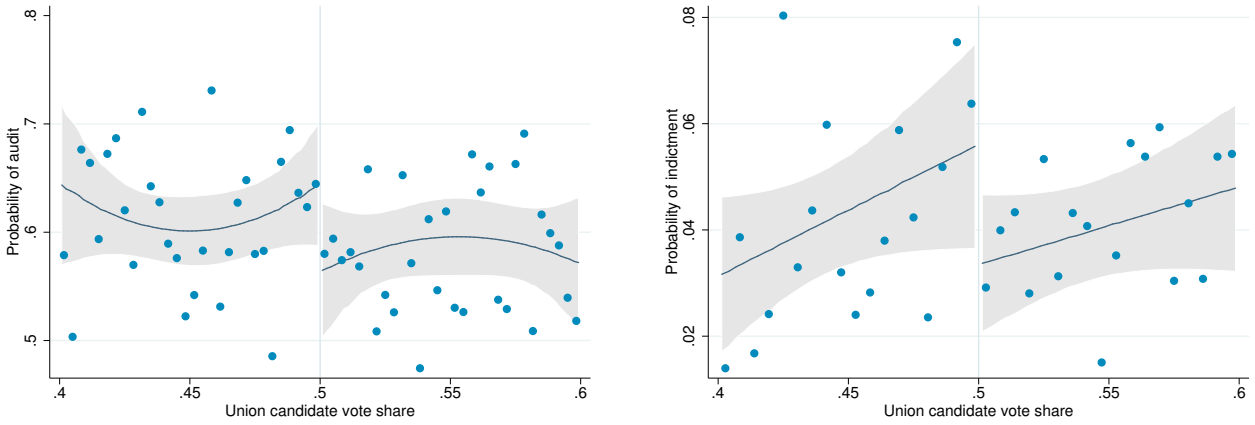
(c) Third year after election



(d) Fourth year after election

Binned scatter plot. Fitted values and confidence intervals are based on Table C10 Panel A. "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote.

Figure C10: Audits and post-audit indictments

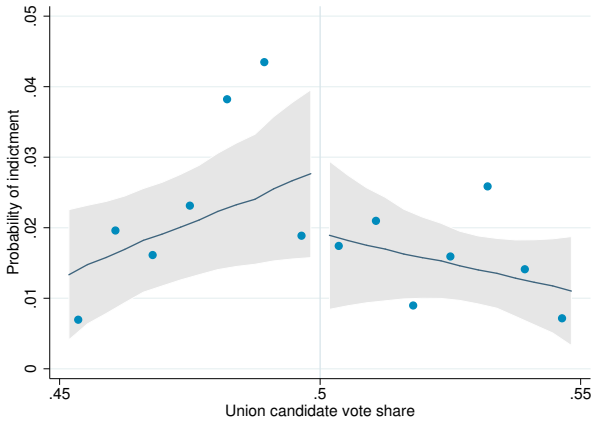


(a) Audit effects

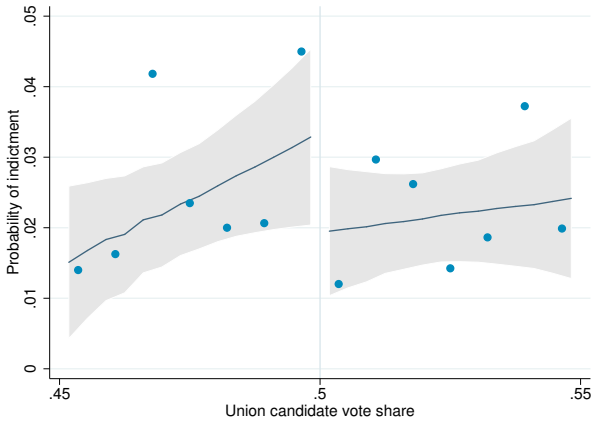
(b) Indictments, conditional on audits

Binned scatter plot. Panel (a) fitted values and confidence intervals given in Table C11 Panel A Column 5. "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote. In interpreting the magnitude of audit effects, consider that one out of every 31 audits results in an indictment. Assuming politically-manipulated audits had the same conversion rate, the point estimate (upper end of the 95% confidence interval) of the audit effect can explain 15% (31%) of the 1.6 percentage point indictment effect.

