Ideology and Information in Policymaking

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Motivation

- In representative democracy there is the incentive for "pandering" by politicians (e.g. Maskin and Tirole 2004, Canes-Wrone et al. 2001).
- On what issues are we likely to see pandering by elected officials?
- Do politicians pander more or less when voters are more divided? When voters are more sure of their preferences?

This Paper

- Two period model, based on Maskin and Tirole (2004).
- Politicians better informed than voters about the state of the world, but may or may not share the preferences of the majority of voters.
- Unlike Maskin and Tirole (2004) add ex-ante uncertain "valence" so that re-election outcomes are non-deterministic.
- Politicians have greater incentive to pander on issues with greatest electoral benefit.
- Consider how this relates to the divisiveness of the issue and voter uncertainty.

Summary of Results

- As there is greater room for updating about the politician on a more divisive issue, greater incentive to pander on such issues.
- Increasing the size of the minority can increase the incentives to pander and thus increase likelihood action biased against the minority (e.g. McCarthyism).
- Greater incentive to pander on issues on which voters are more certain the action they prefer (e.g. social issues as opposed to monetary policy).
- A little knowledge can be dangerous: if uninformed voters are made more informed can induce pandering and result in lower welfare.

Outline

Model

- Two periods $t \in \{0, 1\}$.
- In each period politician chooses between two actions $\omega_t \in \{a, b\}$.
- Two types of voters, $x \in \{a, b\}$, with $\pi > 1/2$ of type $x = a$.
- Three states of the world $\theta_t \in \{a, b, n\}$, i.i.d. across periods.
- $Pr(\theta_0 = a) = Pr(\theta_0 = b) = \sigma$.
- In state a (b) all voters prefer action a (b). In state n there is disagreement among voters.
- Voters also receive utility from the politician's valence $v \in \mathbb{R}$.

Voters

- Preferred action of a type x voter in state θ is

$$\omega_\theta^x = \begin{cases} a & \text{if } \theta = a \\ b & \text{if } \theta = b \\ x & \text{if } \theta = n \end{cases}$$

- Stage game payoff for a voter of type x is

$$u^x(\omega, \theta) = \begin{cases} v & \text{if } \omega = \omega_\theta^x \\ -\frac{1}{1-2\sigma} + v & \text{if } \omega \neq \omega_\theta^x \end{cases}$$

- Two periods with discount factor $\beta \in (0, 1)$.

Politicians

- Assume distribution of politician types same as voters (statics depend on distribution of politicians rather than voters).
- Politicians receive payoff G from choosing policy preferred by voters of their type.
- Payoff of R from holding office each period.
- If not in office, payoff of 0.
- Common discount factor $\beta \in (0, 1)$.
- As in Maskin and Tirole (2004), define $\delta = \beta \frac{G+R}{G}$.

Timing

The timing of the game is as follows:

1. At time-0 nature determines type of incumbent, $x \in \{a, b\}$, state of the world $\theta_0 \in \{a, b\}$, and politician valence $v \in \mathbb{R}$. The politician observes x and θ_0 not v, voters observe none.
2. The politician chooses action $\omega_0 \in \{a, b\}$, publicly observed.
3. The voters and politician observe the politician's valence v.
4. Vote, by majority rule, whether to retain the politician or replace with random draw of politicians.
5. All players receive their payoff from the initial period.
6. At time $t = 1$ the politician in office observes $\theta_1 \in \{a, b\}$ and chooses policy $\omega_1 \in \{a, b\}$, and payoffs received.

Differences with Maskin and Tirole (2004)

Three differences with Maskin and Tirole (2004):

1. Voters have heterogenous preferences.
2. Three states of the world instead of two: voters know which way they are biased, but politicians have information which is potentially valuable.
3. Politician valence: outcome of future elections uncertain when politicians choose action.

Equilibrium Selection

- A signaling game, so many equilibria.
- Consider equilibria in which politician's first period action depends only which action they prefer in initial period: Two incumbents who each receive G from action, $x_0 \in \{a, b\}$, must choose action that action with the same probability.
- Ignore pooling on action b.
- With these restrictions equilibrium is unique.

