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**Glenn R. Parker: Self-Policing in Politics**

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## Introduction

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LIKE THE WISTFUL pursuit of the “philosopher’s stone,” in other words an imaginary substance believed capable of changing base metals into gold or silver, democratic theorists have long searched for mechanisms to control their politicians. Citizens’ efforts to tar-and-feather their corrupt politicians have thankfully disappeared from politics altogether, largely replaced with an unfaltering belief that scandalous acts will be uncovered and the rascals subsequently thrown out of office. Both suppositions are debatable, however. Public choice theorists have called attention to the rational ignorance of voters that makes monitoring politicians extremely costly, perhaps prohibitively so; hence, learning of the wrongdoings of politicians is problematic at best. As for turning the rascals out of office, elections have proved rather ineffective in pruning governmental institutions of their corrupt members. For a variety of reasons, voters seem reluctant to replace public officials tainted by political scandal!

If elections and voter monitoring are chancy means for controlling politicians, citizens would seem to be at the mercy of their public officials. Perhaps so, but this does not mean that politicians, even rational ones, will necessarily exploit this situation; constraints on the ethical behavior of public officials could be self-imposed. This is not just wishful thinking. Individuals, especially rational ones, can be expected to behave ethically if they are adequately rewarded for doing so. For politicians, one reward for ethical conduct is a sterling reputation, which, beyond its intrinsic worth, serves at the same time as an electoral resource and a potentially attractive employee attribute if the politician should leave office voluntarily or involuntarily. Simply put, reputations can be viewed as representing investments by politicians that yield premiums in terms of electoral safety and post-elective employment. Reputations for honesty and ethical conduct don’t come cheaply: Ethical conduct creates costs for rational politicians in terms of foregoing opportunities to avail themselves of the off-budget benefits of public office that are difficult to monitor. Rational politicians are unethical, therefore, because the benefits far exceed the potential or the expected costs of doing otherwise. One obvious cost (or loss) associated with dishonesty is the decline in reputability; or, put differently, unethical conduct drains the reputational goodwill that politicians have accumulated during their careers. Theoretically, a damaged reputation not only hurts

politicians at election time but also when major private sector employers are considering hiring top-level executives.

Despite the relevance of reputations as mechanisms for inducing self-imposed constraints on unethical and dishonest behavior, political scientists have devoted little attention to this instrument of self-policing.<sup>1</sup> Economists have taken the lead on this question, no doubt because of their interest in the practices of businesses and the uncertainty that underlies many consumer purchases. Political scientists appear to ignore the striking similarities between the problems of opportunism facing voters and consumers. For instance, businesses skimp on the quality of materials, and politicians benefit their friends and relatives at the expense of voters. Indeed, there are strong parallels between the behaviors of businesses in the market, and politicians in office, in the sense that both encounter similar conditions facilitating cheating (e.g., consumer and voter ignorance, costs of monitoring).

Problems of cheating cover a wide range of economic and political behavior. Problems of “shirking,” for example, arise among managers who pursue their own private interests rather than those of stockholders (Jensen and Meckling 1976), and among legislators who vote their own ideological preferences rather than those of their constituents (Kalt and Zupan 1984). The costs of monitoring enable managers to exercise discretion (Alchian and Demsetz 1972), and bureaucrats to escape detection for doing the same (Niskanen 1971). Businesses engage in post-contractual renegeing (Klein et al. 1978), as do legislators (Weingast and Marshall 1988). Businesses “cheat” on quality by selling a low-quality product at the price reserved for high-quality products (Klein and Leffler 1981). Politicians “cheat” voters by pursuing their own private interests rather than giving a faithful effort to advancing the interests of their constituents (Kau and Rubin 1979).

