Private Sector Policy Making: Business Background and Politicians' Behavior in Office

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Candidates often tout their private sector experience when running for public office. But do businessperson politicians actually govern differently? This paper argues that given their preferences and managerial expertise, businesspeople in office adopt policies favorable to the business community and improve government efficiency. To test these claims, I collect data on over 33,000 Russian mayors and legislators and investigate policy outcomes using detailed municipal budgets and over a million procurement contracts. Using a regression discontinuity design, I find that businessperson politicians increase expenditures on roads and transport, while leaving health and education spending untouched. Prioritizing economic over social infrastructure brings immediate benefits to firms, while holding back long-term accumulation of human capital. Businesspeople also do not reduce budget deficits, but rather adopt less competitive methods for selecting contractors, particularly in corruption-ripe construction. In all, businessperson politicians do more to make government run for business, rather than like a business.

The personal traits politicians bring with them into office can translate into dramatically different political preferences and behavior. Politicians' background not only shapes the importance they place on certain issues (Carnes 2013; Fenno 1973) but also the degree to which they represent the views of their constituents (Burden 2007). In recent years, a growing literature has identified characteristics such as education (Besley, Montalvo, and Reynal-Querol 2011), race (Hopkins and McCabe 2012), gender (Chattopadhyay and Duflo 2004), and social class (Carnes 2012) as all exerting significant influence on the types of policies leaders pursue while in government.

One particular trait is a previous career in the private sector. Businesspeople regularly contest and win elected office around the world, oftentimes touting their entrepreneurial past as evidence of future policy-making ability. This paper draws on existing theoretical work on the importance of politicians' background to develop testable hypotheses about how and why businessperson politicians behave differently in public office. First, these leaders may possess superior knowledge of and interest in solving issues important to the wider business community. Motivated by this set of preferences, politicians coming from the private sector may push for probusiness policies, particularly those that improve the business environment and promote economic growth. But drawing on their experience managing enterprises, businesspeople may also be uniquely positioned to improve the way government works. We might expect them to use their private sector know-how to increase the quality and lower the cost of public service delivery, for example, by eliminating wasteful spending. The question then arises: do businesspeople shape government to run for business (i.e., by adopting probusiness policies) or like a business (i.e., by increasing government efficiency)?

Answering this question has significant consequences for how we should evaluate the priorities and quality of politicians. Individual leaders have been shown to produce dramatic effects on policy making and economic outcomes (Jones and Olken 2005). Some of these consequences may be less desirable for the average voter. For example, a probusiness

policy agenda could open up opportunities for politicians to directly help connected firms, creating even further distance from the preferences of the voters who elected them. Voters may not even be aware of the degree to which policies are being skewed to help the business community, particularly if this type of politician engages in hard-to-detect corruption.

This paper brings to bear several new data sources to investigate whether businessperson politicians in Russia make different types of policy decisions. Russia is an ideal case to study the behavior of businesspeople in elected office. First, businessperson politicians can be identified using nationwide firm registries and requirements that all candidates report previous occupations. This allows for individual-level comparisons of politicians from business and nonbusiness backgrounds. Next, the Russian government practices notable transparency in making public subnational data on budgeting and procurement.[1] Scholars can both zero in on specific policy initiatives and compare officials across different positions in the legislative and executive branches. Finally, subnational politicians in Russia wield significant autonomy to determine how state coffers are allocated.

My two-part research design first employs a regression discontinuity design (RDD) to compare municipalities where businessperson mayoral candidates barely won office to those where they barely lost. To measure occupational background, I code whether each of 68,169 candidates from 2007 to 2016 worked in the private sector prior to campaigning in 19,886 mayoral elections. Outcomes data come from 25,240 municipal budgets and over 1 million procurement contracts. Finally to test different institutional arrangements, I show analysis using data on 14,508 Russian regional legislators together with budget data.

The analyses reveal that businessperson politicians in Russia adopt primarily probusiness policies while serving in government. I find that at both the municipal and regional levels, businessperson politicians increase expenditures on economic infrastructure, dedicating additional money to building and maintaining roads, railroads, and ports. Spending on health care and education does not change under businessperson mayors, nor does the size of government decrease. Moreover, at the regional level more businesspeople in office is

associated with lower levels of corporate tax revenue. Prioritizing economic over social infrastructure brings immediate benefits to firms and opens up opportunities for rent seeking, while holding back long-term accumulation of human capital. These results are robust to controlling for financial dependence between governments and party affiliation, with extensions showing that institutional arrangements play little role in preventing businesspeople from imposing their preferences on policy making.

Next, businesspeople in elected office do little to improve government efficiency. The RDD results indicate that municipalities run by businesspeople do not run smaller deficits. At the regional level, legislators with more businessperson deputies run larger deficits and incur higher levels of debt. Using detailed data on state procurement, I find that municipalities run by businesspeople are less likely to adopt the most transparent, competitive mechanisms for choosing contractors: open auctions. This is particularly true for procurement in the construction sector, where opportunities for corruption are most favorable. Politicians coming from the private sector refashion government to work for the business community, which may come at the expense of more lasting economic growth and improved government performance.

This paper contributes to our understanding of the effects of politicians' background on their behavior in office. Past studies have uncovered correlations between experience in the private sector and politician conduct. At the individual level, politicians with business backgrounds vote more often for probusiness interests (Witko and Friedman 2008) and undertake market-liberalizing economic reforms (Dreher et al. 2009). In the urban studies literature, coalitions of businesspeople working within government have been able to push through development projects (Hunter 2017; Logan and Molotch 1987). More recent work has shown that both corporate tax rates and spending on social welfare programs fall when more politicians with business backgrounds take office (Carnes 2013, 2018).

This paper goes one step further by taking causal identification seriously. Voters do not elect politicians at random, nor is the distribution of education and profession across candidates idiosyncratic, as some scholars have suggested (Dreher et al. 2009). Recent work has shown that politicians with private sector experience are more likely to win office during times of economic crisis (Neumeier 2016). By using an RDD based on close elections, this paper joins work such as Kirkland (2018) on US mayors to examine the causal effect of professional background on the policy choices made by politicians.

Beyond its attention to causal identification, this paper also advances the literature in several other respects. First,

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1. According to the International Budget Partnership's 2012 Open Budget Index, Russia ranked tenth out of 100 countries worldwide based on the degree of its fiscal disclosure and budget oversight. The International Monetary Fund gave Russia high marks for the "degree of uniformity, frequency, and timeliness" in its reporting standards across municipal, regional, and federal government units (Hughes 2014). External financial and compliance audits are conducted annually for thousands of municipalities by the Accounts Chamber, a system the OECD describes as modern and comprehensive (Kraan et al. 2008).

I develop and test new hypotheses about whether business-people apply their management skills in public office, drawing on new procurement data to test these arguments. Furthermore, my data set includes a large number of cities, not limited by population size. This allows me to control for potential shocks to outcomes across geography and time using region and year effects and hold national institutions constant. Finally, I extend the analysis of politicians' background to the Russian case, illustrating that previous occupations influence politician behavior outside of developed democracies. In the conclusion, I draw out the broader implications for representation and address the policy implications of businesspeople pushing their own interests while in office.

