



An experiment in political trust

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ABSTRACT

Trust is foundational in principal-agent relationships. I explore political trust through an experiment in which representative agents can improve their own welfare at the expense of voters. Collective voting and valuable seniority advantage make it difficult to foster accountability for trust betrayal. Subjects participate in a voting game with uncertain payoff redistribution, which allows agents to conceal self-interested behavior. The treatments vary the amount of information to voters compared to a baseline in which they are only aware of their payoff each period. I test to see whether revealing the intentions of the agent spurs a reaction to trust betrayal and whether accountability is comparison dependent. The collective-action problem and value of seniority affect observed accountability, but having a yardstick comparison across agents significantly increases accountability.

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1. Introduction

Trust between principal and agent – defined as the expectation of the latter acting in the interest of the former – is foundational in political economy, not only from a macro level where trust in the institutional system influences civic engagement, but at the micro level where violations of trust influence voter participation and vote choice (Levi and Stoker, 2000). Existing studies have sought to understand political trust using survey based data. This paper addresses trust within the principal-agent relationship between politician and voter in a laboratory experiment where accountability for trust betrayal is uncertain given the collective-action problem and the value of seniority advantage.

I study whether revealing the betrayal of trust spurs greater accountability in the form of a lower likelihood of voting to reelect shirking incumbent politicians, and by extension, a lower likelihood of reelection. The experimental game featured in this paper centers on an incumbent's ability to redistribute resources to his voters. Tension arises due to the uncertainty of the 'quality' of the redistribution, the opportunity for shirking, and the positive effect seniority (measured

by relative tenure) has on voters' payoffs. Voters in the baseline only see their payoffs each period, whereas voters in the treatment conditions receive varying amounts of information that distinguish resulting payoffs from the intentions of politicians. Voters in the treatment conditions are either informed of their own incumbent politician's choices or informed of all incumbents' choices each period. This allows us to distinguish the effect of betrayal itself from the consequences of betrayal (i.e. lower payoffs) (Aimone and Houser, 2012). Furthermore, expanding feedback to include the behavior of incumbent politicians in other groups permits us to see whether accountability for betrayal is *comparison dependent*. That is, does the behavior of other incumbents serve as a reference for constructing expectations and guide voters in exacting retribution for betrayed trust?

There are two reasons to include seniority in the voting environment. First, uncertain outcomes deteriorate the incumbent's performance signal to voters, so seniority acts to insure incumbents against bad outcomes, which allows for shirking. Second, it transforms the voting decision into an even larger collective decision where not only voters in a particular district must act jointly to enact change, but voters with conflicting interests across various districts must coordinate to effectively respond to violations of trust and change the grander representative apparatus (Buchanan and Congleton, 1994; Dick and Lott, 1993). In theory, recurring competitive elections and the potential for long-term employment could solve the principal-agent

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problem, but using tenure as an allocation mechanism for political power (namely benefits) incentivizes the voter to lower her performance standard and transforms the problem of accountability into a large scale collective-action problem of a remarkable nature. Seniority is a key indicator of an incumbent's experience, connections and leadership roles and makes not reelecting the incumbent for violations of trust costly (Bernhardt, Dubey, and Hughson, 2004; Buchanan and Congleton, 1994; Chari, Jones, and Marimon, 1997; Chen and Niou, 2005; Dick and Lott, 1993; Friedman and Wittman, 1995; Holcombe, 1989; McKelvey and Riezman, 1992; Muthoo and Shepsle, 2014; Weingast and Marshall, 1988). Thus the experiment provides a strong test of trust in a context that complements existing work in two areas: political economy and behavioral economics, where the emphasis has primarily been on individual decision making.

The benefit of an experimental study is the lack of partisan or ideological commitment that affects one's propensity to trust and to respond to betrayal (Finkel et al., 2002; Parker and Parker, 1993). It also separates trust in the system from trust in the representative agent, which is more difficult to do using survey data. Furthermore, the response of voters in the experiment is limited to one simple action and constrained by the accessible information. Therefore, if trust drives the principal's decision calculus, we can infer that intentions matter as has been shown in other contexts (Falk, Fehr, and Fischbacher, 2008; McCabe, Rigdon, and Smith, 2003; Rigdon, McCabe, and Smith, 2007).

I find that accountability for trust betrayal in terms of voting against the incumbent increases with the amount of information voters receive. Accountability also increases when voters receive information about the actions of incumbents in groups besides their own. For their part, incumbents respond to voters being better informed by being more trustworthy.

Section 2 covers the relevant literature related to this research and further motivates the study while building a case for the hypotheses tested. Section 3 explains the design, and Section 4 includes the results. Section 5 highlights possible policy implications, and Section 6 concludes the paper.