Consequently, a particularly common (and troublesome) issue in both economic and political markets is one of assuring honesty and restraining opportunism (see, for example, Becker and Stigler 1974; Barro 1973; Ferejohn 1986; Akerlof 1970; Lott 1990; Fama and Jensen 1983; Shepsle and Weingast 1987; Telser 1980; Alchian and Demsetz 1972; Crain et al. 1986; Parker and Parker 1998a; Williamson 1975; Williamson 1981). This is the question addressed by this inquiry: the design of ex ante protections against the opportunistic behavior of politicians. Simply put, how can we assure that politicians behave faithfully, dedicated to their legislative responsibilities, eschewing unethical gain, and warranting the trust of their constituents? The similarity between this question and one frequently addressed by economists—namely, assuring that producers supply high-quality products despite consumer ignorance—encourages us to consider economic treatments of this problem. In this

study, I explore a potential mechanism of *ethical control* that economists claim is effective in keeping businesses honest and reluctant about exploiting consumer ignorance to “cheat” in the production of high-quality goods: reputations or brand names. The paucity of empirical research on the effects of reputations on producer honesty and opportunism, as well as its uncertain implications for politics, makes this inquiry a worthwhile endeavor.

The substantive focus of this study is on the U.S. Congress and the behavior of its members. Economic treatments of Congress frequently focus on issues of representation and view the legislator–voter relationship as a principal–agent dilemma. That is, the “principal” employs an “agent” to act in the principal’s best interests; but if all parties (principal and agent) are self-interested, then the “agent” may on occasion act in his or her own self-interest rather than that of the principal’s. The dilemma is how to prevent legislator-agents from ignoring constituent opinion. “Constituent opinion” is often narrowly construed in economic as well as political analyses—that is, the issue preferences and opinions of voters. Hence, the research question is often approached in terms of the extent to which the roll-call votes of legislators match the opinions of their constituents. Although a very useful and important conceptualization, this is an unfortunately narrow construction of the demands of voters. Voters may ultimately accept less, but they desire politicians who are ostensibly bound to ethical codes of conduct. Legislators don’t merely violate the agent–principal relationship when they express their own opinions rather than voting constituent sentiment. They also violate this relationship when they exploit their positions for private gain, since voters rarely prefer effective dishonest politicians to effective honest ones. (At the very least, the “take” of dishonest politicians reduces the budget surplus available to voters, such as tax cuts, and therefore should meet with constituent disapproval.) If our politicians were not merely self-interested, but also unethical, problems of representation would be compounded. Thus, the major questions of representation should be phrased: how do we assure that agents reflect constituent sentiment *and* forego the gains that can be obtained by exploiting public office? The latter question—assuring ethical behavior—is the focus of this inquiry.

#### PROBLEMS IN CONTROLLING LEGISLATORS

In the U.S. Congress, the behavior of legislators is regulated largely through ethical codes of conduct. Legislators are expected to behave within the confines of such ethical codes but if they do not, they are

then subject to punishment and perhaps expulsion. In this way, ethics laws and codes are expected not merely to rid institutions of their most corrupt members, but also to deter others from following the same (corrupt) path. Unfortunately, ethics codes, like many other explicit forms of control, are subject to perverse problems of rational behavior on the part of legislators. Rational legislators could draft codes in such a way as to make them ineffective, either by including “loopholes,” making information “confidential,” “watering down” the codes, or limiting the range of transgressions and punishments. And if Congress were to become populated with a significant number of individuals interested in financial gain, we might expect them to fashion ethics codes that were quite lenient and filled with exemptions. A case in point is the legislative amendment to the 1971 Federal Election Campaign Act (passed in 1978) that prevented the allocation of campaign funds for personal use, but exempted legislators elected to the Ninety-sixth Congress from the provision! In sum, formal ethics codes only assure minimum standards which are implicitly only the *maximum enforceable*.

At first glance, monitoring seems a perfect means of controlling politicians and alleviating some of the problems involved in ethics codes. If monitoring is defined to include the investigation and disclosure of information about the activities of politicians, such information could highlight malfeasance and misdeeds. Even if the costs of monitoring were not prohibitive, there remains a major problem since the actions of politicians can be cleverly hidden from public view. Politicians possess information about their performance in office that is not available to their constituents, so the latter are in a poor position to judge that performance. Voters need this knowledge to make informed assessments but politicians have few incentives to provide it. There is no reason to believe that rational politicians will reveal information about their activities that might place their careers in jeopardy. Such asymmetries in information create moral-hazard problems: hidden actions.

