Endogenous institutions and political extremism ☆

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A B S T R A C T

The election of extreme political leaders is often associated with changes in political institutions. This paper studies these phenomena through a model in which the median voter elects a leader anticipating that he will impose institutional constraints—such as constitutional amendments, judicial appointments, or the implicit threat of a coup—that influence the behavior of future political challengers. It is typically optimal for the median voter to elect an extreme incumbent when democracy is less fully consolidated, when the costs of imposing institutional constraints are intermediate, and when the distribution of potential challengers is asymmetric. The median voter typically elects a more right-wing incumbent when the distribution of potential challengers shifts to the left. Implications of the model for the consolidation of democracy and institutional constraints are discussed, as are several related mechanisms through which politicians' ability to affect institutions may lead voters to optimally elect extremists.

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1. Introduction

According to North (1990, p. 3), institutions are "the humanly devised constraints that shape human interaction," and are thus inherently endogenous. One important class of institutions consists of constraints that a political leader may impose on his successors. These constraints can take many forms. A leader can amend the constitution to ban certain policies. He can stack the courts or the bureaucracy with loyalists. He can curry favor with the military or secret policy, implicitly threatening a future coup. Two prominent examples of such behavior are the institutional constraints imposed by Atatürk and the Kemalist establishment in Turkey in the 1920s and 30s, and those imposed by Pinochet in Chile in the 1980s. In both cases, political leaders used a variety of tactics—including constitutional amendments, changes to the judiciary, and the implicit threat of future coup attempts—to ensure that policy choices made after they left office would not be too unfavorable to themselves.[1]

This paper develops a model of endogenous institutional constraints of this kind, with an emphasis on the question of which politicians will be elected by voters who anticipate that they will impose such constraints on future leaders. A main finding is that anticipating politicians' choice of institutional constraints can have a dramatic effect on voters' behavior. In particular, it typically leads the (by definition centrist) median voter to elect *extremists*, because extremists have the greatest incentive to constraint future leaders from implementing policies that are even more extreme. Thus, this paper provides a new rationale for why voters may elect extreme political leaders, as well as developing a range of comparative statics on when elected leaders will be more extreme, when they will impose more stringent institutional constraints on their successors, and how the extent of democratic consolidation interacts with institutional constraints.

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[1] For a discussion of the Turkish case, see Yavuz (2009). For a discussion of the Chilean case, see Acemoglu and Robinson (2005).

At the core of the model is the problem of an incumbent politician who has the ability to influence state institutions and who faces a challenger with different political preferences than his own. The more resources the incumbent devotes to influencing institutions—stacking the courts, courting the army, etc.—the more he can affect the challenger's choice of policy (by imposing greater costs on him if he chooses unfavorable policies). Thus, the incumbent invests more in influencing institutions when the difference between his preferences and the challenger's is greater. This simple observation is of course quite consistent with the Turkish and Chilean cases, where Atatürk and Pinochet invested heavily in institutional change because they anticipated future political support for dramatically different leaders ("Islamists" and comparative left-wingers, respectively).

The more subtle part of the model concerns the behavior of voters who anticipate that institutions will be influenced in this manner. If democracy is fully consolidated—in that the median voter can always freely choose the political leader—then institutional constraints are irrelevant as a means of controlling future challengers, and the median voter will always elects leaders who share her own political preferences (i.e., centrists). The conclusion that the median voter always elects a centrist also holds if influencing institutions is prohibitively difficult. Interestingly, it also holds if influencing institutions is very easy, as in this case even a centrist incumbent imposes strong institutional constraints that ensure that almost any challenger implements centrist policies. But, when democracy is not fully consolidated and the cost of influencing institutions is intermediate, it is typically optimal for the median voter to elect an extremist. A final comparative static is that the median voter tends to elect a more right-wing incumbent when the distribution of potential challengers shifts to the left. The intuition is that, since an incumbent imposes stronger institutional constraints when his preferences differ more from the challenger's, a more right-wing incumbent does more to moderate the implemented policy of a left-wing challenger, and is therefore more appealing to the median voter when challengers are more left-wing.

The model also has implications about the value to the median voter of democratic consolidation (modeled as the probability that the median voter is able to choose the political leader) and institutional consolidation (modeled as the ease of influencing institutions). In particular, democratic consolidation and institutional consolidation are complements for the median voter when the incumbent is sufficiently moderate (which typically holds in the leading case where the incumbent was chosen optimally by the median voter), but are substitutes when the incumbent is sufficiently extreme. The idea is that if the incumbent is moderate then institutional constraints are a moderating influence on average, so elections and institutional constraints are alternative ways of preventing extreme policies from being implemented in the future. But if the incumbent is extreme then institutional constraints are an extremizing influence on average, so elections are more important to the median voter when influencing institutions is easy. This result has the interesting implication that citizens in societies with easily influenced institutions may have little incentive to agitate for democratic consolidation, but that this strategy can backfire if an extreme leader comes to power.

I consider three extensions of the main model. First, I assume that an incumbent must decide whether or not to pay an upfront cost to influence institutions before the identity of the challenger is determined, perhaps corresponding to setting up a new branch of the bureaucracy or the armed forces. A consequence of this assumption is that only very extreme incumbents will pay the upfront cost. Thus, introducing an upfront cost of influencing institutions in effect forces the median voter to choose between giving up on institutional constraints by electing a centrist and electing a very extreme incumbent who is willing to pay the upfront cost (while in the baseline model it may be optimal for her to elect a "moderately extreme" incumbent).

Second, I assume that the median voter can only choose between reelecting the incumbent and electing a randomly chosen challenger (rather than being able to elect any challenger she desires). This leads to a commitment problem for the incumbent which can cause him to lose elections that he would have won without the ability to influence institutional constraints.[2] In addition, it can counterintuitively make it optimal for the median voter to elect a more extreme incumbent.

Finally, I assume that the incumbent can influence the extent of democratic consolidation as well as institutional constraints. While naively one might think that this would lead the median voter to elect a more moderate incumbent (as moderate incumbents have preferences closer to the median voter's, and thus are better off when the median voter is decisive than are extreme incumbents), it turns out that this is not always the case.

There is a voluminous political economy literature on endogenous institutions (Acemoglu and Robinson, 2000; Aghion et al., 2004; Greif and Laitin, 2004). Since the central feature of my model is that the median voter chooses an incumbent anticipating that the incumbent's actions (in particular, his choice of institutional constraints) will affect the distribution of future policies, one particularly related strand is the literature on political delegation and on "choosing how to choose" (Lagunoff, 2001; Aghion et al., 2004; Barbera and Jackson, 2004; Messner and Polborn, 2004; Acemoglu et al., 2012b; Svolik, forthcoming). For example, the finding that the median voter may elect a right-wing incumbent when she is worried about left-wing challengers is reminiscent of, say, Rogoff's (1985) analysis of the optimality of delegating monetary policy to a conservative central banker, although the mechanisms involved are completely different.

This paper is also related to several others that ask why a median voter may elect extreme political leaders, especially Ellman and Wantchekon (2000), Padro i Miquel (2007), Acemoglu et al. (2012a), and the related contributions of Ortuño-Ortín (1997), Alesina and Rosenthal (2000), Ghosh (2002), and Faulí-Oller et al. (2003). Ellman and Wantchekon (2000) show that the possibility that a strong party may incite political unrest can lead to policy divergence. Thus, their

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[2] This effect also arises in one of the versions of the model of Ellman and Wantchekon (2000), discussed below.