THEORETICAL EXPECTATIONS

Where politicians worked prior to entering government can have profound effects on their decision making and priorities. Individuals are often politically socialized in the workplace, developing shared perspectives and even policy preferences within their profession (Peterson 1992). Politicians bring with them into office not only these attitudes but also management skills, financial connections, and allegiances to employers. Empirical work has done much to link officials' careers in the private sector with their behavior in office. Adolph (2013) shows that the previous career trajectory of central bankers helps explain variation in their conservatism. Relatedly, legislators with a background in insurance push for laws more favorable to their former industry (Hansen, Carnes, and Gray 2019).

This section argues that as a discrete professional category, businesspeople may behave differently from politicians with different career pasts. Drawing on literatures from urban studies and management together with public opinion data, I argue that businesspeople possess both distinct political preferences and management skills that could influence their political priorities. The aim is to generate a set of testable hypotheses about the observable policy areas where businesspeople might diverge from other types of politicians in elected office.

Adopting probusiness policies

First, businesspeople may have different preferences for government action and care about solving different problems facing society. Economic policy figures to be at the top of the list. The Life in Transition Survey (LiTS) of over 50,000 citizens across 34 countries shows that the political preferences of businesspeople generally conform to those held by the rest of the population, except with regard to

economic issues (shown in appendix sec. F.1; appendix is available online). Businesspeople express qualitatively different views on redistribution, state intervention in the economy, and what spending items government should prioritize (discussed more below). Carnes (2018) similarly shows that US legislators who own businesses have more conservative opinions on a range of economic issues, such as the need to reduce inequality or fund social programs.

Although there are many other plausible hypotheses about other issues where businesspeople might hold different preferences, differences over economic policies provide a good starting point for theorizing about what businesspeople might do in elected office. Given their firsthand experience bringing goods and services to market, businesspeople may view their time in government as an opportunity to develop an economic environment more hospitable for entrepreneurship and with a smaller, more effective government footprint. They also may understand which specific government actions are required to attract investment, create employment, and spur consumption. Concerns over these policy issues can drive them to enter politics in the first place (Li, Meng, and Zhang 2006).

The notion that politicians with personal links to the private sector will prioritize progrowth policies draws heavily on work on urban politics in the United States. Capitalizing on shared policy interests, businesspeople have united around reshaping government to create "growth machines" (Hunter 2017; Logan and Molotch 1987). By devoting their slack resources to politics, they joined municipal governing coalitions and implemented a number of progrowth policies and development plans (Stone 1989). Politicians coming from the private sector may try to promote economic growth by easing the costs of and obstacles to doing business. In other words, they try to make government work for business.

Which specific progrowth policies might these politicians adopt? Clearly many are at their disposal. On balance, we should expect that as a professional class, businesspeople will most influence policies that will have an immediate and generalizably positive impact on the larger business community. That is, we should see them devote greater attention to policies that provide the median firm with the greatest short-term benefits, while imposing the lowest costs. Not all progrowth policies qualify. Whereas upgrading human capital can increase employment, earnings, and technological innovation, such changes require years of investment and often impose substantial financial costs. Other issues are divisive. For example, businesspeople may split on free trade depending on the international competitiveness of their firms or industry. The type of regulatory policy an elected official advocates may

be contingent on whether they want to promote competition or protect market incumbents.

But there are other areas where the preferences of businesspeople appear to coalesce more strongly. First, given firms' concern over access to key inputs, suppliers and markets, increasing government spending on economic infrastructure, such as roads, railroads, and utilities, becomes very attractive. Infrastructure spending drives up overall demand, reduces transportation and other costs, and creates lucrative opportunities for companies to sell directly to the state. Survey evidence suggests that businesspeople express consistent support for this type of intervention. The LiTS survey (discussed above and in appendix sec. F.1 in more detail) asked respondents to choose among seven issue areas where extra government spending should be prioritized. Businesspeople were much more likely to rank infrastructure as their top issue, whereas health care and pensions ranked at the bottom. Per surveys of almost 300,000 respondents over the last decade, Russian businesspeople feel just as strongly about prioritizing economic infrastructure over other issues (see appendix sec. F.2).

Parsing out exactly why businesspeople hold such different preferences is necessarily more complicated: individuals with strong preferences may select into management roles or entrepreneurship, or their time in the private sector may independently shape their worldview. Answering this question requires fine-grained panel data and a sharp identification strategy. But importantly for this paper, the distinct preferences of businesspeople observed in the survey analysis come through controlling for individual wealth. Experience in the private sector seems to have distinct effect on one's views of government priorities. As an occupational class, businesspeople are considerably more concerned about upgrading infrastructure than the average citizen, who prioritizes investments in health care and education.

H1. Businessperson politicians will prioritize spending on economic infrastructure.

Spending choices can impact growth. Cross-national work suggests that shifting spending from economic to social infrastructure can place an economy on a stronger and more equitable footing and increase growth rates (Acosta and Morozumi 2017). In addition, rent seeking tends to accompany spending on infrastructure projects, especially in places with weak institutions that fail to hold politicians accountable (Robinson and Torvik 2005). Many politicians may be driven by personal self-interest and run for office precisely to take advantage of these opportunities. In Russia, businesspeople often use elected office to increase their own firms' revenue and profitability (Szakonyi 2018).

Next, experience in the business world may predispose politicians to reduce the size of government and lower their own tax burden. This motivation could stem from an ideological opposition among businesspeople toward excessive government intervention. Cutting taxes and red tape facilitate market entry, production and entrepreneurship, to the possible detriment of government finances and even consumer safety.

Preferences for a smaller government footprint appear to be shared by businesspeople worldwide. Judging from World Bank BEEPS Surveys (2002, 2005, and 2009) of nearly 20,000 firms across 26 transitioning countries, managers rank tax rates as their biggest obstacle to doing business. Cohesive business groups have successfully blocked government attempts to raise revenue in a variety of contexts (Fairfield 2010). The situation is similar in Russia. In recent surveys of Russians, businesspeople are much more likely to support a reduction in the size of the state and lessened burdens placed on private firms. Again controlling for income, entrepreneurs consistently advocated privatizing assets, cutting taxes, and drawing down government programs.[2]

H2. Businesspeople in office will reduce government spending and cut corporate taxes.

Improving government efficiency

Second, experience in the private sector may endow businesspeople with management skills that set them apart from other types of politicians. Directors in the corporate world have to oversee diverse teams, organize information flows, manage budgets and physical resources, and delegate responsibilities, all with aim of maximizing efficiency, productivity, and profitability. Scholars have even argued that the key social skills required to succeed in business—persuasion, negotiation, and manipulation—may find relevant applications in political life (Ferris et al. 2007). Such organizational abilities and insights distinguish businesspeople from politicians coming from professions where management duties play a secondary role to applying one's specialized expertise, such as medicine, engineering, or law. Businesspeople may be more effective managers and, therefore, better able to improve how government works.