Even more perverse, increased monitoring might just have the opposite effect—rather than diminishing cheating on the part of politicians, it may actually increase it. Where personalized relationships exist between principals and agents, any bilateral implicit contract incorporating aspects of trust could be impaired by increased monitoring. What results is more, rather than less, shirking:

[T]he agent may perceive more intensive monitoring by the principal as an indication of distrust, or as a unilateral break of the contract built on mutual trust. As a consequence, the agent affected sees no reason why he or she should not behave in an opportunistic way. . . .  
[I]ncreased monitoring raises the marginal utility from shirking as the

agent's "bad conscience" is absolved by the breakdown of trust with the principal: Thus to some extent monitoring "crowds out" work effort. (Frey 1993, 664–665)

Moreover, since many of the activities assigned to politicians are difficult to define precisely, and there exist the aforementioned asymmetries in information that favor politicians, punishing politicians for failures in performance is likely to be difficult, if not futile, irrespective of monitoring.

Perhaps, punishment at the hands of voters is the ultimate deterrent to agent misbehavior. Unfortunately, in the last period—that is, the last term prior to exiting office—electoral reprisal will no longer serve as a significant threat. Elections may also fall prey to problems of adverse selection since they provide no assurance that the candidate pool will contain good alternatives to opportunistic incumbent legislators (Parker 1996). I will have more to say about the effectiveness of elections in eliminating dishonest and opportunistic legislators, and deterring unethical behavior, in chapter 6.

Ethics codes, monitoring, and elections simply cannot do the job of constraining cheating on the part of politicians. This does not mean that these mechanisms are totally ineffective in discouraging opportunistic behavior; rather, my contention is that we are far too dependent upon these "institutions" to deter unethical or quasi-ethical behavior. These instruments of control, at the very least, need to be supplemented by other mechanisms that are less likely to fall prey to perverse problems of rational behavior. One mechanism capable of serving this function is a politician's reputation. For the purpose of this study, reputations are conceptually defined as *publicly held conceptions of politicians' qualities*; in the marketplace, reputations serve a similar function—expectations of quality from the perspective of consumers (Miller and Plott 1985; Shapiro 1983, 663).

#### THE VALUE OF REPUTATIONS

There are numerous "signals" that firms transmit, aside from their reputations, to demonstrate the quality of their products—warranties, firm-specific signs, logos, price, advertising, and the like. For instance, high prices are thought to reflect a price premium that incorporates the costs to businesses of producing a high-quality product, as well as a normal rate of return to the firm for its reluctance to exploit consumer ignorance to produce low-quality goods—in other words, extortion money. The rationale is that businesses won't produce low-quality goods because of the fear of losing the enhanced returns (i.e., price premium).

From this perspective, market prices above the competitive level signal consumers that a firm is unlikely to cheat on quality. This lends support to the common adage: “You get what you pay for.” Similarly, advertising (e.g., free samples) represents a nonsalvageable asset which signals consumers that the firm expects to recoup the costs of advertising from the flow of future business, which results from the production of quality goods.

From the perspective of voters and consumers, only signals of product quality that are bonded—some asset or wealth is forfeited if cheating is discovered—serve as effective signals of product quality (Ippolito 1990). The conceptualization of reputation used in this study meets this criterion: *A politician’s reputation is bonded in the sense that career investments are lost if unethical behavior is uncovered.* In the marketplace, “the advertising of the name brand product indicates the presence of a current and future price premium. This premium on future sales is the firm’s brand name capital which will be lost if the firm supplies lower than anticipated quality” (Klein and Leffler 1981, 632).

