LEGISLATIVE TERM LIMITS AT THE FEDERAL LEVEL

The Economic Effects and Incentives

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Section 1: Introduction to the Term Limit Debate

Politics is a messy business, and an even messier topic of discussion. As Linus of the *Peanuts* says in 1966's *It's the Great Pumpkin, Charlie Brown,* "There are three things I have learned never to discuss with people. Religion, politics, and the Great Pumpkin." Of course, this is just a silly change to a much older quote about never talking about religion or politics in polite company, so that one might ensure that company stays polite. Suffice it to say that it is not a new development that political discussion will often not end civilly, if it even manages to start that way. However, this problem has become much more serious ever since the election of Donald Trump to the office of president. Ignoring the man and his policies, it seems a simple fact that political discussions have become significantly more vitriolic ever since he was declared the victor of the 2016 election.

Therefore it should be no surprise that specific political topics that have arisen because of or after his tenure are particularly difficult to reach consensus about. Even before attempting to debate the relative merits of an issue with your political opposites, it is difficult to learn the necessary information so that you can enter the debate informed. Any source you attempt to learn from, whether directly from another person or indirectly from some sort of news medium, will be biased one way or another. One of the topics in question is that of term limits on Congressional representatives.

One of Donald Trump's biggest slogans and calls to action was "Drain the Swamp." He likened Congress to a stagnant swamp, where representatives could continue to serve for nearly their whole lives, serving their own interests instead of their constituents, and often at the expense of their constituents. This slogan resonated with much of the country's general frustration with representatives who they saw as systematically acting against their promises and the wishes of their constituents to monetarily benefit themselves. Thus, when Trump called for term limits that extended to all congressional representatives, a huge political debate formed around that idea. It seems unlikely that most Americans would find it themselves unsympathetic to the frustrations of repeatedly ignored constituents of career politicians, but as always, economists must be careful to judge a policy on its effects, not its intentions. In this paper we intend to show that the evidence overwhelmingly shows that term limits do not have the effects that supporters believe they will have, and instead have measurable negative effects on the areas they are supposed to improve. Later we will attempt to use economic reasoning to explain why they have these negative effects. Specifically, we will argue that term limits exert pressure on legislators that greatly increases their time preference, which has predictable effects on a person's behavior.

What, then, are the intentions of people who support term limit policies? Jeffery Mondak lists a few of them when he says "Among [their] purported benefits, [they] claim that term limits will counter the advantages of incumbency, encourage electoral competition, strengthen political parties, increase legislative turnover, and eliminate the seniority system" (Mondak 1995). Einer Elhauge, John R. Lott, Jr., and Richard L Manning claim that "One way term limits might help electorates further their democratic preferences is by lowering political entry barriers" (Elhauge, Lott Jr., and Manning

1997). H. Abbie Erler says that “Part of the appeal of legislative term limits to many voters was the expectation that they would curb wasteful government spending and reduce the size of state government” (Erler 2007). For the purposes of this paper, we will be working with this set of stated benefits.

Elhauge et al. claim that lowering political entry barriers will benefit the populace for a similar reason that lowering market entry barriers benefits the consumer. High entry barriers in the market shield existing firms from competition, stagnating the relevant market’s innovation and allowing those existing firms to capture rent that would not have been given to them if better alternatives existed. High barriers to entry in this case may exclude political candidates that an electorate would prefer to current incumbents and the existing pool of challengers, or would bring additional facets of ideological debates to light. Mondak does not claim that any of the stated benefits he lists would be good for the populace because he is simply listing the claims of others for the purpose of his own work. we will instead review the stated rationale for these purported benefits, which are much more often brought up as reasons to enact term limits into law.

