

2. Conceptual Framework

In this section, we describe the possible channels through which dynasties may affect political and economic outcomes. With this intention, we divide these channels in three groups: the effect on mayors' identity, the effect on policy choices and political competition; and the effect on welfare.

2.1. Mayors' Characteristics

The most direct effect of dynasties is on mayors' characteristics. A dynastic mayor is potentially different from a non-dynastic one for three reasons.

First, when a politician chooses to select his successor from his family's members, he restricts his choices which may prevent him from choosing candidates with the most desirable characteristics, following the argument made by Bennedsen et al (2009) for family successions in firms. This selection restriction could make dynastic antecedents elect female mayors with a higher probability, since it is possible that he will not have an available man to choose from his family. The same restriction could also make younger politicians reach power, if one would expect the forebears to choose his potential successor among his spouse or one of his children.

Additionally, coming from a powerful family confers electoral advantages to dynastic candidates due to the self perpetuation effect of their families (Dal Bo 2009 and Querubin 2010, 2). These advantages could help candidates overcome electoral hindrances for being female or low quality politicians.

Finally, Dohmen et al (2008) identified that the parents' attitudes in the local environment influence their child's attitudes. In the political context, the efforts of the

antecedents in obtaining a greater legislative support could benefit their successors' support.

2.2. Policy Choices and Political Competition

Dynastic mayors may not only present different characteristics, but they could choose different public policies and affect the political competition. The first reason to believe that dynastic mayors may act different when in office is a direct consequence of the expected effect on the legislative support. If dynastic mayors present a higher proportion of legislators in their coalition as we argued above, they could have more legislative power during their mandate. As argued by Pereira et al (2005), it is not clear when the executive power in Brazil will be able to legislate. However, the legislative support of the governor is a major determinant of the relationship between these powers. Therefore, this support could alter the mayor's capacity to submit and approve laws.

Mayors with previous relatives in office could also present lower effort during their mandates, because they feel safer than others to maintain their group in power. Considering the incumbency effect (Querubin 2010, 2) and the self-perpetuation of dynasties (Dal Bo, 2009), it is likely that these families' politicians do not strive as much as the non-dynastic mayors to perform well during their mandate to guarantee success in the following election. Therefore, dynasties could have a negative effect on the mayor's effort during his mandate.

Additionally, dynasties could capture municipal power to favor their interests, enlarging the public apparatus and making it more inefficient. As argued by Olson (1965), a small group (as the family) can capture power easier, since its limited size reduces collective action problems, and because it has more time to learn and plan this capture.

Besley and Queiroz-Reynal (2011) argue that the group with greater chances of being in power in the next period will have greater investment incentives and will invest more enhancing public goods. Dynasties could invest more because their longer political

horizon yields a greater chance of capturing these investment returns (Dal Bo and Rossi, 2011). Hence, the fourth expected consequence of dynasties on policy choices is that of a higher investment.

Finally, dynasties could negatively affect the number of candidates in future electoral races for mayor office. Osborne and Slivinski (1996) developed a model of political competition, where the equilibrium number of candidates depends positively on the expected benefit of winning. Assuming that the pay off of losing an election to a dynastic candidate is the same as the one of losing to a non-dynastic contender, we would expect the number of candidates to decrease in a municipality with a dynastic mayor, since the probability of winning (and therefore its expected benefit) is lower when there is a dynastic mayor⁴.

2.3.Welfare

The most important question that this thesis addresses is whether family successions in politics affect the citizens' welfare. Recent papers have identified the effect of policy choices on socioeconomic outcomes (see for instance Duflo 2004). Hence, the effect of dynasties on policies may lead to changes on welfare, and as a consequence change the preference of voters. However, to interpret the revealed preference of voters as an indicator of welfare, it is important to identify whether the dynastic incumbents spend more than others in their reelection campaign, since this spending also affects voters decision (Jacobson, 1990).

⁴ Once again we assume that the effects of dynastic self-perpetuation found by Dan Bo (2009) and Querubin (2010, 2) also exist in Brazilian local politics.