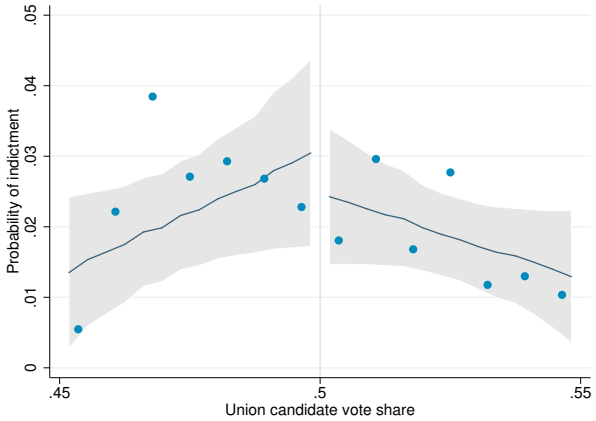
Figure C11: Heterogeneity by state-level corruption



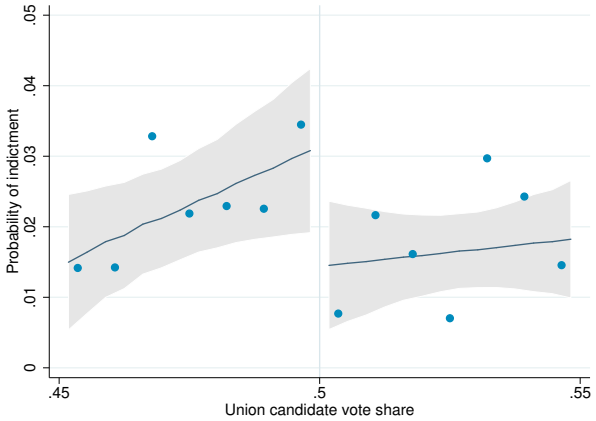
(a) Low corruption



(b) High corruption



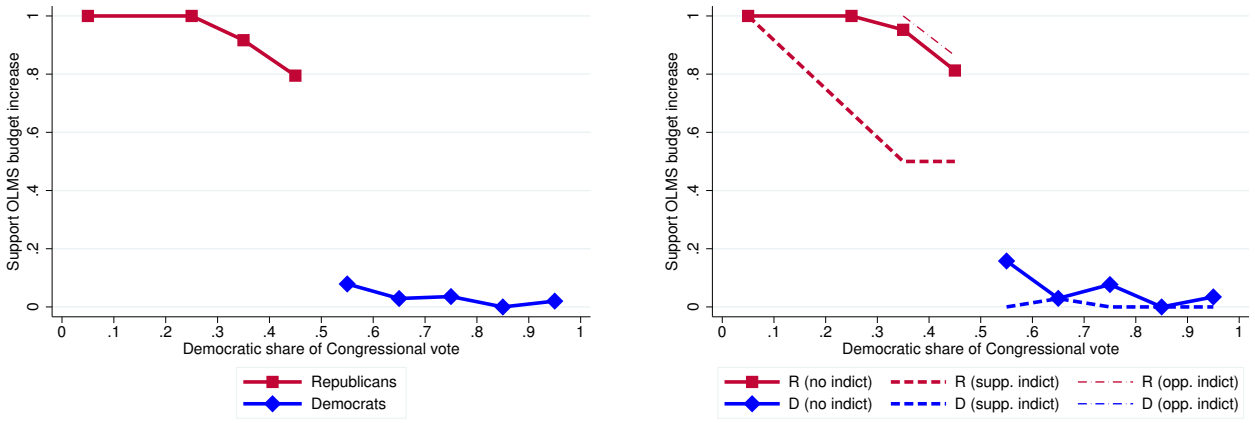
(c) Low distance to capital



(d) High distance to capital

Binned scatter plot. Fitted values and confidence intervals are based on Table C10 Panel B. "Union candidate" is that to which the union contributed, "vote share" is share of two-party vote. All sample splits based on median among all 50 states. "Corruption" refers to the Glaeser and Saks (2006) measure based on federal convictions for corruption-related crimes. This may be endogenous, so "Distance" refers to the Campante and Do (2014) measure of distance from the state capital to the population (specifically, $AvgLogDistance_{not}$), which they show increases corruption.