The goals of greater turnover, countering incumbency advantage, and greater electoral competition are specifically for ending the perceived tendency of representatives to continue their service in Congress essentially unchallenged. This perception is not necessarily misguided, either. In 1992, Bill Frenzel reported that for the past three House of Representatives elections, incumbents had a reelection rate of greater than 97%, and if you stretched that out to ten elections, it was still greater than 94%. In the Senate, it was 88% (Frenzel 1992). Even when election years arrive for these candidates, the competition is not varied, and many voters simply vote for the incumbent without taking the time to learn about their choices. There is an economic analysis for why this happens called “Rational Ignorance,” where voters do not have the relevant knowledge required for informed voting because there is no incentive to acquire such information.

In any given election, the chances of a single vote, much less that vote being yours, swaying the results of an election are astronomical. Statistically speaking, you are more likely to die in a car crash on the way to your polling station than to cast a vote that sways a Presidential election. If the result of an election would be the same regardless of whether you voted, then your vote simply didn’t matter. If your vote doesn’t matter, then why would you pay the cost of acquiring information in order to make an informed vote? All knowledge is costly to acquire, and knowledge of political candidates is doubly so, given that politicians freely make false promises and lie in order to gain office. We are left with the fact that informed voting is unreasonably costly given that the individual voter receives no benefit for doing so. In fact, they receive no benefit for voting in general. This is why it is called “rational” ignorance. While it is true that most voters are ignorant, they are as such because they have rationally concluded that the cost of acquiring relevant information to voting far exceeds the potential benefit.

Rational ignorance also means that representatives can make political promises on the campaign trail and on the national stage where they are highly visible, but renege on those promises in the chambers of Congress when it comes time to present or vote on bills that come to the Congressional floor. Once again, it is costly to determine how a representative voted on a given issue compared to their promises, and many members of the electorate will simply judge a candidate's political views based on their promises and media statements. Thus, any given representative's level of honesty and their true political beliefs, both highly relevant pieces of information for voting, are not very well known by the voting populations they correspond to.

Without relevant information for voting, the electorate will turn to irrelevant information to base their decision on, such as personality, political brand, or simply whether the candidate is the incumbent or not. This political brand is built up over time in office and gives incumbents the support that forms the incumbency advantage, and the longer their tenure has been, the larger that brand is. According to Elhauge et al. this brand functions as non-transferable political capital that a challenger to a representative's office must generate themselves to overcome the incumbency advantage, otherwise they stand at a severe disadvantage. This disadvantage to the challenger could be overcome in other ways, such as "investing to acquire a brand name of his own or by demonstrating in some way that he is a vastly superior supplier of government services" (Elhauge, Lott Jr., and Manning 1997). For instance, Donald Trump's personal brand as a successful businessman and forceful personality let him compete with Hillary Clinton's political capital built up over decades, however, that brand also took him decades and many millions of dollars to build, and so the idea of a "personal brand" as a viable alternative to a build-up of political capital is not as realistic as it sounds. While Hillary Clinton may be an extreme example of political capital because of the length of her tenure as a political player, it is exactly those types of representatives that people are climits on Congress would decrease the amount of money the government wastes on benefitting the supporters of representatives. On this topic, Erler states "[term limit] supporters frequently heralded legislative term limits as a way to restore fiscal sanity to state legislatures across the nation" (Erler 2007). This is because, as Erler mentions, increased government spending can be seen as both an adverse selection and moral hazard problem. The position of government representative is attractive to people who already favor expanding both the government as well as levels of spending, meaning most candidates will already want to increase spending even just after being elected. The things working in Congress allows you to do adversely selects for those who want greater power. Furthermore, being in the position of a congressional representative will expose you almost entirely to others who favor expanding spending, whether they be other representatives or special interest groups, and both will naturally alter incentives towards larger spending bills and an increased role of the government. This moral hazard problem in Congress is sometimes called a "culture of spending."

Term limits are supposed to neutralize the adverse selection problem by changing the types of people who run for office after political entry barriers have been lowered. With an ironclad maximum amount of time that a person may serve in office, there is a much lesser opportunity to use a representative's power for their own benefit, and term limit supporters believe that more people will run for office who belong to a group called "citizen-legislators," an antithesis to the career politician. Citizen-legislators are regular citizens who take time off their normal job amongst the community to serve those communities as their representative. It is their status as normal citizens that should give them incentives in policy creation that benefit the community, and favor limited government and less spending, because they are aware of how government actions affect constituents, and after their terms are completed, they must live under the situation they helped create.