Equilibria of the Game

Definition

Pandering and Sincere Equilibria

A Perfect Bayesian Equilibrium is:

1. a **sincere equilibrium** if all politicians choose $\omega_0 = x_0$ at time 0.
2. a **pandering equilibrium** if all politicians choose $\omega_0 = a$ regardless of the state of the world.
3. a **partial-pooling equilibrium** if politicians with $x_0 = a$ choose $\omega_0 = a$ and politicians with $x_0 = b$ randomize with a non-degenerate probability.

Outline

Pandering and Sincere Behavior

Proposition

Equilibrium characterization.
For any $\pi \in (\frac{1}{2}, 1)$, *there exist* $\delta_s(\pi, \sigma), \delta_p(\pi, \sigma)$ *with* $0 < \delta_s(\pi, \sigma) < \delta_p(\pi, \sigma)$, *such that*

1. *there exists a sincere equilibrium if and only if* $\delta \in (0, \delta_s(\pi, \sigma)]$.
2. *there exists a pandering equilibrium if and only if* $\delta \in [\delta_p(\pi, \sigma), \infty)$.
3. *there exists a partial-pooling if and only if* $\delta \in (\delta_s(\pi, \sigma), \delta_p(\pi, \sigma))$. *This equilibrium is unique.*

Remarks

- When δ small (impatient and/or policy motivated), sincere equilibrium.
- When δ is large (patient and/or office motivated), pandering equilibrium.
- Intermediate δ, partial pooling equilibrium.

Comparative Statics

Proposition

Comparative Statics

1. $\delta_s(\pi, \sigma)$ *and* $\delta_p(\pi, \sigma)$ *are strictly increasing in* π *on* $(\pi^*, 1)$, *where* $\pi^* \in (1/2, 1)$.
2. $\delta_p(\pi, \sigma)$ *is strictly decreasing in* π *on* $(1/2, \pi^*)$.
3. $\delta_s(\pi, \sigma)$ *and* $\delta_p(\pi, \sigma)$ *are strictly increasing in* σ.
4. *as* π *approaches* 1,

$$\lim_{\pi \to 1} \delta_s(\pi, \sigma) = \lim_{\pi \to 1} \delta_p(\pi, \sigma) = \infty,$$

but $\lim_{\pi \to \frac{1}{2}} \delta_s(\pi, \sigma)$ *and* $\lim_{\pi \to \frac{1}{2}} \delta_p(\pi, \sigma)$ *are finite.*

Remarks

- Effect of the size of minority on pandering non-monotonic; if minority is small, increasing the size of minority increases likelihood of pandering.
- If δ is high, always have pandering on divisive issues, but sincere behavior on issues when $\pi \approx 1$.
- Greater divisiveness can lead to greater pandering, and more "inflexible" first period actions.
- Greater likelihood of pandering on low σ issues. (e.g. abortion, same-sex marriage).

First-period action

Proposition

Probability of Action a Being Taken

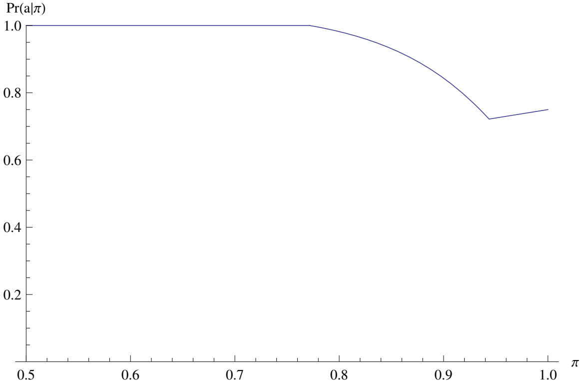
Suppose $\delta > \delta_p(\pi^*(\sigma), \sigma)$. *Then there exist* π_1, π_2, π_3 *with* $1/2 \leq \pi_1 < \pi_2 < \pi_3 < 1$ *such that*

1. $Pr(\omega_0 = a|\pi) = 1$ *for all* $\pi \in (\pi_1, \pi_2]$.
2. $Pr(\omega_0 = a|\pi) < 1$ *for all* $\pi \in (\pi_2, 1)$.
3. $Pr(\omega_0 = a|\pi)$ *is increasing for* $\pi \in (\pi_3, 1)$ *with* $\lim_{\pi \to 1} Pr(\omega_0 = a|\pi) = 1 - \sigma$.