We might then expect businesspeople to make government run like a business. They may take steps to increase

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2. Levada Center surveys of 1,600 respondents from July 2007 and September 2016.

efficiency in bureaucratic service delivery, particularly by cutting down on wasteful spending. Work on public administration argues that there are instructive lessons to be transferred from the private to the public sector (Box 1999). Running a successful business, generally speaking, requires delivering high-quality customer service and achieving profitability. By importing know-how from their private sector careers, businesspeople may be uniquely capable of cleaning up bureaucracy and increasing public sector productivity.

That commitment to improving government performance may extend to rooting out corruption. Companies often bear the brunt of extortionate bureaucrats. As directors take office, their priority may lie in combatting different types of rent seeking that plague the business environment. In Italy and Brazil, some of the loudest voices for anticorruption measures have come directly from the business community (Mantovani 2014; UN Global Compact 2006). But firms' interest in rooting out corruption can vary, and some businesspeople may view government service as an opportunity to help themselves at the public's expense (Dixit 2018). There is a risk that businesspeople put their management prowess to work in making government work solely for their own firms, including engaging in corruption to do so.

How would we know if businesspeople are genuinely committed to improving government performance? For example, running a business more efficiently can mean many things, from reallocating resources to high-performing units to maximizing supply chain efficiency. In the corporate world, calculating firm-level productivity is somewhat straightforward: both inputs (i.e., capital, labor, and materials) and outputs (i.e., sales, profits) are mostly observable (Syverson 2011). On the other hand, measuring public sector productivity runs into several methodological challenges, particularly concerning the quality of outputs and usage of collective goods.

I argue there are several observable implications of businesspeople acting to increase government efficiency. First, politicians coming from the private sector may impose budget constraints and put government finances in order. Excessive government spending can be a symptom of bad political management and fragmented policy leadership (Alesina and Perotti 1995). Since running a deficit is akin to a company making a loss, we might expect businesspeople to institute an ethos of fiscal responsibility. Although taking on reasonable debt loads may help finance investment, businesses generally are more sensitive to the demands of their shareholders who require profits to sustain interest in their firms.

H3. Businessperson politicians will run smaller budget deficits.

Another approach on the rise in economics uses administrative data on public procurement to capture how well governments achieve value for money spent (Lau, Lonti, and Schultz 2017). Public procurement accounts for 13% of domestic GDP worldwide, and bureaucrats often have incredible discretion in deciding how contracts are allocated. Properly designing procurement systems can dramatically limit waste and improve the quality of deliverables. For example, introducing electronic procurement in India and Indonesia led to better road quality and fewer delays (Lewis-Faupel et al. 2016). By prioritizing best practices and closely monitoring spending, businesspeople politicians can reduce the price that the government pays to deliver key goods and services.

H4. Businessperson politicians will push for more efficient public procurement.

This drive toward efficiency has featured prominently in the campaigns of businessperson politicians in Russia. In his 2018 mayoral race, Nizhniy Novgorod businessman Roman Koshelov declared the need to "optimize the work of municipal institutions, and reduce budget expenditures without sacrificing quality" (Zercalo 2018). Businessman and governor Oleg Chirkunov declared his Perm Regional Administration a "corporation"; in office, he advocated firing workers who "regularly took tea breaks several times a day" (Kravsova 2005). But beyond these promises, we know little about whether these businessmen followed through and improved government performance.

DATA AND RESEARCH DESIGN

I first investigate the effect of politicians' private sector background on policy making using municipal data on Russia from 2007 to 2016. As a federal state, Russia is divided into approximately 23,000 municipalities. Municipal governments provide for preschool, primary, and secondary education, health care, public transportation, utilities, and road construction (De Silva et al. 2009). Municipal spending accounts for roughly 6% of Russian GDP (see table B1 for a detailed breakdown; tables A1–A3, B1, C1, D1–D3, E1–E9, F1–F5 are available online). Revenue comes from land and property taxes, tax-sharing agreements with higher-level units, and intergovernmental transfers. Municipalities fall into four types: municipal *rayon*s and city *okrug*s (upper tier) and rural and urban settlements (lower tier). Rural settlements, encompassing villages and agricultural areas, make up the majority of municipalities, and have considerably fewer residents and less revenue. Table 1 gives summary statistics.

Table 1. Municipality Summary Statistics

	City *Okrug*	Municipal *Rayon*	Urban Settlement	Rural Settlement
N	491	1,815	1,649	18,409
Total expenditures (mil. rub.)	3,503.5	835.5	167.2	22.6
Total revenue (mil. rub.)	3,396.2	831.8	167.1	22.4
Dependence on subsidies (%)	56.6	74.8	50.1	64.8
Population (ths.)	143.1	30.4	14.3	1.7
Territory (ths. hectares)	133.2	940	74.1	47
Mayoral procurement (mil. rub.)	431.3	73.7	46.6	5.2
Mayoral construction procurement (mil. rub.)	179.6	30.9	22	2.9
No. candidates per election	4.5	3.8	4	3.3
Won by ruling party candidate (%)	60.6	56.2	62.4	70.6

Note. This table presents summary statistics at the municipality level. Budget and procurement data are taken from 2015 and averaged across all units in the category. Election data are averaged over the entire analysis period. One ruble equals approximately $0.03; mil. rub. = million rubles; ths. = thousands.

Fiscal decision making is concentrated in the hands of the mayor (*glava*). Reforms have limited the size of the mainly unpaid legislative council and endowed mayors with strong veto powers (Ross 2007). The mayoral administration prepares economic prognoses and drafts the budget for the local council to approve. The administration also implements the budget activities, which gives it disproportionate ability to influence the size and composition of spending as well as effectively sidelines the legislative branch.

Mayors in Russia can be either elected through a popular vote (council-mayor model) or appointed by council deputies (council-manager model). Unfortunately, Russian authorities (through the Central Election Commission, or CEC) make information available only on elected mayors. No systematic data are available on even the names of the managers appointed by the council deputies, much less their professional background. Therefore the analysis is limited to municipalities for which mayoral elections are held, with data coming from the CEC.[3] Whether a municipality uses an election or an appointment system depends on its region; to account for this selection, I include region fixed effects.[4]

I first collected information on 19,886 municipal plurality elections in 13,308 municipalities, or 58% of the total across Russia. Mayoral elections attract interest from an average of 3.4 candidates; 18% of elections are decided by 10% of the vote share or less. Municipal elections in Russia are not only competitive but can lead to unpredictable outcomes. With an average of 4,000 ballots cast per election, a small number of votes can tip the scales.[5] Although candidates from the ruling United Russia party won two-thirds of mayorships, political independents and members of systemic opposition parties, such as the Communists, often defeat regime-connected candidates and wield power at the local level.

Measuring private sector experience

To identify experience in the private sector, I collected data on each mayoral candidate's primary, full-time occupation from their registration form. I then coded a binary indicator for whether a candidate worked as a firm director, deputy director, a member of a board of directors, or other position of leadership at the time of their campaign. Although this catches most businesspeople, it misses some who might not want to draw attention to their past career. To account for this, I match each candidate based on their full name and region to a database of almost 12 million "individual entrepreneurs" aggregated by the Professional Market and Company Analysis System (SPARK). Candidates registered there prior to their election were also coded as businesspeople.[6]

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3. In a small number of "dual" cases, a municipality could have both a popularly elected "head of municipality" and an appointed "head of administration," or city manager. The mayor has few powers, while the manager runs the government. Information on the distribution of responsibilities is not made available, and I cannot determine which municipalities fall into this category. I include all municipalities where a mayoral election was held, recognizing that the inclusion of these dual arrangement cases should bias the estimates downward since elected mayors have less policy influence.