Secondly, term limits are supposed to end the moral hazard problem by breaking up that “culture of spending.” Payne (1992) found that there was an empirical positive relationship between tenure and a representative’s willingness to spend that he believed was caused by a socialization process between newer representatives and already pro-spending interest groups and representatives. Specifically, he found that, for their first twelve years in Congress, legislators tended to have “spending scores” below the average of their peers in the same political party, but after twelve years their scores rose “considerably” each year after. If legislators are gradually swayed by the idea of greater government spending and larger government as they spend more time in office regardless of their policy preference when they entered Congress, then term limits that force them out of office before this sort of “brainwashing” can have a noticeable effect on their demonstrated preferences on the floor should decrease the average willingness to spend in Congress.

All this is to say that the current system heavily favors incumbents, naturally creates a Congress that is highly willing to increase spending ad infinitum and offers a much easier path to becoming a career politician, because the system incentivizes rational ignorance and disincentivizes an informed electorate that can easily determine the quality of representatives. These are real problems that the citizens of the United States face because of how Congress works and is structured. According to their supporters, term limits are intended to improve the overall quality of congressional representatives and their responsiveness to their constituents wishes by increasing the number and types of people who run for office, by decreasing congressional willingness to spend, and by forcing out long-tenured representatives who have built up sufficient political capital to shield them from electoral competition, freeing them up to pursue solely their own interests.

Section 2: The Empirical Effects of Term Limits

With this information in mind, we must move forward again with the knowledge that even though the stated benefits of term limits would improve Congress and the intentions of those who support term limits are good, the only thing that matters about such policies is the real outcome they have. The integrity and effectiveness of a functioning legislative branch is simply too important to risk based on partisan energy. Unintended consequences happen with every policy, even the best intentioned and well-planned ones.

There has been a significant amount of research done and time spent on the question of how term limits affect the legislators they bind. This may be briefly surprising given how none of it is ever mentioned or used to support the political arguments surrounding this topic. It is not uncommon to see issues fall along partisan lines that divide the two American political parties, both of whom prefer to rely on sheer political enthusiasm and vitriol to support their policies rather than empirical fact, but the breadth of different studies that have been done makes it a curiosity in this case. Not only is the topic well-researched in general, but the empirical research also displays a clear consensus on the issue, and it is as follows: legislative term limits, in almost all scenarios, produce deleterious consequences on institutional quality, and tend to increase the amount of money spent by the legislature. We will use this section to do a literature review of the empirical literature concerning what exactly those effects are.

Mondak (1995) uses a model of elections where they act as “filters” and the incumbent’s level of competence and honesty are at least somewhat a determinant of reelection prospects. Those factors do not have to be the most important determinants, and indeed, he agrees with his detractors that “the capacity of voters to differentiate among candidates on the basis of quality is limited” (Mondak 1995), but it is not necessary that they be. If voters did pay close attention to such things, then term limits would be wholly unnecessary, because only a term or two would be required for low quality representatives to be ousted from office.

Mondak reports the findings of his analysis as such:

> Several implications are suggested when elections are viewed as filters: (1) if the quality of candidates or the competitiveness of elections does not change, term limits should be expected to produce a substantial decline in the collective quality of the U.S. House; under baseline conditions, for instance, 40 percent of House members are of excellent quality in the present system, versus only 30.6 percent with a twelve-year term limit; (2) term limits may inflict devastating harm on institutional quality by dismantling the House's seniority system; (3) term limits can bring about an increase in institutional quality if they induce better candidates to run for office; (4) the consequences of term limits will be most extreme in institutions with frequent elections and low turnover rates (Mondak 1995).