Models of the firm are relied upon in this analysis as conceptual and heuristic devices for yielding insights into the nature of reputations and their effects on politics. While there are many ways in which the study of the firm can better inform us about reputations, several conclusions drawn from this literature seem particularly relevant to the present inquiry. First, reputations serve as low-cost signals of product quality for consumers unaware of such matters prepurchase (i.e., prior to purchasing and using the product). In this way they short-cut the “search” costs incurred by consumers. Second, reputations are shaped by the “extended dealings” of businesses (i.e., consumers’ experiences with a particular firm are shared with other potential buyers) that result in the pooling of information among consumers. Third, reputations represent investments in nonsalvageable capital that can deter cheating on the quality of a product, such as selling a low-quality product at a high-quality price because consumers lack the necessary prepurchase information. Fourth, reputations provide firms with a future earnings stream that is greater than the one-time gain from cheating and includes a “premium” to induce honesty. Finally, reputational controls can fall prey to last-period problems: the absence of future dealings encourages rational actors to ignore the returns from reputability and cheat prior to the cessation of present business arrangements. These propositions are incorporated into the analysis to explain how reputability promotes ethical conduct in politics, and the forces that threaten its effectiveness in this regard.

The significance of this study can be stated in a single, if not complex, sentence: To examine whether reputations for faithful and trustworthy

behavior are capable of creating *ex ante* incentives for ethical conduct by rational politicians who possess hidden information; who are aware that the costs associated with monitoring their unethical behavior, as well as punishing it, are quite high, perhaps prohibitively so because of moral hazards; and who encounter a rationally ignorant electorate. All too frequently, as will be argued in later chapters, we have relied upon elections and ethics codes to ensure proper conduct on the part of public officials. Our faith in these two mechanisms clearly exceeds the capacity of either to effectively constrain unethical conduct. It seems that rational politicians can always find a loophole in an ethics code that will exonerate or justify their misfeasance, or a way to win election despite involvement in a scandal.

Ethics codes and elections also suffer from the fact that both are *ex post* mechanisms for the enforcement of ethical behavior—that is, punishment occurs after the unethical behavior has occurred. Moreover, the effectiveness of ethics codes and elections in this regard—topics addressed in later chapters—is suspect. Politicians involved in scandals seem to return to office in alarming numbers (chapter 6), and despite ethics reforms during the past half-century, political scandals continue to surface (chapter 1). This is not to imply that elections and ethics codes are irrelevant to controlling the ethical conduct of politicians; such a statement would be an exaggeration. But it is not an exaggeration to claim that these mechanisms of ethical enforcement need to be supplemented if we are serious about effectively controlling the behavior of our politicians. The establishment of a reputation as a faithful agent (i.e., honest, loyal, conscientious) may provide just such a mechanism to complement elections and ethics codes in encouraging ethical behavior among rational politicians.

As mentioned earlier, “brand names” cannot replace ethics codes and elections as deterrents to opportunistic or unethical behavior, but they are able to mitigate some of the problems that seem to plague these explicit mechanisms of legislator control. For instance, reputations enable voters to differentiate among candidates and to distinguish the honest from the dishonest, the trustworthy from the untrustworthy. Ethics codes establish only minimum standards of conduct, but reputations may result in *implicit* contractual adherence that even exceeds levels established by ethics codes. Ethics codes are possibly a necessary, but certainly not a sufficient, condition for deterring opportunism. In conjunction with reputations, ethics codes gain vitality. Obedience to ethics codes enhances one’s reputation for trustworthiness: politicians trumpet their adherence to ethics codes, or their absence from ethics investigations, as evidence of their trustworthiness.

If politicians seek to protect their reputations, they have incentives to

avoid activities that would tarnish their brand names. In economics, tarnishing one's reputation is equivalent to destroying previously invested capital, the irrationality of which limits the rationality of opportunism. Thus, reputable politicians avoid engaging in opportunism because they fear the loss of investments in their political careers, and the premiums those investments earn. This creates a form of self-policing.

Some economists contend that a major difference between the brand names of firms and politicians is that firms are able to "sell" their brand names while politicians cannot.