4. Table D3 shows that the type of municipality, size, and dependence on subsidies do not predict whether elections are used, but including region fixed effects explains over 65% of the variation.

5. Average turnout was just under 60%, a relatively high figure for Russia.

6. For several reasons, I cannot identify the specific firms that businessperson mayoral candidates run. Only vague names for companies are given in the registration forms. SPARK's updated registry design also prevents bulk matches of candidates to companies, and individual entrepreneurs file very

Table 2. Candidate Summary Statistics

	All Candidates	Businesspeople	Nonbusinesspeople
1. Total no.	68,169	10,904	57,265
2. Mean age	46.3	44.8	46.6
3. Female (%)	26.7	16.3	28.7
4. Education level	5.5	5.6	5.5
5. Political independents (%)	59.7	63.7	59.0
6. Ruling party member (%)	25.8	12.9	28.2
7. Elections won (%)	29.2	17.0	31.5

Note. This table presents summary statistics on candidates running for mayoral election. The middle column subsets to only businessperson candidates, while the right column looks at those without a private sector background.

Appendix section A outlines in more detail how this coding was done.

Roughly 35% of elections (7,058) saw at least one businessperson run, with approximately one-sixth seeing candidacies from two or more. For elections with multiple businesspeople, I dropped the municipality completely to ensure a clean comparison between the municipalities where businesspeople won and lost. Businesspeople won 22.5% of the elections they contested; overall, 8% of mayors during the period came directly from the private sector.[7] This number accords with studies from other countries: Neumeier (2016) finds that 10.7% of US governors previously served as CEOs, while Dreher et al. (2009) finds that 2% of national leaders had entrepreneurial experience.

Table 2 compares candidates with private sector experience to those without across a number of other demographic characteristics. Businessperson candidates are somewhat younger than the rest of the candidate pool and less likely to be female; gender imbalances across occupations in general are large in Russia, with women more often finding employment in the public sector. On the other hand, businesspeople have just as much formal education as those coming from other occupations, based on a six-point scale of highest level of education that ranges from one (primary school education) to six (postgraduate education).

Businesspeople affiliate less often with the ruling party, United Russia (UR). Part of this effect may be mechanical: United Russia often imposes quotas on the number of businesspeople allowed to affiliate in order to maintain a veneer

of descriptive representation. More importantly for this study, gaining access to the ballot, rather than ideological affinity, shapes candidates' decisions about party affiliation. Parties mainly help candidates gather signatures and navigate registration. Municipal elections in Russia also see little programmatic competition between parties. While the ruling party United Russia controlled 68% of municipalities during the period, nonpartisan independents controlled nearly all of the rest (28%). Independents represent views from across the spectrum and are often those for whom no room was left under the ruling party umbrella. Opposition parties, such as the left-leaning Communists or the right-leaning Just Russia, have little to no established presence at the local level.

I take several steps to account for the potential role of partisanship. First, in the Research Design section, I show that businessperson candidates from UR are not more likely to win close elections; party affiliation does not confer electoral advantages to this group of candidates. Second, table E6 shows that the policy decisions of businessperson mayors do not vary based on membership in the ruling party. Finally, I include an indicator for party membership in RDD specifications as an additional control for possible ideological affinity among partisans.

Outcome data

To test whether businesspeople implement "probusiness" policies, I collect data on municipal budgets from the Russian State Statistics Agency. I measure spending on economic infrastructure through expenditures on the "national economy"; at this level, this money goes to public transport and railroads, roads, water transport, and telecommunications.[8] For social infrastructure, I collect data on education

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little information with state authorities. Other work has shown that businesspeople in Russia remain connected to their firms while in elected office, in turn earning greater revenue and profits by accessing state contracts (Szakonyi 2018). This paper focuses instead on the effect of general private sector experience on policy decisions.

7. Appendix sec. D.1 finds that there are more businessperson candidacies in larger and urban municipalities.

8. This category is officially divided into four subcategories. Public transport covers the development and maintenance of bus and light rail systems in the municipality. Roads covers the expansion and maintenance of road

and health care spending. Each of these budget subcategory outcomes is measured as a fraction of the total expenditures for that year and takes values between 0 and 1. I test the second hypothesis using a logged measure of total expenditures for each municipality. Unfortunately, municipal authorities have little authority to set tax rates or influence tax collection; in the next section I show analysis using regional data on corporate tax revenue. Municipalities vary considerably as to the money they spend overall and on different types of infrastructure (see appendix sec. B1).

To test whether businessperson politicians improve government efficiency, I look at two sets of outcomes. First, I calculate each municipality's budget deficit by dividing total expenditures by total revenue. In an effort to restrain government spending, Russian law punishes municipal governments that run high deficits by suspending intergovernmental grants. Even with these measures in place, 16% of municipalities ran a deficit of more than 5% of their total revenue, while over 40% ran surpluses of the same amount. Fiscal responsibility varies across municipalities.

The next measure looks at how municipalities select contractors within public procurement. International organizations and scholars argue that holding open, competitive auctions helps enforce transparency, reduce opportunities for corruption, and limit budget expenditures (Beth 2007). Research on Czech Republic and Italy has shown that the alternate approach—giving bureaucrats discretion to negotiate with suppliers on factors other than price—leads to worse outcomes (Baltrunaite et al. 2018; Palguta and Pertold 2017). When bureaucrats can avoid using open, competitive auctions in favor of negotiated approaches, fewer bidders participate, more contracts are awarded to politically connected and anonymous firms, and higher prices are paid for the same goods and services. Work on Russia has uncovered similar findings: governments that use open auctions pay lower prices for the same goods and see less collusion among bidders (Yakovlev et al. 2016).

For all purchases, Russian bureaucrats have a choice about whether to use a competitive, "electronic auction" rather than an open tender. Auctions are held online in real time and are used to procure roughly 50% of all government contracts. Favoritism is harder to carry out since supplier registration procedures are more transparent, bids are submitted anonymously, and contracts are awarded solely based on the lowest bid. On the other hand, many mayors prefer negotiated tenders, since they offer greater scope for accepting bribes to ensure certain contractors or blackmailing winners (Filippovskii 2018; Zaitseva 2014). Russian mayors appoint the bureaucrats who decide which mechanisms will be used to select suppliers as well as oversee the bidding over and implementation of the contract. Mayors bent on corrupting the process would avoid electronic auctions wherever possible so that their preferred suppliers could be selected more easily.