Three of his four findings are relatively self-evident. A 25 percent decrease in the number of "excellent" House representatives is not the effect term limit supporters are hoping for. We should expect greater negative effects in institutions with frequent elections and low turnover, and as we mentioned, the turnover rates for both the House and Senate in the U.S. are extremely low. He also mentions that term limits could possibly have positive effects if candidate quality improves as a result, but we will revisit that later.

However, Mondak says that as a result of dismantling the seniority system, there would be serious institutional harm inflicted on Congress, but earlier it was mentioned that eliminating the seniority system was a goal of term limits that was intended to improve Congress. What has happened here? It is correct to say that the senior members of Congress hold much of the power. They receive leadership positions on committees and subcommittees, decide the direction that party policy should go, control what bills go out onto the floor, and generally have more power to benefit themselves and transfer wealth to their communities. But the logical result of binding term limits would be a relative increase in the seniority of all members of Congress, which would naturally result in more leadership positions for all representatives, as well as an increased ability of all representatives to transfer wealth to themselves for their own benefit and to their constituents in return for greater support and favors.

It is not just this logical outcome that hurts the structural integrity of the House, however, as Mondak's model also demonstrates that the representatives that are high-quality are most often those who have served more than 12 years' worth of terms. About

54.3 percent of those long-tenured representatives are of what he calls “quality group A” whereas only 6.4 percent are of the lowest quality level, “group D.” So while term limit supporters may see seniority as an objectionable facet of Congressional institutions, it appears as though it keeps leadership and power with the members of the House who are most capable of using it in beneficial ways. So term limits would both remove, on average, what people consider the best representatives while also redistributing power towards the less capable representatives.

H. Abbie Erler’s “Legislative term limits and state spending” tests the theory that term limits would effectively cut state spending and finds no evidence that such a theory is true, rather, term limits tend to increase legislative spending. This test is based on data from all of the continental U.S. states over the 24-year period from 1977 to 2001. Her model finds that enacting term limits into law tends to increase expenditures per capita by just under 60 dollars, and average increase of 2.1 percent, and an increase of 3.4 percent in spending as a percentage of state income, both of which are significant at the 99 percent confidence level (Erler 2007). She finds that these increases in spending become more severe as term limits become stricter. Term limit laws vary between states, with limits between six to twelve years, and these limits can be lifetime bans or simply ban consecutive terms, where a representative who has served the maximum number of consecutive years may run for office again after a term of being out of office. Those states with lifetime term limits of eight years of less have significantly higher spending, with expenditures per capita increasing by 172 dollars representing a 6.2 percent increase, and expenditures as a percent of income increasing by 4.3 percent (Erler 2007).

Her analysis even breaks down those spending increase into different categories where money is commonly funneled in politics: education, transportation, welfare, and heath, the data of which provides interesting possible insights as it reveals that spending categories do not increase equally across the board. Her data shows that education spending does not increase by a statistically significant amount, transportation spending increases by 14.3 percent, welfare by 29 percent, and healthcare spending by 31.5 percent (Erler 2007). In relation to the redistribution of seniority, Kangoh Lee argues that the general pattern of spending increases because this increase in relative seniority gives a greater proportion of existing and future legislators more power to pass pork-barrel bills that gift wealth to their communities. This is a result of the fact that representatives in general "become more productive in transferring wealth to their constituents as they gain more seniority in the legislature" (Lee 2002). This productivity would be unaffected by how "relative" a legislator's seniority is simply because of how that institution functions.

Many of the other studies on the empirical effects of legislative term limits, enough to be comfortably called a consensus, say much the same things about the detrimental effects of term limit legislation. A model performed by Daniel C. Lewis found that term limits had detrimental effects on the economic performance of states they were enacted in, saying that,

> [t]he results clearly show that term limits have a significant and detrimental effect on a state's bond rating, even while accounting for a host of other political and economic factors. As an assessment of the relative security of investing in a state, bond ratings also serve as a good indicator of the quality of a state's fiscal policy. In other words, I find that term limits have a general negative impact on the ability of legislature to set effective fiscal policy (Lewis 2012).