2. Relevant literature and hypothesis development

There is some ambiguity regarding the definition of political trust. One focus in the literature is the moral expectations of how politicians and government should be 'fair, equitable, honest, efficient and responsive to society's needs' (Listhaug, 1990, p. 358), while a second notion of political trust blurs the lines between trust and confidence in a political actor's abilities. A third focus is the trustor's expectation of the trustee acting her interest and how distrust affects trustee behavior such as participation and vote choice (Levi and Stoker, 2000), which is the central emphasis of this research.

Trust is crucial from an institutional perspective because of its impact on compliance without coercion and commitment to collective action (see Keele 2007 for a review). For instance, economists question why people pay taxes given the low probability of detection and punishment. Typical compliance rates imply extreme risk aversion among taxpayers (Alm, McClelland, and Schulze, 1992). Feld and Frey (2002) use survey evidence to argue that instead of compliance being a result of risk aversion there exists a psychological contract between tax authorities and tax payers. Higher 'tax morale' implies a higher rate of compliance, but morale is dependent on how tax authorities treat taxpayers.

Levi and Stoker (2000) argue that 'trust judgments' inspire behavioral responses that reflect the beliefs about the trustworthiness of other people. For example, betrayals might 'inspire vigilance in and monitoring of a relationship, uncooperative behavior, or the severing of a relationship' (p. 475). Obvious analogs for voters are election

participation and anti-incumbent voting. Sigelman, Sigelman, and Walkosz (1992) conducted an experiment where subjects reacted to the actions of a fictitious politician described in vignettes and found that low-trusting subjects were more likely than high-trusting subjects to penalize politicians who disregarded the public's preferences and instead made decisions out of self-interest. Much of the existing work uses surveys to connect trust to vote choice; however, the challenge of inferring causality from survey data is that feelings of distrust among voters may be long lasting and might reflect a general cynicism that biases the evaluation of the current incumbent administration. Nevertheless, survey studies on vote choice are relatively definitive in identifying distrust as a cause for an anti-incumbent response in presidential races, support for third-party contenders, and support for term-limits (Hetherington, 1999; Karp, 1995; Peterson and Wrighton 1998). Parker (1989), for example, constructed an index of trust using open ended survey questions asking respondents to evaluate their current representative and found that it was a stronger predictor of incumbent evaluation and vote choice than party identification.

Standard rational choice relies on repeated interaction to explain trust as well as the fulfillment of unenforceable contracts, but economists have also gained insight into trust and betrayal by turning to psychology. Research shows humans to be sensitive to the betrayal of trust and that they are willing to incur costs to exact retribution from the offender (Abbink, Irlenbusch, and Renner, 2000; Berg, Dickhaut, and McCabe, 1995; Camerer, 2003 and references therein; Finkel et al., 2002; Koehler and Gershoff, 2003; Ostrom and Walker, 2002). The issue of trust in politics is interesting precisely because of the inherent collective action problem of exacting retribution.

Besley and Case (1995) develop a model incorporating the comparison of incumbent performance across districts – what they call 'yardstick competition.' One of the key experimental treatments in this study allows for yardstick competition by informing voters of all incumbents' decisions including those in other districts. This provides a common measure to which voters can compare shirking. It may induce leniency if a voter's incumbent is shirking much less than other incumbents; likewise, it can induce intolerance even when the incumbent is shirking little in absolute terms but is the only incumbent misbehaving.

Jointly this previous scholarship makes a case for why accountability will increase with transparency and information. This brings us to the first two hypotheses to be tested:

Hypothesis 1. Conditional on the level of shirking, the likelihood of voting for the incumbent and the likelihood of reelection will decrease between treatments as voters are more informed.

Hypothesis 2. The likelihood of voting for the incumbent and the likelihood of reelection will decrease within treatments as shirking increases.

The impact of public information on politician performance has been well documented by political economists (Besley and Burgess, 2002; Djankov et al., 2003; Ferraz and Finan, 2008; McMillan and Zoido, 2004; Strömberg, 2004). For instance, Besley and Prat (2006) highlight the correlation between information accessibility, high incumbent turnover and low corruption thereby emphasizing that information to the electorate is an essential component of accountability. Besley and Case (1995) also acknowledge that yardstick competition possibly induces less shirking. Therefore, there is reason to believe that revealing information about their choices will affect the behavior of incumbent politicians in the experiment.

Studying trust in this context also complements recent work by Aimone and Houser (2013) who explore how institutions can take advantage of the benefits of betrayal aversion. On one hand, betrayal aversion can lead to costly punishment and a reluctance to trust; on the other, it has been shown to increase trustworthy behavior. They find that the option of discovering betrayal in a setting similar to

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