Past investments by politicians in advertising and good will (i.e., brand name) invariably assist them in producing support in the present. Yet, unlike a firm, politicians have only very limited ways of selling this political human capital. For example, they can endorse another candidate, but cannot sell the new candidate his name or his office. Politicians receive quasi-rents from these past investments, but are unable to fully sell the rights to this rental stream to others. (Lott 1986, 88)

Thus, incentives for reputability are possibly greater in economic than political markets. Perhaps, but we should not exaggerate this distinction since politicians may be able to cash in on their reputability in post-elective employment. For instance, if reputability influences the post-elective earning opportunities of politicians, then the better one's reputation, the better are those employment opportunities. Under these circumstances, reputations are *unlikely* to be "milked," even in the last period of officeholding. Economists have gained an appreciation of this mechanism for controlling opportunism in business dealings: "If one party's reputation for nonopportunistic dealings can be sold and used in later transactions in an infinite-time-horizon economy, the firm that cheats in the 'last' period to any one buyer from the firm experiences a capital loss" (Klein et al. 1978, 304). This is a major premise of the analysis.

#### REPUTATIONAL CONTROLS

As political scientists, we have a relatively elementary understanding of how reputations function to keep our politicians honest. All too frequently, we characterize "bad reputations" as merely damaging politicians' prospects for reelection. But, of course, there is considerable evidence to the contrary (see chapter 6). So how do reputations function to constrain cheating by politicians? Economists provide some clues about the features of reputations that promote nonopportunistic behavior. In order to better understand the role of reputations in constraining un-

ethical behavior in politics, I fashion a model of reputational control drawn from propositions in the economic study of the firm. This model describes several incentives associated with reputability that encourage ethical behavior, and suggests some empirical hypotheses for testing. The model is based upon five propositions that I term assumptions about reputational control. They describe various properties of reputations that encourage honesty in the market.

A basic premise commonly used in economic inquiry is that *individuals are rational and utility-maximizing*. The same proposition is employed in this study to account for the behavior of politicians and voters. As rational individuals, we expect voters to value (and seek) shortcuts to becoming informed and predicting the behavior of their representatives (e.g., evaluating political information and politicians). Reputations serve this purpose by *reducing the search costs incurred by voters*. This is the second assumption. Since voters desire simple cues for evaluating and predicting political behavior, politicians develop them. Reputations are linked to the behavior of politicians because the latter have incentives to create consistency between their reputations and behavior: Reputations won't be useful to voters unless they are backed up with behavior; otherwise, reputations are merely statements and not reliable predictors of behavior—“cheap talk.” Voters aren't interested in statements or words, only actions, and unless some evidence can be mustered to demonstrate that a reputation is related to behavior, reputations are useless. In this sense, reputations must be validated through behavior. Validating one's reputation to the satisfaction of voters requires politicians to make investments (i.e., sunk costs) by engaging in certain expected behaviors. Doing so entails costs to politicians by requiring them to forego other opportunities and behaviors (i.e., opportunity costs).

*Reputations are also spread through networks of individuals (e.g., consumers, voters) who have had personal dealings with an economic actor (e.g., firm) or agent.* People who have had contacts or dealings with an agent can spread the word to others about their experiences and the latter's performance. Of course there are other avenues available for obtaining reputational information about politicians, such as reports from good government groups, newspapers, and the like, but the costs of making use of these mechanisms are often far greater than free-riding on the experiences of others to obtain this information. Consumers frequently rely upon information gathered by others, in lieu of the claims made through advertising, when making market decisions involving the quality of products that cannot be determined pre-purchase—conditions ripe for cheating on product quality. This is the third assumption. Fourth, *reputations represent sunk investments*. As

economic agents form reputations, they incur costs in the effort, such as the establishment of consumer services. Reputations incorporate the past decisions and costs incurred by economic agents in nurturing consumer loyalty and appeal.

The above propositions are as relevant to politics as they are to economics. Voters and politicians are always seeking to maximize their returns, and both gain from methods that shortcut the costs involved in obtaining information. Reputations in politics are also spread through networks of individuals who have had personal experiences with a politician, or his or her office. Voters share their experiences with others, and for many voters, this is the only information that reaches their ears. And politicians, like commercial businesses, also make investments in their reputations, investments that might be lost if they were discovered as engaging in actions contrary to the desires of their customers—voters. This should make politicians reticent about damaging their reputations and sacrificing their accumulated career investments by engaging in unethical behavior.