To detect whether mayoral administrations are more likely to use auctions, I collected public procurement data from the Russian procurement portal, which provides information about all government purchases from 2011 onward. Using the tax identification codes for 20,581 mayoral administrations, I then built a data set of all 1,427,288 contracts signed from 2011 to 2016 by these local executive branches, totaling $124 billion in procurement. This covers 92% of the total number, with some administrations missing due to problems identifying their location in the portal's database. I code a binary indicator for whether an electronic auction was used for each contract and then calculate the percentage of all contracts that used auctions for each mayoral term. This outcome, "Competitive Procurement," takes values from 0 to 1. Mayoral administrations that use electronic auctions are maximizing competition between bidders and procedural transparency, while paying the lowest prices for goods or services.

I also coded contracts by their official two-digit product code, and calculated the percentage of contracts within the top five categories procured by mayoral administrations: construction, cars, furniture, office supplies, and food. Collectively these five categories account for 75% of all procurement; other expenditures get routed through schools, hospitals, and other agencies where the mayor has weaker oversight over procurement practices. Below I show results specifically on construction procurement, where extra investment in economic infrastructure would be directed. The construction sector is generally viewed as among the most ripe for corruption not just in Russia, but also cross-nationally (Kyriacou, Muinelo, and Roca 2015). Table E2 shows results for the other four categories.

One final concern with studying Russian budget and procurement data relates to the level of centralization within Russia's federal structure. The Russian government during the Putin era has concentrated fiscal power within the federal center, relying on elaborate formulas to allocate transfers to lower governments. Municipal governments are particularly dependent on these subsidies to fund their expenditures.

However, interpreting budget expenditures and procurement outcomes as reflective of the preferences of local politicians is valid for several reasons. First, even controlling

infrastructure, including traffic signaling and safety measures. Water transport covers the purchase of hydrotechnic equipment and port maintenance. Telecommunications expenditures go to maintaining phone and television networks.

for region, year, and municipality "type," figures B1 and B2 (figs. B1–B3, C1, C2, D1, E1 are available online) show significant variation between municipalities on every spending category, from deficits and procurement outcomes to spending on different types of goods and services. This variation suggests that other political factors beyond the centralized formulas must be taken into account. Second, recognizing that transfers from the center may be accompanied by strict dictates, I include a control for lower-level dependence on subventions and intergovernmental grants as well as region fixed effects. Finally, if all spending and procurement decisions for the thousands of municipalities were being made in Moscow, we should not expect any effect of the identity of local mayors on different outcomes. A fully centralized state should bias against finding statistically significant results on a municipality having a businessperson candidate.

Research design and balance checks

For the municipal analysis, I use a regression discontinuity design (RDD) based on close elections (Lee 2008). I compare outcomes in municipalities that saw a businessperson candidate narrowly win office with those that saw one narrowly lose office. Given a sufficiently large sample size, this approach helps account for unobserved differences and provides causal estimates of the local average treatment effect of having a businessperson become mayor. Budget outcomes are averaged over the term a businessperson mayor either held office (if he or she won) or would have held office (if he or she lost).[9] I include the initial (preelection) level for each budget outcome, as well as the preelection total expenditures per year (logged). Unfortunately, procurement data are available only starting in 2011; for these models, I include only a control for preelection total expenditures per year (logged).[10] The unit of analysis is a mayoral term and the forcing variable is the vote margin of the businessperson candidate, which ranges from −1 to 1 with a cutoff point of zero.

First, I show simple ordinary least squares (OLS) models on the full sample, not restricting based on businessperson margin of victory, while alternately including covariates and fixed effects. The point estimates reflect basic correlations between having a businessperson serve as mayor and not, while excluding all municipalities that saw no businessperson candidates. Next, I restrict to very close elections (a 3% margin). These difference-in-means specifications compare only those municipalities with intense electoral competition, with municipality-type fixed effects included and standard errors clustered on region and year.

The RDD models estimate a local average treatment effect using a local-linear control function and two bandwidths on each side of the threshold: 5% and the optimal bandwidth $\hat{h}$ with bias-corrected robust confidence intervals calculated using the rdrobust package from Calonico, Cattaneo, and Titiunik (2014). The specifications take the following form:

$$Y_i = \alpha_i + \beta \cdot z_i + \gamma \cdot f(\text{Margin}_i) + \eta \cdot z_i \cdot f(\text{Margin}_i) + \text{Covariates}_i + \epsilon_i, \tag{1}$$

where Y_i is the outcome variable for municipality i, z_i is a binary treatment indicator for whether a businessperson mayoral candidate won or lost, $f(\text{Margin}_i)$ is the local-linear function interacted with the treatment to fit above and below the threshold, and Covariates is a vector of factors that influence government spending, including preelection values. I calculate the municipality's dependence on subventions to fund the local budget, as dependence may constrain local political autonomy. I control for population size using the size of the voter list (logged) and include electoral turnout, the logged number of candidates, an indicator for the incumbent status of the businessperson candidate, and candidates' party membership. Municipal-type fixed effects are included in all models, while region and year fixed effects (end of term) are used alongside covariates to capture differences in institutional arrangements and time shocks.

For the RDD to return a valid causal estimate, observations located around the cutoff point should not display signs of sorting. In other words, municipalities where businesspeople barely won and lost should not differ substantively beyond the outcome of the election. This assumption would, for example, be violated if businessperson candidates in certain municipalities engaged in fraud to tip close elections in their favor.

Anecdotal evidence suggests that such manipulations can occur in Russian mayoral elections, and largely take the form of administrative pressure directed against candidates from opposition parties (Ross 2007). For electoral fraud to

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9. See appendix sec. A for more detail on sample construction. Nearly all mayoral terms last five years and outcomes are averaged over the full calendar years a mayor was in office. For a term to be included in the analysis, a mayor must serve for at least two full years. If a mayor served consecutive terms, then each term is considered a separate observation. Budgets are passed in November and December for the following year, with supplementary spending passed in June, September, and December of each year. All budget outcomes are measured in terms of actual spending and officially released four months after the budget year concludes. Figure E1 shows analysis where the outcomes are measured for each year of the term.

10. Table A1 contains summary statistics. Table C2 investigates missingness in the budget, procurement, and election data, finding that coverage improves for more populous municipalities.

undermine a design where professional background is the treatment, systematic evidence would be needed of businesspeople, regardless of partisanship, co-opting electoral processes. At the regional level, recent work has so far shown this not to be the case: there is broad balance along a number of traits of businessperson candidates and their connected firms contesting close elections in single-member districts (Szakonyi 2018).

To test that this balance also holds for municipal elections, I run several validity checks. First, figure C1 shows the results of a McCrary (2008) density test, which evaluates whether businesspeople are more likely to win close elections. The results suggest that the assumption of continuity around the cutoff point of 0 is met. Although some mayoral candidates may benefit from electoral manipulations, these opportunities are not disproportionately allotted to businesspeople.

Next, I examine whether there are specific characteristics of municipalities that predict whether businesspeople win or lose close elections. These placebo tests use the same specifications as above, except that the initial (election year) values of the outcome variables and covariates are regressed on the treatment. The aim is to detect whether treatment status is significantly associated with any of these predictors, which would suggest that businesspeople enjoy advantages in winning close elections. In figure C2, I present the t-statistics from regressions on 20 placebo covariates using four model specifications. The covariates capture the size of municipality (budget expenditures and population), the economic situation at election time (given the lack of municipal GDP data, I use change in annual revenue and expansion of housing stock), the desirability of mayoral office (number of candidates), candidate characteristics and party membership, and pretreatment budget subcategory spending. The t-statistics in the left panel are from specifications using OLS on narrow bandwidths while those in the right panel come from local-linear specifications using a 5% and the optimal Calonico et al. bandwidth for each outcome. The full point estimates from these models can be found in table C1.

