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ABSTRACT

While some policies can enhance welfare, occasionally they may also provide rents to politicians. Opportunism is usually constrained by the policymakers' reputation concerns. However, if instances of rent-seeking are not easily identified, the strength of these concerns hinges on the informed constituents' ability to share their knowledge with the rest of society. We show that governments use excessive redistribution to discourage the communication of information. In contrast to the standard view that inefficient policies are necessary to implement redistribution, we argue that redistribution can perpetuate inefficient policies that generate private rents to politicians.

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1. Introduction

Information asymmetries are pervasive in many aspects of society and in this paper we argue that they are key to understanding the interactions between governments and their voters and among a polity's various constituents themselves. In particular, we explore the extent to which incumbents enact policies to preempt the information flow among differentially informed constituencies in an effort to avoid political accountability and extract office rents with relative impunity.

The politicians' actions are constrained by institutions (the rules of the political game) and by the media in its capacity as an information provider. Acemoglu et al. (2001) initiated a vast literature on the role of institutions in the economic development process. There is a broad consensus that institutions as a system of checks and balances between voters, and the executive, legislative, and judicial branches of government shape the constraints that a policymaker faces when choosing between policies that improve social welfare and others that generate private benefits in the form of rents, but are

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undesirable otherwise. Consequently, in countries with strong *de facto* institutions, instances of opportunism are relatively scarce and, when they occur at all, tend to be less egregious, more short-lived, and are typically met by some form of political or legal punishment.

Whether *de jure* sound institutions give rise to political accountability depends to a considerable extent on transparency in the form of timely, accurate, and widely available information about the politicians' actions and decisions. While many countries formally adhere to the idea of a government divided into branches with separate and independent powers, these legal and constitutional checks and balances are all too often unhinged by a lack of transparency and information. The availability of information, however, is not an exogenous circumstance. It depends to a considerable extent on the media's willingness and ability to scrutinize government conduct and to report on it freely and broadly.

Consider, for example, the First Amendment to the US Constitution and Article 29 of the Russian Constitution, both of which guarantee the freedom of the press and hence enable media outlets to take on a watchdog role. Bob Woodward and Carl Bernstein at the *Washington Post*, with more than a little help from *Deep Throat*, eventually got to the bottom of the Watergate scandal that triggered President Nixon's resignation in August 1974. In contrast, much of the Russian press appears to be doing the political leadership's bidding since it does not hesitate to physically intimidate or threaten journalists who stray from the official line.¹ While both countries formally guarantee press freedom, the Russian media's ability to assume an effective watchdog role vis-à-vis the authorities appears to be far more limited. Many other governments or regimes are more extreme and shed all pretense of a free and independent press and resort to outright censorship, as in North Korea or Iran, for example (Strömberg, 2015).

In other instances, governments limit the media's ability to scrutinize their conduct in more subtle ways. The US armed forces' practice of embedding reporters during the 2003 invasion of Iraq, for instance, has been controversial as it was perceived to undermine their journalistic independence (Ignatius, 2010).² During the Fujimori presidency in Peru (1990–2000), his chief of intelligence, Vladimiro Montesinos, offered cash payments to television channels and print media in return for favorable news coverage. Thanks to Montesinos' taste for meticulous record-keeping, this episode is among the best documented cases not only of media capture but of bribery and corruption at the highest levels of government more generally (McMillan and Zoido, 2004).

In our paper, the media's ability to bridge information asymmetries is key to improving political accountability. Yet excessive redistribution toward constituents who are relatively uninformed can curb the media's incentive to investigate and report on government misconduct. The media does not back off directly in response to a government threat or bribe, as it does in some of the earlier examples. Rather, "buying" the votes of the least informed by way of excessive transfers diminishes the political value of independent news. The aspect we emphasize in this paper is the government's twin incentive to transfer resources excessively and selectively. Transfers directly sway voters by allocating a bigger slice of the economic pie (*vote buying*). Since, all else equal, the recipients become less sensitive to reports of government misconduct, the media find it optimal to neglect their watchdog role (*information suppression*). It is due to the latter motive that these transfers merit the label *deceptive*.

The evidence supports both redistribution effects. Even though ballots are secret, and rational forward-looking citizens should be immune to vote buying attempts, there is a growing empirical literature documenting that transfer recipients are more likely to support the incumbent, regardless of their opinion about the incumbent's competence or honesty. In addition, the evidence suggests that the media intensify political scrutiny when governments have insufficient resources for redistribution purposes.³

In this paper we explore how politicians exploit redistribution in order to influence the sharing of information, and hence the extent of political accountability, in an effort to extract rents for private gain. When redistribution opportunities are plentiful, incumbents are tempted to "buy" the median vote. As long as the uninformed voter receives a large enough share of the economic pie, she may not care very much about the politicians' bad rent-seeking habits. Furthermore, since re-election is virtually guaranteed in this case, the media have no incentive to look for and report on government misconduct. In other words, when redistribution opportunities are plentiful, both vote buying and information suppression operate and impunity reigns supreme.

If, in contrast, the incumbent lacks the resources to buy the uninformed (median) vote outright, voters are more concerned about the politician's true quality since their economic fortunes depend mostly on the government's ability to maximize economic output and less on its opportunistic desire and ability to distribute it unevenly. The consequences are twofold. To begin with, since voters are more sensitive to reports of misconduct, news is more valuable and can steer votes, therefore the media has a stronger incentive to assume an active watchdog role. In addition, since voters care more about the incumbent's quality, a good reputation is more valuable and governments respond by exercising restraint in their

¹ Anna Politkovskaya, the investigative journalist at the independent *Novaya Gazeta* newspaper who reported on human rights abuses during the war in Chechnya and who was assassinated in 2006, claimed that Russia was "hurtling back into a Soviet abyss, into an information vacuum that spells death from our own ignorance. (...) [I]f you want to go on working as a journalist, it is total servility to Putin. Otherwise, it can be death, the bullet, poison, or trial – whatever our special services, Putin's guard dogs, see fit" (Politkovskaya, 2004).

² In an unusual note to readers, the New York Times' editor Bill Keller acknowledged that the newspaper's reporting on Iraq was too dependent on unverified claims, by sources of questionable credibility, which "were often eagerly confirmed by United States officials convinced of the need to intervene in Iraq" (Keller, 2004).

³ We discuss this evidence in more detail in section 4.

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