The fifth proposition has its roots in the study of the brand names of businesses, but it is modified here so that it is more applicable to the study of politicians' reputations. Reputations are designed to ensure a continuous stream of customers—repeat purchases by past and present customers, and purchases from first-time and future buyers who, unaware of the quality of a product, base their decisions on brand names. This long-term profit stream, containing a “price premium” to ensure both quality and honesty, is one of the major benefits derived from reputations under competitive market conditions. Nonetheless, describing the reputations of politicians in this vein seems rather strange. Rather than ensuring a stream of customers, I assume that *reputations yield job security for politicians*. The similarity between the economic interpretation of reputations and that advanced here is that both conceptualizations envision reputations as ensuring a future earnings stream containing a price premium. The premium honest businesses obtain is a higher price, over-and-above average variable costs. For politicians, the premium is paid in terms of electoral safety, and prestigious job opportunities if they leave their present position voluntarily or involuntarily. Reputations function in the same way for politicians as for businesses since they both enhance the prospects of future gain.

Implicit in the last assumption is the notion that politicians, like all employees, value job security. Does this by itself negate unethical conduct? While economic entrepreneurs may trade job security for handsome, more risky returns, the former remains a goal of every rational economic agent. But just because politicians, like employees, want to keep their jobs does not mean that either is totally risk averse. Clearly,

the existence of legislator opportunism and managerial shirking is sufficient to demonstrate that both are willing to take a chance now and then to obtain private gain, acutely aware that their actions might threaten job security if uncovered.

Job security is not merely defined here in terms of reelection, as it is in most studies; rather, it also includes employment opportunities that incumbent legislators could obtain should their political careers come to an end. This is not to dismiss the force of reelection as a potent factor motivating the behavior of legislators (see, for instance, Fiorina 1977, and Mayhew 1974). But job security entails more than just reelection. Legislators want assurances that should they ever leave Congress they can obtain attractive post-elective employment (i.e., prestigious jobs). That is, legislators “demand” assurances not merely that they will find a job, but that the job will be a *really good one*. This is the *premium* awarded trustworthy, dutiful politicians.

These last three propositions—consumer intercommunication of experiences, job security, and sunk investments—describe the major market (economic) incentives associated with reputations that constrain cheating in both economic and political markets. Politicians fear damage to their reputations, if word should spread from voter to voter about their opportunism in office; businesses fear that information sharing by dissatisfied customers will hurt their brand names. For politicians, tarnished reputations can engender reelection defeat and few attractive post-elective employment opportunities. Businesses suffer in a similar manner when their brand names are blemished, as future sales are lost as well as any premiums they receive above the market price for their products. Finally, if revelations of the wrongdoings of politicians or businesses become public, both lose some of the capital invested in their reputations. In politics, such capital includes not only the time and effort required in building a career in politics, or gaining political office, but also the entrepreneurial activity that is required in establishing political vocations. In business, reputations represent nonsalvageable assets; hence, time and money spent in creating an appealing reputation are lost if cheating is discovered. Moreover, these three reputational incentives, or controls, are interconnected, which compounds the effects of each. For instance, if consumers (voters) spread word of a firm’s (politician’s) cheating, the firm (politician) loses reputational capital, any price premium it is presently earning, and future sales. And losses of reputational capital threaten future earnings, sales, price premiums, and so on. A major objective of this study is to see how well these conditions or incentives for reputational control in economic markets apply to the behavior of legislators.