In none of the four specifications do the t-statistics exceed, or even approach, a value of two, which is generally accepted as the lower bound of statistical significance. In other words, businessperson politicians do not enjoy special advantages in close elections. This is not to claim that elections at the municipal level are completely free and fair. But with regard to close elections involving businesspeople, the placebo specifications demonstrate that the continuity assumption required to validate the RDD is met. We do not see discontinuities related to deteriorating economic conditions nor specific political characteristics of municipalities around close elections involving businessperson candidates.

EMPIRICAL RESULTS

Figure 1 presents a graphical representation of the RDD treatment effects for the main outcomes: budget deficits, competitive procurement (all purchases), competitive procurement (construction purchases), and spending on economic infrastructure, health, and education. Each panel plots the residuals from a regression of the outcome averaged over the mayor's term controlling for preelection values and municipality-type fixed effects. The x-axis shows a 20% vote margin on each side of the threshold, with observations collapsed into bins of 1.5% (on average, bins include 30.6 observations). The solid lines represent the fitted values of a local linear regression estimated on each side of the threshold (zero margin of victory), with 95% confidence intervals shown in gray. The plots indicate two clear discontinuities: municipalities with mayors with private sector experience see greater spending on economic infrastructure and a smaller percentage of construction-related procurement being conducted using open auctions. The other outcomes are much more evenly distributed around the cutoff, suggesting the absence of an effect from businessperson mayors.

To investigate further, table 3 shows the regression results testing whether businessperson mayors adopt probusiness policies. In each panel, columns 1 and 2 present simple OLS results for the full sample (shown as a benchmark for the RDD estimates), column 3 narrows the bandwidth to 3% to calculate differences-in-means, and columns 4–6 show local-linear RDD specifications using the 5% and the optimal Calonico et al. bandwidth (with and without controls). In other words, the left half of each panel uses simple OLS, while the right half shows causal estimates from the RDD specifications.

As shown in table 3, panel A, businessperson mayors increase spending on economic infrastructure. The magnitudes of the point estimates are large, statistically significant, and reflect a local average treatment effect. On average, municipalities led by a businessperson mayor spend an additional 6%–7% of their budget on economic infrastructure.[11] Businessperson mayors prioritize spending on issues that immediately help the broader business community.

Panels B and C of table 3 then look at expenditures on social infrastructure, specifically health and education, finding that businessperson politicians do not prioritize investments in human capital. Expenditures on health care are generally unchanged upon a businessperson's taking office,

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11. The point estimates on the OLS models may be smaller than those from the RDD because municipalities where businesspeople win with large margins may already spend more on economic infrastructure so the marginal effect is smaller from having a mayor with such a background win.
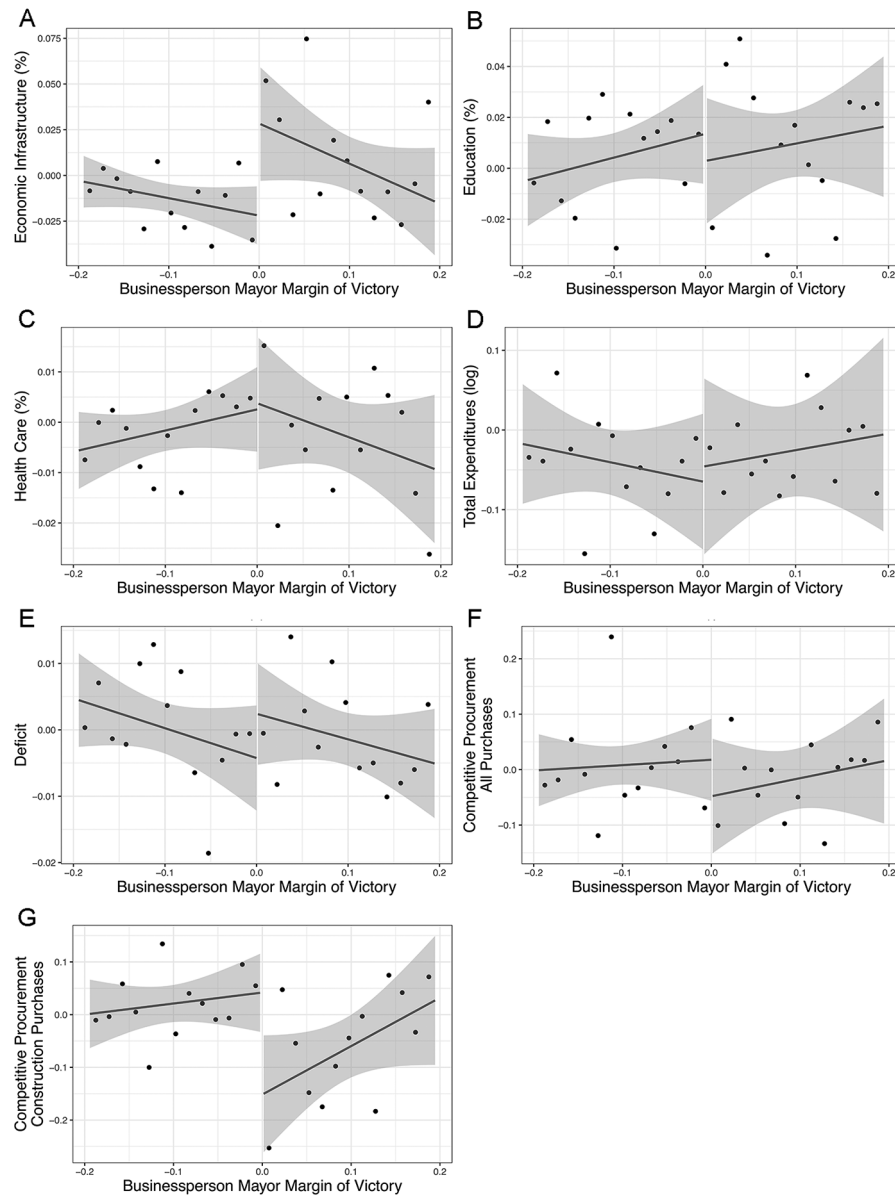
Figure 1. Graphical RDD plots. The figure plots the binned residuals from regressing each outcome (averaged over the mayoral term) on preelection values and municipality fixed effects; bins are calculated at 1.5% vote margin intervals. The solid lines represent the fitted values of a local linear regression estimated on each side of the threshold (zero margin of victory), with 95% confidence intervals shown in gray.

while there is only suggestive evidence that businesspeople cut spending on education. Similarly, businessperson mayors do not affect the total size of government (panel D). The models return positive and negative point estimates that vary depending on specification and the controls included.

