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Policies and prizes

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ABSTRACT

The political-economy view of public policy is that policies that do not have majority support among voters arise because of a principal-agent problem that impedes voter disciplining of policy decisions of political representatives. We study a case in which voter disciplining could take place and the policy decision was a choice between electoral popularity and the prospect of winning the Nobel Peace Prize. The background for our model is the electorally-unpopular open-door refugee policy of German chancellor Angela Merkel. Our study motivates the question whether, because of the compromise of democratic accountability, it should be permissible for the Nobel Peace Prize to be awarded to politicians, either as incumbents or after they have left political office.

1. Introduction

A political-economy investigation of public policy is based on a principal-agent problem whereby political decision makers circumvent the accountability and transparency of democratic institutions to choose policies that would not be chosen by majority voting. The objective of the political decision makers is generally political support or winning elections.¹ We consider a case of public policy that departs from these usual circumstances. There is electoral accountability and policy transparency. Voters are aware of the policy that is chosen. The policy involves a salient issue that determines how voters vote and voters can discipline political representatives in elections. A principal-agent problem can nonetheless be present, because the policy maker is prepared to choose a policy that is contrary to voters' preferences in an attempt to win a prestigious external reward, which, in the case that we describe, is the Nobel Peace Prize.

Winning a Nobel Prize is a means of personal elevation from being merely a politician to status of a statesman or woman. Politicians do not in general have means of personal distinction through academic merit or intellectual contributions. The prestige of the Nobel Prize (not necessarily the money) may be the only way that politicians can secure a place in history. Envy can have a role: when other

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¹ For an overview of the foundations for a political principal-agent problem, see Hillman (2019, chapter 12). A political principal-agent problem underlies the explanation by Peltzman (1976) for the existence of regulation of industry that is disadvantageous to voters and underlies explanations for policy decisions to depart from free trade (Hillman, 1982; Cassing and Hillman, 1986; Long and Vousden, 1991; Grossman and Helpman, 1994). The political principal-agent problem can involve rent seeking (Tullock, 1967) and the quest by interest groups for benefits from political decisions (Potters and Sloof, 1996; Dal Bó and Di Tella, 2003; Chamon and Kaplan, 2013). Ashworth (2012) has reviewed the theoretical and empirical research on electoral accountability. The approaches to explaining why a politician can have incentives to act contrary to voters' interests include signaling and multi-task models. In contrast to the two-period models surveyed by Ashworth, a strand of literature assumes repeated electoral competition: see, for example, Duggan and Feys (2006) and Banks and Duggan (2008). The political objective can be a super-majority that provides benefits beyond winning an election. For an empirical study, see Kauder and Potrafke (2016).

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political leaders have been awarded the Nobel Peace Prize, a politician may feel that he or she also merits Nobel Prize recognition. Vanity can be involved.² When the policy that favorably impresses the members of the Nobel Prize committee is unpopular with voters, a political leader faces a choice between electoral popularity and pleasing the Nobel Peace Prize committee. We set out a model that describes the choice between electoral popularity and an attempt to win the Nobel Peace Prize.

Section 2 describes instances in which the Nobel Peace Prize has been associated with choice of policies. Section 3 provides the background narrative for the particular case of policy choice on which we focus, which is the open-door policy of German chancellor Angela Merkel for admitting refugees (or immigrants) in 2015–16. The model is set out in section 4, first with an informal overview and then formally. Section 5 compares the self-interested political incentives of the model with alternative explanations for political choice of electorally unpopular policies.

2. Background: the Nobel Peace Prize and policy

A normative utopian bias can lead policies that please the Nobel Peace Prize Committee to differ from the policies that a majority of voters in a country prefer. The Nobel Committee might reward ‘soft power’ even if soft power is ineffective in resolving disputes or is the path to capitulation of one side in a conflict. Capitulation described as ‘peace’ was the outcome of the Nobel Peace Prize in the case of the Vietnam war.³ The human cost of the ‘peace’ rewarded by the Peace Prize in 1973 was personal hardship for a significant part of the civilian population of South Vietnam and loss of life.⁴ The 1994 Nobel Peace Prize for the ‘Oslo Accords’, which was awarded jointly to Yasser Arafat (the Palestinian leader), Shimon Peres (foreign minister of Israel), and Yitzhak Rabin (prime minister of Israel), was followed by continuation of conflict. Thousands of people were killed in the persisting non-peace in the decades after the Peace Prize was awarded.⁵ There was lasting peace following the 1978 award to the prime minister of Israel, Menachem Begin, and the president of Egypt, Anwar Sadat. Sadat was assassinated and paid with his life for the Peace Prize. In Israel, Begin went on to win all subsequent elections that he contested. Winston Churchill received a Nobel Prize, in 1953, but in literature. Churchill did not win a Peace Prize, which would have been for bringing peace to the world by being instrumental in winning a war. By that criterion, Josef Stalin would have shared the Peace Prize.⁶ There have been ostensible unsuccessful attempts by politicians to win the Nobel Peace Prize. US secretary of state John Kerry was widely viewed as seeking the Nobel Peace Prize when in 2013 he threatened Israel with European sanctions.⁷ Peace Prize aspirations were also linked to Kerry’s involvement in the nuclear agreement with Iran.⁸