Figure C12: Voting on OLMS budget increase

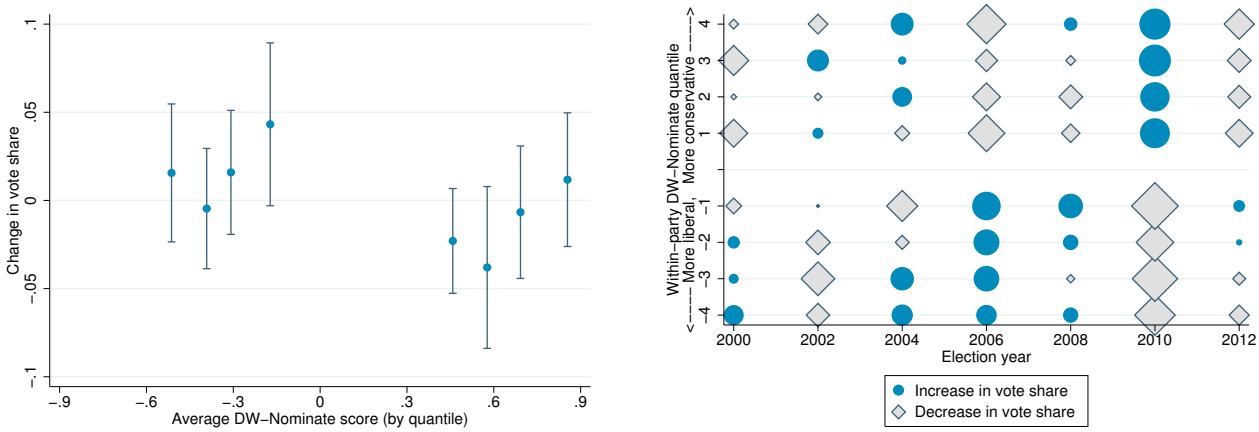


(a) Partisan voting

(b) Union indictments and deviations from party

Based on voting on July 2007 Kline (R-MN) amendment to House Budget Resolution. The resolution called for reducing OLMS funding by 5%, and the amendment proposed fixing it at the previous year's level. Thus, the amendment was an increase in OLMS funding, which ultimately failed. Union-supported and union-opposed candidates are identified by net campaign contributions from union (union contributions to union candidate minus contributions to opponent) exceeding $10,000. Indictments refer to those unsealed during the same Congressional term (2007-2008).

Figure C13: Instrument for swings in public opinion

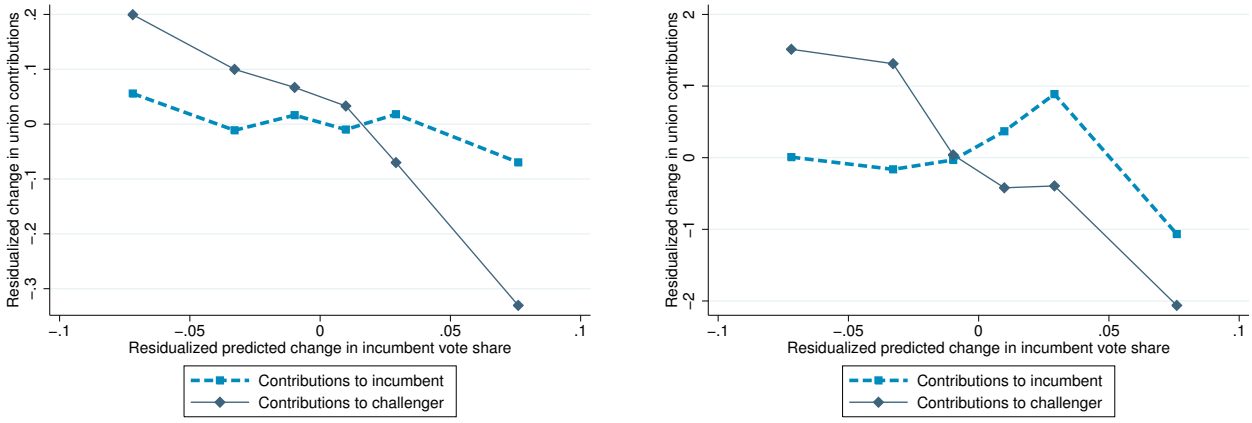


(a) Intuition for instrument (2008)

(b) Full variation in instrument 2000-2012

Panel (a): Change between 2006 and 2008 in the share of the vote received by the 2006 winning party, separately by within-party quartile of the DW-Nominate distribution. Panel (b): Representation of changes in vote share, by within-party DW-Nominate quartile, over time. Blue circles represent increases in received vote share; gray diamonds represent decreases. Size of shapes based on magnitude of increase/decrease.

Figure C14: Non-parametric strategic contribution response



(a) Davis-Haltiwanger First-Difference

(b) First-Difference of Levels

Binned scatter plot of residualized union contributions and predicted change in incumbent vote share. Based on specifications in Table C16 Columns 3 and 6.