Moncrief and Thompson (1991) conclude that “term limitation legislation would remove a substantial proportion of legislative leaders in the sates, with a resultant reduction in legislative expertise and experience.” Franklin and Westin (1998), purposely avoiding the policy effects of such a measure, conclude that “If the desire of term limit proponents is to produce an institution with lower average seniority and a greater number of members serving in their first and last terms, term limit proposals achieve the desired result.” As we have already discussed, lower average seniority and a lack of traditional leadership in the legislative branch typically leads to an increase in pork spending, and less precise and effective legislation for those effected by such legislation.

Orr et al (2001) measures many effects of term limits on a state legislation using an advanced quasi-experiment in which the measure the impact the policy has on institutions, political environment, and both the personal and social context of the legislature. They find, first, that term limits may “intensify but truncate incumbency advantage” and increase the amount of campaign spending on average (Orr et al 2001). Second, they find that the decisions about leaders in Michigan’s first term-limited house were significantly more influenced by “legislator-to-legislator PAC contributions” than they were before term limits were put into effect (Orr et al 2001). This is a new development in the research up to now, that monetary payments between legislative coworkers become the dominant determinant of leadership instead of seniority, It is certainly not unexpected given economic analysis, but we will reserve that until the third section of this paper.

Term limit supports may well be wondering about the competition aspect of term limit laws. It was mentioned in our analysis of Mondak (1995) that increased electoral competition and/or increased candidate quality could cause term limits to instead have a positive effect on all the margins of representative quality, and two of the stated intentions of term limits that we have not discussed yet are (1) to increase electoral competitiveness and (2) facilitate a change in the type of people who run for office, specifically the citizen-legislator. Unfortunately, according to multiple studies, it appears that these are only stated benefits, and that term limits do not have the effect on these margins that supporters would like them to.

On the question of electoral competition, both Orr et al. (2001) and Rausch (1993) seem to provide convincing evidence for the decline of competition under term limits. Orr et al. concludes that possible challengers to a representative position will wait until the current seat holder has reached his last term, because it is a predictable opportunity to run for office when they will not have to fight the uphill battle against incumbency advantage, which means brief periods, during the times where legislators are forced out, of unchanged or increased electoral competition, but decreased competition when incumbents run (Orr et al. 2001). This is the phenomenon that led them to the conclusion of increased and truncated incumbency advantage. Rausch, on the other hand, finds only declined electoral competition post-term-limits due to decreased voter turnout, and an increase of incumbents who ran unopposed.

On the question of citizen-legislators, there have been four studies that are frequently cited in the literature about term limits. Carey et al. (2000a), Carey et al. (2000b), Carey et al. (2006), and Faletta et al. (2001) all study the demographics of representatives elected to office before and after effective term limits are enacted and find that there is no statistically significant difference in the two groups of legislators on the margin of any demographic. The makeup of the age, religion, race, and education level among legislators are all unaffected, and more importantly, so are the professions, occupations, and wealth of the new legislators. This seems to rule out the existence of some class of “citizen-legislators” who are waiting for better conditions to run for office in, or at least shows that term limits are not the policy that will increase the number of them in office.

Section 3: Analysis of the Economic Forces in Play

This is where the empirical work that has been performed on the topic of legislative term limits ends. Hopefully it is clear to the reader that even though there may be problems with the way Congress functions and is incentivized to operate, term limits are not the answer to those perceived problems, and in fact are likely to worsen the circumstances of those at the whims of Congress’ decisions. Work could be done comparing these margins in other countries before and after term limit laws, but it should be clear that statistical validity states that using the results of such a study to predict the effect of those laws in the U.S. at a national level would inherently be less valid than scaling the results of studies on the state legislatures to the national legislative body.