3. Refugee policy

Our model describes policy with regard to admitting refugees.⁹ Immigration is first chosen according to cost-benefit calculations that determine the flow and thereby the stock of immigrants. Then, with war and chaos abroad, a large number of people appear seeking to enter the country. Our model is motivated by the decision of the Chancellor of Germany, Angela Merkel, to admit more than a million refugees into Germany.¹⁰ In the beginning, the policy of admitting refugees had seeming popular support, for humanitarian and expressive reasons (expressions of generosity), but also because, with Germany in demographic decline, immigration could compensate for population loss.¹¹ The humanitarian gesture of an open-door policy made Angela Merkel a leading candidate for the 2015 Nobel Peace Prize.¹² Commentaries such as the following were commonplace:

*“German Chancellor Angela Merkel has been tipped to win this year’s Nobel Peace Prize after opening her country’s doors to the growing number of refugees fleeing from war and persecution”.*¹³

² Becker et al. (2016) propose that vanity of political leaders underlies voting in the United Nations General Assembly.

³ Henry Kissinger (representing the United States) and Le Duc Tho (representing North Vietnam) were awarded the Nobel Peace Prize in 1973. Saigon (the capital of South Vietnam) fell in 1975 (and was renamed Ho Chi Minh City). Kissinger accepted the Peace Prize and the money. The North Vietnamese counterpart declined the Prize and the money.

⁴ People were imprisoned by the victorious communist forces or were forced to flee – often in unseaworthy boats that resulted in loss of life.

⁵ Arafat received the Peace Prize wearing his military uniform (he was persuaded to remove his weapon for the ceremony).

⁶ Churchill received the Prize ‘for his mastery of historical and biographical description as well as for brilliant oratory in defending exalted human values’. See <https://www.bing.com/search?q=churchill+nobel+prize+literature&form=WNSGPH&qs=AS&cvd=a355bd3e2f0b449397009142b0611d9&pq=Churchill+nobel+prize&cc=US&setlang=en-US&ncid=9833B554B35EEB010C2474A0299E8D55&ts=1516801920768>. Accessed February 14, 2018.

⁷ Kerry threatened to unleash European sanctions and boycotts on Israel that would ‘cause incalculable damage to the Israeli economy.’ See <http://www.wnd.com/2013/11/report-kerry-threatening-israel-with-sanctions/>. Accessed February 14, 2018. We have been asked by a reviewer why a U.S. Secretary of State should use EU sanctions as a threat. The best recourse would be to ask Kerry himself. We infer that Kerry felt that there were domestic political impediments to the U.S. imposing sanctions on Israel but that similar impediments were not present in the EU.

⁸ See <https://www.theatlantic.com/politics/archive/2015/04/iran-talks-could-win-john-kerry-the-nobel-peace-prize/442587/>. Accessed February 14, 2018.

⁹ Throughout the paper, we refer to ‘refugees’ rather than ‘asylum seekers’. Formally, asylum seekers should seek asylum in the first country that they reach where they are not threatened. We do not diminish the humanitarian gesture made in providing an open door to refugees (or ‘asylum seekers’). Indeed, on the contrary, the merit of the humanitarian gesture is the reason for contemplation of a Nobel Peace Prize.

¹⁰ The model describes a single political decision maker. Political decisions are often collective. The head of government or head of state usually has asymmetric influence.

¹¹ See <http://www.euronews.com/2015/09/07/germany-s-winning-refugee-welcome-formula>. Accessed February 15, 2018.

¹² See <https://www.theguardian.com/world/2015/oct/06/nobel-peace-prize-top-contenders-for-2015-award>. Accessed February 15, 2018.

¹³ See <http://www.dailymail.co.uk/news/article-3257521/German-Chancellor-Angela-Merkel-tipped-win-Nobel-Peace-Prize-opening-country-s-doors-desperate-refugees.html>. Accessed February 15, 2018.

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