Table C1: Indictment summary statistics

	(1)	(2)	(3)	(4)
Sample:	Main sample	No campaign contributions	Aggregate division	Could not merge
Embezzlement amount (thousands of 2015 doll.)				
10^{th} percentile	4.2	4.0	5.1	2.2
25^{th} percentile	9.4	8.8	14	5.8
50^{th} percentile	21.1	19.6	35.3	15.1
75^{th} percentile	55.1	57.5	78.1	42.6
90^{th} percentile	118.6	175.1	260	89.4
Conviction	87%	91	82	88
Prison	23%	25	30	13
Involves				
Top official	28%	32	20	38
Treasurer	49%	67	30	56
Other agency involved	10%	6.3	24	7.6
N	641	379	104	144

Characteristics of OLMS cases. A single case/indictment might include multiple defendants. Defendants and cases are de-duplicated so counts may differ from published totals. Column 1 sample: locals of unions that make campaign contributions. Column 2 sample: locals of unions that do not make campaign contributions. Column 3 sample: "aggregate divisions" (e.g., national headquarters or regional councils) of unions that make campaign contributions. Column 4 sample: indictments that could not be merged with the LM data (11% of indictments). This is for one of three reasons. First, the union does not represent private or federal employees and did not file LM reports. Second, the local named in the press releases is not in the LM data (errors in the local's reported name are very common in press releases) and the press release does not contain the local's location (commonly reported in later years but not earlier ones). Nothing can be done about these two issues. The third reason is that many locals shut down after a corruption case. This closure often shortly after (or even just before) the indictment, so no LM report is filed. To maintain data integrity, I did not merge indictments with earlier LM Reports. I have experimented with merging indictments up to one year ahead (e.g., merge a 2011 indictment with a 2010 LM report that was filed, under the assumption that the investigation went public in 2010 and the union closed that year). This includes 20 additional indictments in the main sample, and the results become larger (more negative) and more statistically significant than the results I report in the paper.

Table C2: Smoothness of predetermined characteristics

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
DV : (*Lagged)	*Union presence	*Log members	*Log receipts	*Indict-ment	Contrib. amt. (log)	Share of races	UC is incum.
	Panel A: [.40, .60]						
Union cand. wins	0.058	-0.159	-0.271	-0.003	0.041	0.005	0.090
	(0.042)	(0.196)	(0.238)	(0.009)	(0.059)	(0.026)	(0.093)
DV Mean	0.965	6.828	12.884	0.031	8.378	0.641	0.552
R^2	0.007	0.001	0.003	0.000	0.008	0.007	0.219
N	16999	15766	15629	16022	20688	20688	20584
N of union-CZ's	5565	5282	5229	5412	6153	6153	6148
N of Districts	249	247	247	247	269	269	268
N of elections	526	519	519	519	620	620	616
	Panel B: [.45, .55]						
Union cand. wins	0.066	-0.202	-0.388	0.001	0.092	0.015	0.009
	(0.065)	(0.229)	(0.278)	(0.012)	(0.095)	(0.035)	(0.131)
DV Mean	0.961	6.768	12.831	0.033		0.631	0.499
R^2	0.018	0.003	0.005	0.000	0.001	0.002	0.115
N	8475	7774	7721	7931	10264	10264	10236
N of union-CZ's	4241	3970	3935	4067	4808	4808	4792
N of Districts	149	147	147	147	168	168	167
N of elections	247	243	243	243	289	289	288

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. Note that the specifications (polynomial, standard error clusters, etc.) are identical to my main specifications, except where lags make force additional sample restrictions.

Table C3: Variation in election outcomes and poll results

	(1)	(2)	(3)
	Panel A: Polling variation, by election outcomes		
Dem. vote share	Poll unavailable	SD of poll error	Pr(Poll is wrong)
40-44	70%	3.4 pp	3.1%
44-48	36	3.5	21
48-52	18	3.4	40
52-56	30	3.5	19
56-60	73	4.1	10
40-60	45%	3.7 pp	23%
	Panel B: Election outcome variation, by polling		
Dem. poll share		SD of poll error	Pr(Poll is wrong)
40-44		3.3 pp	0%
44-48		3.5	16
48-52		3.7	40
52-56		3.7	24
56-60		4.1	7.4
40-60		3.7 pp	23%

"SD" denotes standard deviation, "poll error" denotes difference between Democratic share of ultimate electoral vote and Democratic share of poll respondents, "pp" denotes percentage points, and Pr(Poll is wrong) denotes that the winner of the poll did not win the election.