Table 4 examines whether businesspeople mayors improve government efficiency, as measured by budget deficits (panel A), the percentage of all procurement using electronic auctions (panel B), and the percentage of construction procurement using auctions (panel C). First, there is no clear evidence that businesspeople impose more fiscal responsibility in their municipalities. Across the specifications, the point estimates fluctuate from positive to negative, and none

of the RDD estimates are statistically significant. The coefficients are not large, while using a binary indicator for a large deficit does not return substantively different estimates (see table E1). Businessperson mayors neither reduce the size of government nor increase deficits. Moreover, there is no definitive evidence that they draw down spending on one area exclusively, such as education, health care, or culture (table E2). Instead, to fund economic infrastructure, businessperson mayors reallocate money from several other different subcategories, depending on the municipality.

The estimates in panel B suggest that perhaps mayoral administrations run by businesspeople may be less likely to use electronic auctions to procure all their goods and

Table 3. Adopting Probusiness Policies

Control Function:	None (OLS)			Local Linear (RDD)		
Bandwidth:	Global		3%	5%	Optimal	
	(1)	(2)	(3)	(4)	(5)	(6)
A. Economic Infrastructure						
Businessperson mayor	.003	.005	.061**	.145**	.067**	.060***
	(.004)	(.005)	(.024)	(.062)	(.026)	(.023)
Bandwidth	1	1	.03	.05	.2	.21
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	Yes	No	No	No	Yes
Observations	1,548	1,525	54	86	406	417
B. Education						
Businessperson mayor	.004	.004	−.006	−.006	−.017	−.009
	(.005)	(.006)	(.020)	(.053)	(.019)	(.018)
Bandwidth	1	1	.03	.05	.24	.25
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	Yes	No	No	No	Yes
Observations	1,075	1,063	44	67	361	368
C. Health						
Businessperson mayor	.001	−.001	−.007	.006	−.0001	.002
	(.003)	(.003)	(.010)	(.021)	(.009)	(.009)
Bandwidth	1	1	.03	.05	.2	.21
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	Yes	No	No	No	Yes
Observations	1,069	1,045	46	73	299	298
D. Total Expenditures						
Businessperson mayor	−.038	.014	−.024	.232	.036	.055
	(.023)	(.023)	(.115)	(.262)	(.096)	(.099)
Bandwidth	1	1	.03	.05	.25	.26
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	Yes	No	No	No	Yes
Observations	2,260	2,204	90	149	802	797

Note. The panels examine the percentage of municipal expenditures dedicated to economic infrastructure (A), education (B), and health (C). Panel D examines total municipal expenditures (logged in thousands of rubles). Columns 1–3 use standard OLS, while cols. 4–6 show RDD specifications with bias-corrected robust standard errors per Calonico et al. (2014). Bandwidths are applied to each side of the threshold, and standard errors are clustered on region. FE = fixed effects.

* $p < .1$.
** $p < .05$.
*** $p < .01$.

Table 4. Improving Government Efficiency

Control Function:	None (OLS)			Local Linear (RDD)		
Bandwidth:	Global		3%	5%	Optimal	
	(1)	(2)	(3)	(4)	(5)	(6)
			A. Budget Deficit			
Businessperson mayor	−.002	−.001	−.001	.001	.004	.007
	(.002)	(.002)	(.008)	(.018)	(.006)	(.007)
Bandwidth	1	1	.03	.05	.24	.2
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	Yes	No	No	No	Yes
Observations	2,148	2,104	84	141	716	556
			B. Competitive Procurement—All Purchases			
Businessperson mayor	−.018	.001	−.012	.013	−.001	−.022
	(.018)	(.021)	(.082)	(.165)	(.072)	(.067)
Bandwidth	1	1	.03	.05	.17	.23
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	No	No	No	No	No
Observations	1,903	1,861	75	121	418	598
			C. Competitive Procurement—Construction Purchases			
Businessperson mayor	−.027	−.014	−.155**	−.356*	−.185***	−.210***
	(.019)	(.023)	(.074)	(.197)	(.063)	(.063)
Bandwidth	1	1	.03	.05	.22	.22
Municipality-type FE	Yes	Yes	Yes	Yes	Yes	Yes
Covariates; region, year FE	No	No	No	No	No	No
Observations	1,662	1,625	65	101	495	477

Note. Panel A examines the budget deficit in each municipality (the ratio of expenditures to revenue), panel B examines the percentage of all contracts procured using electronic auctions, while panel C examines the percentage of construction contracts procured using electronic auctions. Columns 1–3 use standard OLS, while cols. 4–6 show RDD specifications with bias-corrected robust standard errors per Calonico et al. (2014). Bandwidths are applied to each side of the threshold, and standard errors are clustered on region. FE = fixed effects.
* $p < .1$.
** $p < .05$.
*** $p < .01$.

services. The point estimates are mostly negative, but not statistically significant. However, when we analyze construction procurement (panel C), the largest spending category and that most associated with corruption, we see a different story. When businesspeople become mayors, the percentage of corruption procurement conducted using electronic auctions falls roughly 20%. Businessperson mayors are not prioritizing transparency and competition in this sector, instead giving bureaucrats discretion to use alternative selection mechanisms more prone to collusion and rent seeking. Table E3 shows that the lower utilization of auctions is specific to procurement in the construction sector and not evident among purchases of office supplies, food, or furniture, where available rents are lower.

The municipal analysis demonstrates that businessperson mayors do more to push a probusiness agenda than to improve government performance. These results are robust to controlling for the municipality's dependence on transfers as well as the party membership of the businessperson candidate. In the appendix, I show additional evidence that

institutional arrangements, such as the strength of democratic institutions and partisan alignment with governors, do little to constrain businessperson mayors from pushing their probusiness agendas. The absence of strong heterogeneous effects suggests that businesspeople are adeptly able to navigate different types of government structures.

ROBUSTNESS: SPENDING BY REGIONAL LEGISLATURES

To probe these institutional findings further, I next analyze data on Russian regional legislators. Unlike municipalities, regional legislative and executive branches work together to pass budgets. Legislative committees have the resources and capacity to hold open hearings with stakeholders, reject line items, and add their own amendments. Greater parity between the two branches enables us to explore whether the ability of businesspeople to affect policy is specific to one institutional arrangement.

Data on regional budgets run from 2008 to 2016. To measure probusiness policies, I look at how much money was spent on the subcategories of the national economy, health care, and education, as well as logged total expenditures. Each subcategory outcome is measured as a fraction of total expenditures (or for property taxes, total revenue) and takes a values between 0 and 1. As appendix section B1 shows, regional legislatures vary in how they allocate money to different areas. Roughly equal shares of expenditures are devoted to the economy, health care, and education. I measure efficiency again through deficits, or the ratio of expenditures to revenue. To measure legislator background, I collect data on 14,508 regional deputies from 80 regional parliaments over 2008–16. I code whether each regional legislator had worked as a firm director or individual entrepreneur before taking office, while also matching legislators to their SPARK entries (see appendix sec. A2). The main predictor is the percentage of all legislators that are businesspeople.