## OBJECTIVES

The present study represents the evolution in my thinking about the control of public officials. This interest was first sparked by my study of the uncanny efforts by legislators to expand their discretion—that is, their ability to do whatever they wanted (Parker 1992). These results prompted another research question: how would a discretion-maximizing legislature operate in an environment where rent seeking (attempts to obtain economic advantage through the political process) had become an established mode for doing business (Parker 1996)? The inquiry into this latter question reached the conclusion that the nature of the rent-seeking society seemed to be producing over-time changes in the composition of Congress. Specifically, Congress was becoming more hospitable to individuals seeking material gain (extrinsic rewards) and less attractive to those interested in the intrinsic gains derived from public service, such as power, recognition, and national visibility. The resulting “adverse selection” of candidates for public office ostensibly weakens the effectiveness of elections as a means for reprimanding rent-seeking legislators since the candidate pool evolves so that it is largely comprised of the latter type of individuals. With little to choose from, voters confront the choice of selecting among “evils.” But even if elections were effective in punishing politicians for their wrongdoings, they represent *ex post* mechanisms of control and are ineffective in the last period of officeholding. What is needed is a mechanism to complement electoral sanctions that functions *ex ante*.

The major question prompting this inquiry is to what extent reputability might serve as a mechanism to constrain unethical conduct in Congress, and what conditions might enhance, or limit, its capacity to do so. Or more grossly, do reputations keep politicians honest? There is also a tangential objective to this study. The inquiry is designed to introduce political scientists to economic reasoning about reputations, and how such thinking about reputations can be usefully incorporated into the study of politics and politicians.

## CONCLUSION

It goes without saying that a “good” reputation is rewarding in-and-of-itself. Reputability, however, also earns material benefits that compound its value in politics and markets. The behavior of the “firm” serves as a heuristic device in identifying these additional rewards to reputability because, from the perspective of the firm, only material (economic) ben-

efits matter. Thus, by focusing on the economic payoffs from “brand names,” we can identify the features of reputations that are materially beneficial. This book is about how such material rewards operate in politics, and whether they alone are sufficient to deter opportunism.

Models of the firm suggest that reputable businesses are deterred from cheating their customers for at least three reasons: waste of sunk costs (capital), loss of a price premium, and fear of consumer boycott. Likewise, politicians can be expected to avoid cheating or engaging in unethical activity because they fear the loss of: (1) sunk investments they have made in their careers in politics; (2) premiums paid to ethical politicians in terms of electoral security and post-elective employment; and/or (3) future voter support, as constituents spread word of past experiences with politicians. Simply put, reputations operate to deter opportunism in business and politics by creating incentives for ethical and nonopportunistic dealings. These do not, of course, describe the myriad of ways that reputations operate to induce nonopportunistic behavior, but these three provide a good start in studying reputational controls in politics since they are mentioned frequently in the economic literature.

As noted earlier, the study of reputations or brand names by economists has far surpassed the efforts of political scientists; however, many economic treatments of the topic have been highly theoretical and mathematical. While these analyses are useful in advancing our understanding of the properties of reputations, with relatively few exceptions, the propositions derived from them have rarely been applied to politicians, or subject to extensive empirical testing. Therefore, the present inquiry hopes to contribute to our understanding of reputations by strengthening the empirical bases for existing economic theories and propositions about reputations. In addition, this study offers a rather unique solution to the last-period problem in politics that builds upon important economic ideas and insights. I hope economists will find these aspects of the book appealing, as well as the parallels between the firm and the behavior of politicians. For political scientists, I hope this inquiry will enhance the relevance of reputations, and how economic theories can provide insights into the ways in which reputations operate in politics.

In chapter 1 I introduce the issue of opportunism and describe economic and political solutions to this problem. Chapter 2 elaborates on why reputations control cheating in economics and politics. The objective of chapter 3 is to describe problems in the market for legislators—biased information, difficulties in legislator monitoring, and conditions that erode the premiums awarded ethical politicians—that mitigate the effectiveness of reputational controls on unethical conduct. The meth-

odology underlying the analysis is described in chapter 4. The major question prompting this inquiry—can reputational capital deter opportunism in legislatures—is explored in chapter 5. Chapter 6 is devoted to examining the extent to which trustworthiness is rewarded with electoral safety and prestigious post-elective employment. In chapter 7, weaknesses in reputational controls are examined. Among the questions addressed in this chapter is whether first-hand contact with legislators creates a sufficiently critical audience for ensuring the latter's ethical conduct. The concluding chapter summarizes the themes and arguments made throughout the book, and discusses some of the implications that can be drawn from this inquiry.