Table C4: The role of weights

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)
	Panel A: [.40, .60]			
Union cand. wins	-0.016**	-0.010**	-0.015***	0.002
	(0.007)	(0.004)	(0.005)	(0.005)
DV Mean	0.030	0.022	0.026	0.011
R^2	0.001	0.000	0.001	0.000
N	20688	20688	15166	5522
N of union-CZ's	6153	6153	4757	2653
N of Districts	269	269	269	146
N of elections	620	620	619	308
	Panel B: [.45, .55]			
Union cand. wins	-0.018**	-0.012**	-0.016***	0.004
	(0.009)	(0.005)	(0.006)	(0.009)
DV Mean	0.020	0.029	0.024	0.008
R^2	0.002	0.001	0.001	0.001
N	10264	10264	7659	2605
N of union-CZ's	4808	4808	3649	1657
N of Districts	168	168	168	92
N of elections	289	289	288	144
Weights	Yes	No	No	No
Sample	Full	Full	≥10% of CD pop in CZ	<10% of CD pop in CZ

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. Weights are the share of the Congressional District (CD) population that lives in the Commuting Zone (CZ).

Table C5: Main results with alternative clustering

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)
	Panel A: [.40, .60]			
Union cand. wins	-0.0160**	-0.0160**	-0.0160**	-0.0160*
	(0.0075)	(0.0062)	(0.0068)	(0.0093)
	[0.033]	[0.010]	[0.018]	[0.086]
R^2	0.001	0.001	0.001	0.001
N	20688	20688	20688	20688
	Panel B: [.45, .55]			
Union cand. wins	-0.0179**	-0.0179**	-0.0179**	-0.0179
	(0.0089)	(0.0083)	(0.0088)	(0.0136)
	[0.046]	[0.031]	[0.042]	[0.190]
R^2	0.002	0.002	0.002	0.002
N	10264	10264	10264	10264
Clusters	Un-CZ, Dist	CZ, Dist	CZ, State	Un, CZ, State

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Standard errors in parentheses; p-values in brackets. CZ is Commuting Zone.

Table C6: The role of the Democratic party

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)
	Panel A: [.40, .60]			
Union cand. wins	-0.016**			-0.015
	(0.007)			(0.011)
Democrat wins		-0.001	-0.001	
		(0.005)	(0.008)	
DV Mean	0.030	0.018	0.021	0.029
R^2	0.001	0.000	0.000	0.063
N	20688	16989	7170	4689
N of union-CZ's	6153	4998	3109	2458
N of Districts	269	297	259	
N of elections	620	738	586	183
	Panel B: [.45, .55]			
Union cand. wins	-0.018**			-0.020
	(0.009)			(0.013)
Democrat wins		-0.006	-0.008	
		(0.008)	(0.012)	
DV Mean	0.029	0.016	0.018	0.028
R^2	0.002	0.000	0.001	0.065
N	10264	6507	2569	2257
N of union-CZ's	4808	3036	1626	1593
N of Districts	168	189	157	
N of elections	289	333	266	78
Sample	Main	Un-CZ's with contrib., elct. without	Un-CZ-Cycles with contrib., elct. without	Union disagreement (elct. FE)

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. CZ is Commuting Zone.

Table C7: Additional robustness

	(1)	(2)	(3)	(4)	(5)
	Panel A: [.40, .60]				
Union cand. wins	-0.015*	-0.012	-0.014*	-0.012*	-0.541**
	(0.008)	(0.008)	(0.008)	(0.007)	(0.253)
DV Mean	0.030	0.026	0.020	0.030	0.030
R^2	0.000	0.001	0.001	0.000	
N	21125	15941	17156	23711	20688
N of union-CZ's	6174	6142	5468	6356	6153
N of Districts	269	257	225	293	269
N of elections	620	585	517	749	620
	Panel B: [.45, .55]				
Union cand. wins	-0.016*	-0.019**	-0.017	-0.015*	-0.545*
	(0.009)	(0.009)	(0.010)	(0.008)	(0.281)
DV Mean	0.028	0.026	0.020	0.028	0.029
R^2	0.002	0.003	0.001	0.001	
N	10601	8995	8598	11874	10264
N of union-CZ's	4886	4792	4204	5102	4808
N of Districts	168	167	144	193	168
N of elections	289	287	251	349	289
	Including split cand.	Closest only	No mob	Including 2012	Logit

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. CZ is Commuting Zone.

Table C8: Robustness to CCT optimal bandwidth selection

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)	(5)
Union cand. wins	-.015***	-.013**	-.013**	-.013**	-.013**
se (2-way)	(.005)				
se (Un-CZ)	(.005)	(.006)		(.005)	(.006)
se (Cong Dist)	(.005)		(.006)		
N	15166	13968	13403	12447	10533
Weights	None	Triangular	Triangular	None	Triangular
Bandwidth	[.4,.6]	[.409,.591]	[.413,.587]	[.4,.6]	[.421,.579]
Sample	≥10% of CD pop	≥10% of CD pop	≥10% of CD pop	≥10% of CD, Closest only	≥10% of CD, Closest only

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Standard errors in parentheses; p-values in brackets. Optimal bandwidth selection performed via Calonico, Cattaneo, and Titiunik (2014). "se" refers to the standard error clustered at the level described in parentheses. CZ is Commuting Zone.