The unit of analysis is the region-year, with the main predictor lagged since budgets are set in the previous calendar year. Identifying exogenous sources of variation in successful businessperson candidacy at the regional level in Russia is challenging, if not impossible. Well-identified approaches that study legislator background take advantage of quota systems or quirks in proposal rules that introduce exogenous variation in the politicians that govern. No such institutions are present in Russia. Instead, I run OLS models with both region and year fixed effects. The estimates are underidentified but account for between-region variation and time shocks that affect spending across Russia. In addition, I control for the lagged value for each outcome, total expenditures, gross regional product, population, urbanization, dependency on federal subsidies,

indicators for the governor's party and business background, and the percentage of seats controlled by the ruling party. All models show standard errors clustered on region and year.

The results from the region level specifications echo the municipal analysis. A greater number of businessperson legislators is associated with additional money allocated to economic infrastructure, but not to health care or education. Appendix section E3 breaks down national economy expenditures into subcategories and finds that the majority of the effect comes from more spending on transportation infrastructure. Although they only reflect correlations, the point estimates in table 5 indicate a substantively large, statistically significant increase in spending on the economy (cols. 1 and 2) when more businesspeople take office. To put this number in perspective, take the median regional legislature in the data set, made up of 45 legislators. For every additional businessperson in office, total spending on economic infrastructure increases by 1% (0.2 percentage points). This translates into an additional $950,000 in economic expenditures (at 31 rubles/dollar). A one standard deviation increase in the number of businessperson legislators, that is, an extra six deputies with private sector experience), is associated with an increase in spending on the economy by roughly $5.7 million. Businesspeople serving in the legislative branch individually may exert less influence on the budget process than those who take up mayoral office, but collectively they can get their interests heard.

Businesspeople also do little to make government run more efficiently (cols. 9 and 10), even potentially running up higher budget deficits. Since regional governments can tap credit markets for financing, businessperson legislators take advantage and issue bonds (results shown in table E9). In that same table, I show that a greater presence of businessperson politicians may increase private and public investment, but the effects, though large, are not precisely estimated. Having businesspeople take office also does not lower the unemployment rate. Businessperson legislators favor the private sector by reducing the tax burden on all firms, as measured by revenue from the corporate property tax, one of the three taxes that regional governments have the authority over. In sum, the regional analysis confirms the findings from the municipal RDD: businessperson politicians do not change the size of government but find money (in this case, through bond issuances) to invest in economic rather than social infrastructure.

CONCLUDING REMARKS

This paper adds to the growing empirical evidence that politicians' background matters for policy making (Carnes 2013; Logan and Molotch 1987; Witko and Friedman 2008):

Table 5. Regional Level Analysis

	Probusiness								Pro-Efficiency	
	Econ. Expend. (%)		Education (%)		Health (%)		Total Spending (log)		Deficit (%)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Percentage businesspeople	.076***	.064***	−.022	−.028	−.014	−.015	−.056	−.083	.109*	.110*
	(.023)	(.022)	(.021)	(.022)	(.025)	(.025)	(.170)	(.176)	(.058)	(.057)
Total expenditures (log)	.151***	.147***	−.065***	−.067***	−.031**	−.027*			.192***	.205**
	(.019)	(.017)	(.017)	(.019)	(.014)	(.015)			(.070)	(.087)
GRP (log)		−.009		.026		−.007		.240***		−.155*
		(.019)		(.025)		(.016)		(.080)		(.090)
Population (log)		.052		−.105		.0003		−.203		−.144
		(.136)		(.196)		(.133)		(.556)		(.281)
Urbanization		−.321		.076		.127		.888		.178
		(.218)		(.281)		(.192)		(.910)		(.566)
Held regional election		−.001		.001		.001		−.00002		−.0003
		(.001)		(.001)		(.001)		(.004)		(.002)
Dependence on subsidies		.059		−.059*		−.034		.205		−.026
		(.038)		(.032)		(.026)		(.137)		(.113)
UR governor		−.0002		.004		−.0005		−.014		−.003
		(.007)		(.007)		(.005)		(.019)		(.010)
Businessperson governor		.010		.009		.003		.032		.005
		(.007)		(.006)		(.004)		(.020)		(.011)
UR control of legislature		.002		−.003		−.030		.118**		.034
		(.018)		(.024)		(.025)		(.059)		(.026)
Region, year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	640	640	640	640	640	640	640	640	640	640

Note. Columns 1–6 examine ratios of different types of expenditures to revenue (the column headers indicate the category), while cols. 7 and 8 examine total regional expenditures (thousands of rubles, logged). Columns 9 and 10 examine the deficit ratio as measured by total expenditures over total revenue. All models use OLS and cluster errors on region and year. GRP = gross regional product.

* $p < .1$.

** $p < .05$.

*** $p < .01$.

having experience in the private sector results in politicians setting priorities that advantage the business community. Although businesspeople may boast better management skills, they do little to improve how government works and, in fact, may use their time in office to carve out rent-seeking opportunities. This raises significant questions about representation and accountability: are voters' interests being represented when businesspeople help themselves in power? Interpreted in isolation, the results presented here could suggest that

businessperson politicians are prioritizing the issues that voters care about and are truly focused on improving the economy. For example, roads in Russia are of particularly low quality, and voters may be electing these businesspeople precisely to fix the problem. Are businesses acting in the public interest?

Taken together, the evidence in this paper suggests a different dynamic at work: businessperson politicians in Russia are prioritizing policies of most importance to their own

community. Large-*N* surveys from 2009 to 2011 indicate that roads rank no higher than seventh on a ranking of the 15 most pressing local problems, trailing issues like housing, health care, alcoholism and drugs, corruption, high prices, and unemployment (see table F3). Another 2016 survey of 400,000 companies revealed that poor road construction was one of three primary obstacles to doing business (alongside corruption and bureaucratic inspections). Businesspeople in Russia see government service as an opportunity to fix the problems they care most about.

In line with research on US cities (de Benedictis-Kessner and Warshaw 2016), this paper also finds that different types of governing institutions do little to affect how mayors and legislators affect policy. The cohesive preferences and outcomes achieved by businesspeople are even more impressive considering the heterogeneous set of industries and financial interests they represent.[12] The way forward may involve strengthening rules affecting the selection of individuals into political office (Braendle 2016). For example, requiring that politicians distance themselves from conflicts of interests before taking office could ensure the delivery of public rather than private goods.

Finally, there are reasons to believe that the findings from Russia tell us more broadly about how businesspeople govern in other countries, both democratic and not. Although Russia has become more authoritarian under Vladimir Putin, businesspeople are not plucked into power by an autocrat from above. They expend vast resources to win competitive, unpredictable elections and then enjoy autonomy in deciding how governments are run. Russian subnational politicians face the same trade-offs as their counterparts in other federal states in Southeast Asia and Latin America (e.g., Malaysia, Brazil, and Mexico): how best to allocate scarce resources across a number of competing priorities. So long as political institutions do not encourage complete policy responsiveness to voters, the individual preferences and self-interest of businesspeople should play a key role in determining what they ultimately do in power.

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12. This paper is unable to fully investigate how different types of businesspeople push for policies. Limited information is available on the firms connected to mayoral candidates, given that they are on average small and less likely to submit financial data.

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