What may not be so clear is why term limits provide the results that they do. Yes, legislative term limits enforced at the national level are likely to increase how much the state spends, decrease the overall quality of our legislators, as well as several other unforeseen negative consequences, but why? Such curiosity is understandable because it is the driving force behind this paper. The research condensed, compiled, and presented here does not address this question, even though some may acknowledge it. How they explained or addressed it has not been withheld from this paper to achieve some desired stylistic choice, it simply is not there, and this is a weakness of purely empirical political research. There must be a greater focus on economic reasoning and principles in topics of political economy so that we may better understand the institutions we have created around ourselves to form a social existence.

More pressingly, economic reasoning allows us to logically analyze the results of potential public policy, that we might more efficiently arrive at governing policies that benefit the ruled, instead of being at their expense. This paper is on a political topic, but the economics of the situation is what informs it. If we understand economics as "purposeful human action," then it becomes much clearer why economics is the underpinning theme of such discussion. Thus, instead of the question being "why do term limits have these effects on the states they are enforced in," perhaps a more fruitful way to think about the situation is "why do term limits cause legislators to decide to act in ways that make their choices affect their states negatively?"

This paper argues that the answer to this question lies in the time preference of legislators and the way term limits change their incentive structure. We will start with the public choice assumption that public servants are not inherently more or less noble than other people. Consider the point made by Frédéric Bastiat in *The Law*, where he asks, "If the natural tendencies of mankind are so bad that it is not safe to permit people to be free, how is it that the tendencies of these organizers are always good? Do not the legislators and their appointed agents also belong to the human race? Or do they believe that they themselves are made of a finer clay than the rest of mankind?" (Bastiat 1962). They are humans and behave in a way that is in accordance with their own self-interest, by which it is meant that they attempt to satisfy the ends that they desire most with the least valuable means they have. Although "self-interest" tends to have a negative connotation, since everybody acts in their own self-interest, it is not some sort of condemnation. Public actors—legislators, bureaucrats, etc., as well as all humans—are rational utility-maximizing individuals who seek to advance what they perceive as their own personal best interests. These public actors can create inefficient outcomes given scenarios that incentivize certain behaviors. Furthermore, legislators desire the same sorts of things that everybody does, at similar levels of desire.

When people are elected to office, they still have the same subjective valuation structure as before their election. The marginal utility they believe they will acquire from any given end remains unchanged, and the comparative ranking between ends is untouched. This is to say that the way politicians ordinally rank their desires is not changed by the fact that they are now an elected official. This why it is not logical to assume that public officials are any more virtuous than any other person. Normal people highly value money and positions of power because they are powerful intermediate ends. Both are useful, more than any other good, for acquiring more ultimate ends. What you cannot acquire with the general medium of exchange you can acquire with the general medium of exchange and a strategic leveraging of favors and authority. This, too, is not a condemnation. Highly valuing the general medium of exchange is what makes it money. This reasoning is why we need not make assumptions about representatives in Congress and whether they are a “virtuous” or an “altruistic” representative: they value the same things, and the same incentives are in play for all players in Congress. However, to continue using the means available to them as a representative to achieve their desired ends, they must continue to be a representative. Thus, what legislators desire above all else is *reelection.* Their second greatest desire is both greater salaries for themselves and bigger budgets for the committees and projects they are involved in.

When representatives are first elected, in the circumstances where there are no term limits, they understand that, given proper attention to their popularity amongst their electorate, they have essentially as much time in Congress as they like. The circumstances of having no definite end to their service in the foreseeable future allows for, and even incentivizes, a decrease in time preference. Representatives will use more roundabout, less visible methods that take longer to achieve their ends, because the time is simply available to them. These methods are incentivized because they are less likely to be seen negatively by the constituency of the representative. Low time preference in legislators is even somewhat seen as a positive trait by the public because it involves exercising restraint on one's desires, not serving purely their own interests at the expense of their constituents and other obligations. It signals to the population that they are a serviceable representative who is worthy of reelection. There are other methods of signaling that representatives may use during election season, like showing support and voting for a bill that is popular amongst their constituency that nonetheless the representative does not expect to pass in Congress. They will forgo state spending increases in the present because high spending is generally unpopular, and the representative believes there will plenty of time in the future for opportunities to increase state spending to arise.