Table C9: Heterogeneity by union and election characteristics

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)	(5)	(6)
	Panel A: [.40, .60]					
Union cand. wins	-0.004	-0.021*	-0.016	-0.017*	-0.010	-0.020**
	(0.004)	(0.011)	(0.013)	(0.009)	(0.014)	(0.008)
DV Mean	0.009	0.041	0.027	0.033	0.033	0.029
R^2	0.000	0.001	0.001	0.001	0.001	0.002
N	10341	10347	8393	12295	10126	10562
N of union-CZ's	3964	2639	4155	4323	4784	4560
N of Districts	258	267	268	257	202	159
N of elections	584	613	615	576	319	301
	Panel B: [.45, .55]					
Union cand. wins	-0.006	-0.021*	-0.025	-0.014	0.002	-0.024**
	(0.009)	(0.013)	(0.018)	(0.011)	(0.018)	(0.010)
DV Mean	0.008	0.039	0.026	0.030	0.027	0.029
R^2	0.000	0.003	0.004	0.001	0.002	0.003
N	5192	5072	3823	6441	3636	6628
N of union-CZ's	2906	2135	2514	3311	2620	3746
N of Districts	162	168	168	163	84	118
N of elections	278	287	287	279	106	183
Heterogeneity by	Union size		Contrib. size		Race level contribs.	
	Small	Large	Small	Large	Small	Large

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. All sample splits are based on the year-specific median for the main [.40, .60] sample. The number of observations in each group is not always equal because there is often point mass on the median volume (e.g., a contribution of $5,000, which is the median in most years). CZ is Commuting Zone.

Table C10: Indictment effects over time

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)
Years after election	1	2	3	4
	Panel A: [.40, .60]			
Union cand. wins	-0.003	-0.014**	-0.012*	-0.006
	(0.005)	(0.006)	(0.006)	(0.005)
DV Mean	0.015	0.017	0.015	0.017
R^2	0.000	0.001	0.001	0.000
N	20688	20688	20263	20263
N of union-CZ's	6153	6153	6020	6020
N of Districts	269	269	269	269
	Panel B: [.45, .55]			
Union cand. wins	-0.006	-0.013*	-0.010	-0.003
	(0.006)	(0.007)	(0.009)	(0.006)
DV Mean	0.014	0.016	0.014	0.017
R^2	0.000	0.002	0.002	0.000
N	10264	10264	10060	10060
N of union-CZ's	4808	4808	4714	4714
N of Districts	168	168	168	168

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. Column 1, for instance, estimates the effect of a close election in the 2010 electoral cycle (November, 2010) on indictments unsealed during 2011.

Table C11: Outcomes to distinguish between OLMS and US Attorneys

	(1)	(2)	(3)	(4)	(5)
	Panel A: [.40, .60]				
Union cand. wins	-0.016**	-0.020**	-0.014**	-0.032	-0.077*
	(0.007)	(0.009)	(0.007)	(0.032)	(0.042)
DV Mean	0.030	0.034	0.026	0.600	0.600
R^2	0.001	0.001	0.001	0.001	0.001
N	20688	20688	20688	20688	20688
N of union-CZ's	6153	6153	6153	6153	6153
N of Districts	269	269	269	269	269
	Panel B: [.45, .55]				
Union cand. wins	-0.018**	-0.021**	-0.018**	-0.058	-0.042
	(0.009)	(0.010)	(0.008)	(0.041)	(0.054)
DV Mean	0.029	0.032	0.026	0.598	0.598
R^2	0.002	0.001	0.002	0.002	0.002
N	10264	10264	10264	10264	10264
N of union-CZ's	4808	6153	4808	4808	4808
N of Districts	168	269	168	168	168
DV:	$1\{Indict\}$	Indictments	$1\{Convict\}$	$1\{Audit\}$	$1\{Audit\}$
Polynomial	Linear	Linear	Linear	Linear	Quadratic

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. CZ is Commuting Zone.

