Seniority, Term Limits, and Government Spending: Theory and Evidence from the United States

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ABSTRACT

What are the fiscal consequences of legislative term limits? To answer this question, we first develop a legislative bargaining model that predicts a U-shaped relationship between the average seniority of a legislature and government spending: the amount of spending decreases as the average seniority increases from low to moderate, while it increases as the average seniority increases from moderate to high. Our model also predicts that the equilibrium level of legislative seniority is moderate. Building on these predictions, we hypothesize that the adoption of term limits resulting in a small reduction in average seniority in the legislature has a small impact on government expenditures because average seniority remains moderate. In contrast, the adoption of term limits that dramatically reduces average seniority increases the amount of spending because average seniority changes from moderate to low. We test the predicted relationship using panel data for US state legislatures between 1980 and 2010.