So it seems like the incentivization of low time preference involves representatives showing restraint in fulfilling their personal ends to visible levels that are seen as appropriate by the populace. There are likely behind-the-scenes achievements of ends, but there is a limit to how much of that can be done. There will likely always be cases of politicians prioritizing their own goals over their constituents, at least in any human political system, so a system that incentivizes less of this behavior via lower time preference legislators should be the realistic goal. These low time preference legislators will pursue less self-interested ends in total, if only because it signals to their constituents that they are more responsive to their desires and they have more time in total to achieve them. It is not the intent of this paper to imply that the ends always justify the reasons for or means used when achieving those ends, but it does seem that these circumstances benefit citizens, and while the reasons behind them are not especially altruistic, they are also not exactly reprehensible either, although that is a call for each individual to make.

However, when term limits are enforced, the situation a representative finds themselves in is the exact opposite. Instead of no foreseeable end to their service, there is a concrete and very real end to it. They are still desiring the same ends as before: money, favors, a secure future, but the time in which they have to achieve these ends is cut significantly. If they wish to secure these things for themselves, they must be more direct in their means, and the process by which they achieve their ends must be faster. This is an incentive to develop a high time preference. As individuals with high time preferences, they are more likely to disregard saving, personal appearances, and the nebulous "future" to achieve ends in the present. This means increased spending, greater Congressional salaries, more voting for bills that align with their individual opinions and beliefs at the expense of voting for bills popular with and benefitting their constituency.

That result is merely in general, but when they are in their final term, when legislators are fully aware that reelection is an impossibility, it is completely unnecessary to them to worry about their popularity, public appearance, or other related things. With those circumstances, there is no need for legislators to restrain their desire to achieve their ends with the means available to them as a legislator, allowing them to pursue these ends at the expense of other duties. We see this with U.S. Presidents in their second term, where they often pass executive orders or finalize bills that are not in line with campaign promises or even public opinion. Lame duck legislators who know replacement is a certainty are also shielded from the future consequences of their actions. They can freely accumulate debt held by the country because they are guaranteed to be out of office when the consequences of reckless debt financing hit the nation. When representatives have only a few years in office, they are never truly responsible for the good of the nation because they are not there long enough to be responsible for where the country ends up. They are merely temporarily charged with the helm of the ship, and they are likely to steer the ship towards greater wealth transfers, public projects, and consequently debt, because these increase the inflow of money to the government, allowing for larger salaries and fatter budgets. As Hans-Hermann Hoppe says,

> Rather than upholding private law among the nongovernmental public and exploiting its legal monopoly solely for the purpose of redistributing wealth and income from civil society onto itself, a government "ruled" by public law will also employ its power increasingly for the purpose of legislation, i.e., for the creation of new, "positive" civil law, with the intent of redistributing wealth and income *within* civil society. For as a government's caretaker (not owner) it is of little or no concern that any such redistribution can only reduce future productivity. Confronted with popular elections and free entry into government, however, the advocacy and adoption of redistributive policies is predestined to become the very prerequisite for anyone wanting to attain or retain a government caretaker position. Accordingly, rather than representing a "consumption state" (as the typical monarchy does), with public government ownership, complementing and reinforcing the overall tendency towards rising taxes (and/or inflation), government employment and debt, the state will become increasingly transformed into a "welfare state." And contrary to its typical portrayal as a "progressive" development, with this transformation the virus of rising degrees of time preference will be planted in the midst of civil society" (Hoppe 2017).

This time preference theory of self-interested, utility maximizing public actors explains why term limits tend to decrease the commonness of what we perceive as quality legislators and increase state spending. However, it also explains the other results.