Table C12: Heterogeneity by state-level corruption

$DV: 1\{Indict\}$	(1)	(2)	(3)	(4)	(5)
	Panel A: [.40, .60]				
Union cand. wins	-0.016**	-0.017*	-0.012	-0.015	-0.018*
	(0.007)	(0.010)	(0.011)	(0.011)	(0.010)
DV Mean	0.030	0.026	0.034	0.032	0.029
R^2	0.001	0.001	0.000	0.002	0.001
N	20688	9896	10792	7532	13059
N of union-CZ's	6153	3067	3470	2515	3992
N of elections	620	308	312	221	395
	Panel B: [.45, .55]				
Union cand. wins	-0.018**	-0.011	-0.027**	-0.007	-0.026**
	(0.009)	(0.011)	(0.013)	(0.012)	(0.012)
DV Mean	0.029	0.024	0.034	0.027	0.029
R^2	0.002	0.002	0.002	0.002	0.002
N	10264	5167	5097	4057	6161
N of union-CZ's	4808	2388	2579	1962	2990
N of elections	289	150	139	112	175
Sample	Main	Low Corruption	High Corruption	Low Distance	High Distance

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses. CZ is Commuting Zone. All sample splits based on median among all 50 states. "Corruption" refers to the Glaeser and Saks (2006) measure based on federal convictions for corruption-related crimes. This may be endogenous, so "Distance" refers to the Campante and Do (2014) measure of distance from the state capital to the population (specifically, $AvgLogDistance_{not}$), which they show increases corruption.

Table C13: The effects of an indictment

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Local union capacity			Political activity			Political competition		
DV:	Membership	Receipts	Locals	Campaign contributions			UC vote share		Un. cand. wins
Ind_{t+4}	-.017	-.058	-.023						
	(.031)	(.040)	(.023)						
Ind_{t-3}	-.018	-.053	-.023	.161	.079	.097	-.023**	-.014	-.025
	(.026)	(.040)	(.019)	(.114)	(.142)	(.167)	(.011)	(.009)	(.031)
Ind_{t-2}	-.042*	-.077**	-.037**	.111	-.044	.170	-.006	-.004	.013
	(.022)	(.032)	(.018)	(.074)	(.100)	(.108)	(.006)	(.004)	(.015)
Ind_t	-.047	-.052	-.034	.303***	.282***	.368***	-.019***	-.013***	-.053***
	(.034)	(.036)	(.029)	(.079)	(.103)	(.098)	(.006)	(.004)	(.017)
Ind_{t-1}	-.075**	-.101***	-.051*	-.044	-.092	.280*	-.026***	-.018**	-.075***
	(.035)	(.039)	(.031)	(.116)	(.140)	(.153)	(.009)	(.007)	(.027)
Ind_{t-2}	-.068	-.132***	-.090**	-.192	-.072	.119	-.030**	-.022**	-.084**
	(.045)	(.047)	(.036)	(.166)	(.200)	(.215)	(.013)	(.011)	(.039)
Ind_{t-3}	-.109**	-.189***	-.121***	-.467**	-.516*	.510	-.025	-.021	-.067
	(.047)	(.050)	(.039)	(.238)	(.307)	(.319)	(.017)	(.014)	(.050)
Ind_{t-4}	-.165***	-.232***	-.166***						
	(.058)	(.060)	(.046)						
R^2	.500	.480	.634	.270	.260	.223	.812	.881	.778
N	12,255	12,255	12,255	8,617	7,602	7,455	10,881	9,833	9,833
F Stat (pre)	1.57	2.53	1.68	1.27	0.74	1.50	2.46	1.58	3.09
p-value	0.195	0.056	0.169	0.282	0.476	0.223	.087	.207	.047
F Stat (post)	2.63	4.33	4.65	2.88	3.10	4.17	5.54	3.12	4.01
p-value	0.033	0.002	0.001	0.035	0.026	0.006	.001	.026	.008
Elections				All	Close	Non-close	All	Contested	Contested

* $p < .10$, ** $p < .05$, *** $p < .01$. Columns 1-3: A unit is a Union-CZ and the data is yearly from 2001-2014. Columns 4-6: A unit is a Union-CZ and the data is biennial from 2000-2012. Columns 7-9: A unit is a Union-district and the data is biennial from 2000-2014. Standard errors (in parentheses) are clustered at the Union-CZ in 1-6 and the district level in 7-9. All columns include unit fixed effects and trends and year fixed effects. Dependent variable in 1-6 is normalized by the unit-specific mean (coefficients can be interpreted as percent change). Sample includes only units experiencing an indictment during the window. For ease of interpretation, table is based only on a Union-CZ's first indictment. In columns 1-3 Ind_{t+4} and Ind_{t-4} also include leads and lags beyond four. In columns 4-9, Ind_{t+3} and Ind_{t-3} also include leads and lags beyond three. In columns 4-9, Ind_t corresponds to the first election after the indictment. See (3) for estimating equation.