- Action most biased against minority when minority not too small.

First Period Action and Size of the Majority

Figure 1: Size of the Majority and First−Period Action



- This graph for $\sigma = \frac{1}{4}$, and $\delta = 3$, and valence normally distributed with variance $\frac{1}{4}$.

Effect of Uncertainty

- In a pandering equilibrium, welfare is lower the higher σ is.
- When there is higher σ, less incentive to pander (see empirical findings in Canes-Wrone and Shotts 2004).
- If increasing σ decreases pandering this can increase welfare.
- When δ is large, get pandering equilibrium unless σ is very large.

Voter Information and Welfare

Proposition

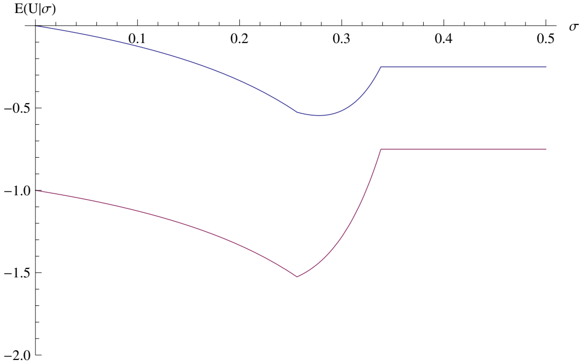
First Period Welfare

For all $\pi \in (1/2, 1)$*, there exists* $\bar{\delta}(\pi)$ *such that, for all* $\delta > \bar{\delta}(\pi)$ *there exist* $\sigma_p(\pi, \delta)$*,* $\sigma_s(\pi, \delta)$ *with* $0 < \sigma_p(\pi, \delta) < \sigma_s(\pi, \delta) < 1/2$ *such that,*

1. *the expected first period utility of both the majority and minority type are decreasing in* $\sigma \in (0, \sigma_p(\pi, \delta))$.
2. *the expected first period utility of both the majority and minority type are increasing in* $\sigma \in (\sigma_p(\pi, \delta), \sigma_s(\pi, \delta))$.
3. *the expected first period utility of both the majority and minority type are constant in* $\sigma \in (\sigma_s(\pi, \delta), 1/2)$

First Period Welfare and Information

Figure 2: Uncertainty and First−period Welfare



- This graph for $\pi = \frac{3}{4}$, and $\delta = 3$, and valence normally distributed with variance $\frac{1}{4}$.

Two-Period Welfare

- Sincere equilibrium preferred by majority voter when σ is large.
- When δ is large switch between sincere and pandering with high σ.
- Pandering also bad for selection, so second period welfare goes in the same direction.

Corollary

Two-Period Welfare

For all $\pi \in (1/2, 1)$ there exists $\delta^*(\pi)$ such that, for all $\delta > \delta^*(\pi)$, the expected utility of both the majority and minority type are increasing in $\sigma \in (\sigma_p(\pi, \delta), \sigma_s(\pi, \delta))$.

Outline

Effectiveness of Representative Democracy

- On divisive issues, representative democracy susceptible to pandering – politicians ignore their expertise.
- When politicians have little information advantage over voters, likely to see pandering, but this is good for (first-period) welfare.
- In environments with much voter uncertainty, pandering would be harmful, but unlikely to occur in equilibrium.
- Socially inefficient pandering most likely to occur for intermediate levels of politician information advantage.

Conclusions

- Incentives to pander depend on the the specific features of the issue.
- Greater incentive to pander on issue with large amount of heterogeneity than when broad agreement.
- Greater incentive to pander when voters are more sure which action is in their interest.
- In some cases, welfare can be higher in a world where voters face greater uncertainty.