It was mentioned earlier that the consequence of PAC donations becoming the primary determinant of legislative leadership was not completely unpredictable given economic analysis, in this case, that representatives are self-interested utility-maximizers. In the wake of greatly reduced experience in legislation among representatives, as well as higher average seniority, representatives must choose leaders based on other qualities and criteria. But like the rationally ignorant voter, who without relevant knowledge about candidates uses much less important criteria to decide who they vote for, representatives will not have the only relevant pieces of information for leadership decisions, those being expertise in each topic and seniority. Without that knowledge, they will have to make decisions based on other qualities. Those qualities will necessarily become more important than they are in the current status-quo.

In the minds of the current representatives, why should that basis not be how much another representative has monetarily benefitted them and their interests? Legislators desire money as a good just as much as the rest of humanity. The representatives who are in line for leadership positions desire the power those positions give them as much as the rest of humanity. If a voting legislator desires large monetary contributions funneled towards their interests more than adhering to the much-diminished tradition of seniority-awarded positions, and the legislator in line for leadership desires the new possibilities for favors and power more than a large quantity of PAC funds, then those two people have a coincidence of wants that can be exchanged for mutual benefit. Of course, people must decide for themselves if they believe whether this new situation is undesirable on principle, but one of the stated intentions of term limits is to decrease campaign and legislative spending, and once again it would seem that term limits accomplish the opposite.

Another result of term limits that can be explained through economic principles was the decrease in competitiveness in elections. The predictability of election years with no incumbent allows for potential challengers to plan for years how they will approach their campaign and overcoming incumbency advantage does not have to be something they account for. If we understand that people attempt to achieve their most highly valued ends as easily as possible and with their less valued means, then the highly predictable and easier path to the intermediate end of a seat in the legislator should be the one we expect people to take. The phrase “intermediate end” is used because the position of representative should not be understood as an ultimate end for its own sake, but rather as a steppingstone to even higher valued ends. No person values purely the prestige of the title of “legislator” but rather the things that prestige can buy and the means that are opened to them because of their position.

It must be mentioned that this paper does not speak on or consider the time preference theory as it pertains to the permanent bureaucracy present in the U.S. republic. The members in and in control of the institutional bureaucracies that exist within the government in general, and within both the GOP and DNC have real, tangible effect on the course of politics and the way people go about their lives. These people have no turnover or replacement and no consumer preferences to meet. More research by other scholars would be needed to claim that unelected officials are affected by the time preference incentives mentioned in this paper. Ludwig von Mises' *Bureaucracy* and Max Weber's *Economy and Society* are both fascinating works concerning governmental bureaucracy that could form the basis of such research.

Section 4: Conclusion

The ferocity of the modern legislative term limit debate in America and whether we should codify them into law for Congress despite the empirical literature surrounding term limitations being clear, concise, and in consensus is evidence enough to show why level-headed economic analysis of problems and their possible solutions is more important than ever. The data and the analysis of the incentives of public actors tells a simple story: despite how wonderful the stated benefits sound and how desperate some people are for alternatives and solutions for the problems that Congress causes, placing term limits on national representatives would not have the outcome term limit supporters claim, and likely would make the situation worse.

In this case and in any case of political topics, we must carefully consider the basic economic principles and the incentive structures of the actors involved and see how potential public policy interacts with those actors desired ends, as well as how it affects the incentives working on them. If our public policy does not work with economic principles about humans and how they make choices about how to act, then our public policy will not work at all. Specifically for term limits, the actors involved, our representatives, interact with a shrinking time period with which to use the means at their disposal to achieve the same ends the rest of us want in a way that heightens their time preference to the point where their choice more openly and greatly negatively affect us, their constituents. Furthermore, term limits erase and redistribute the margins on which legislative leaders are selected (expertise and seniority) that allow them to make better policy, and the margins they choose to replace it with (PAC contributions) are not nearly as relevant. Those margins may be seen as wrong on a normative level, but regardless of normative claims they lead to less efficient outcomes, as do legislative term limitations in general.

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