Table C14: Voting on Kline (R-MN) Amendment to increase OLMS funding

DV: 1{Vote Yes}	(1)	(2)	(3)	(4)
Union-supported	-0.124***	-0.092		
	(0.038)	(0.059)		
Union-supp. and supporter indicted		-0.091***		
		(0.031)		
Union-opposed			0.078**	0.064
			(0.039)	(0.045)
Union-opp. and opponent indicted				0.037
				(0.061)
N	431	431	431	431
R^2	0.757	0.763	0.754	0.754

* $p < .10$, ** $p < .05$, *** $p < .01$. Controls include indicator for Republican, margin of victory in previous election, share of district that voted Republican in last presidential election (Bush '04), and the interaction of Republican with victory margin and Bush '04 share. Results represent voting on July 2007 Kline (R-MN) amendment to House Budget Resolution. The resolution called for reducing OLMS funding by 5%, and the amendment proposed fixing it at the previous year's level. Thus, the amendment was an increase in OLMS funding, which ultimately failed. Union-supported and union-opposed candidates are identified by net campaign contributions from union (union contributions to union candidate minus contributions to opponent) exceeding $10,000. Indictments refer to those occurring during the same Congressional term (2007-2008).

Table C15: Differences between pivotal and non-pivotal elections

Variable	Non-pivotal		Pivotal		Difference	
	Mean	St. Dev.	Mean	St. Dev.	Diff.	St. Err.
Log union membership (lag)	7.82	(1.91)	7.49	(1.91)	0.33**	(0.13)
Log CZ pop.	16.23	(1.41)	16.04	(1.38)	0.20	(0.13)
R. share in last pres. elec.	0.484	(0.051)	0.484	(0.052)	0.000	(0.006)
N. of CD's in the CZ	10.2	(6.28)	8.92	(5.25)	1.28**	(0.52)
Share of races with cont.	0.772	(0.181)	0.776	(0.189)	-0.004	(0.016)
N. of close races with cont.	3.7	(0.88)	3.38	(0.77)	0.33***	(.09)
Win margin in prev. elec.	0.101	(0.096)	0.114	(0.123)	-0.013	(0.014)
Log spending in race	14.98	(0.61)	15.05	(0.55)	-0.069	(0.056)
Log contribution amt.	8.56	(0.87)	8.58	(0.88)	-0.01	(0.04)
Un. Cand. is Dem.	0.906	(0.292)	0.898	(0.303)	0.008	(0.022)
Un. Cand. is Incum.	0.616	(0.487)	0.623	(0.485)	-0.008	(0.049)
N	2391		1933			

* $p < .10$, ** $p < .05$, *** $p < .01$. Unit of observation is Union-CZ-election. "Pivotal" indicates the given election outcome either determines whether the CZ is represented by all pro-union or determines whether it is all anti-union Representatives. Two-way clustered standard errors, at the Union-CZ and Congressional District level, are shown in parentheses.

Table C16: Union contribution responses to shock to incumbent popularity

DV: Change in contributions to	(1)	(2)	(3)	(4)	(5)	(6)
	current incumbent's party			current challenger's party		
	Panel A: Davis-Haltiwanger First-Difference					
Change in incum. vote share	-1.320**	-1.195**	-1.136**	-4.080***	-4.217***	-4.099***
	(0.560)	(0.558)	(0.557)	(0.718)	(0.694)	(0.669)
N	2956	2956	2944	2956	2956	2944
R^2	0.294	0.342	0.402	0.111	0.115	0.172
First stage F-stat.	135	130	129	135	130	129
	Panel B: First-Difference of Levels					
Change in incum. vote share	-6.868	-5.897	-5.037	-28.154***	-29.502***	-27.465***
	(5.951)	(5.929)	(5.468)	(5.888)	(5.612)	(5.386)
N	2956	2956	2944	2956	2956	2944
R^2	0.121	0.134	0.218	0.066	0.077	0.162
First stage F-stat.	135	130	129	135	130	129
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Controls	No	Yes	Yes	No	Yes	Yes
District FE	No	No	Yes	No	No	Yes

* $p < .10$, ** $p < .05$, *** $p < .01$. Standard errors clustered at the state level included in parentheses. Both panels based on instrumental variables, instrumenting for the change in incumbent vote share using the shift-share (Bartik-style) instrument: the change in vote share for ideologically similar incumbents in other states (see Section C.6 for more detail). Controls include party and lagged incumbency status of the current incumbent. Panel A is in units of Davis-Haltiwanger first-difference (see (14)). Panel B is in tens of thousands of dollars. See (13) for estimating equation.