



Selection vs. accountability: An experimental investigation of campaign promises in a moral-hazard environment[☆]



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ARTICLE INFO

Article history:

Received 28 June 2014

Received in revised form 4 February 2015

Accepted 26 March 2015

Available online 9 April 2015

JEL classification:

D72

D73

C91

C73

Keywords:

Retrospective voting

Prospective voting

Political economy

Cheap talk

Corruption

ABSTRACT

We examine retrospective- and prospective-voting considerations in an experiment implementing a simple voting model. In each period, the official chooses how much rent to appropriate from a social endowment. Announcement of this choice is followed by an election between the official and a randomly selected challenger, with the winner becoming the official in the next period. We vary two features of the setting: (a) the discount factor, and (b) whether candidates can make costless, non-binding “campaign promises” about their behaviour if elected. Consistent with the model's predictions, both raising the discount factor and introducing campaign promises lead to lower rent appropriation by officials and worse electoral outcomes (other things equal) for incumbents. Campaign promises, despite being cheap talk, have real effects: promising less appropriation is rewarded by voters, but breaking such promises is punished. Finally, we find a weak positive association between campaign promises and officials' subsequent behaviour.

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1. Background

In a representative democracy, elections play a crucial role as (often) the only instrument allowing citizens to (1) select officials from the pool of candidates and (2) hold officials accountable for their actions in office. These tasks are distinct: accountability requires a judgement on a politician's past behaviour while selection requires predicting the politician's likely future behaviour. The goal of understanding how elections work must therefore begin with the need to understand whether voters focus on accountability (*retrospective voting*) or selection (*prospective voting*), so it is not surprising that this has become one of the most studied questions in the voting literature. This literature has typically focussed on settings where incumbents' policy decisions provide voters with information about their (heterogeneous) characteristics;

voters then decide whether to confirm an incumbent or replace her with a challenger knowing that the winning candidate will make more policy decisions in the future.¹ The potential conflict between retrospective and prospective voting is clear in these models. For example, a relatively low-ability incumbent who had produced decent policy results in the past through high effort (or even luck) would be replaced by prospective voters but would survive re-election with retrospective voters, while a relatively high-ability incumbent who had produced disappointing policy results in the past because of low effort or bad luck would be re-elected by prospective voters but replaced by retrospective voters. A crucial feature of these models is that retrospective voting is not rational: bygones are bygones, and if we expect candidate A to have better potential for the future than candidate B we should vote for A regardless of either's past behaviour.² Retrospective voting would only be rational if there were no such intrinsic differences, and even then, there is no strict incentive for it.

A common criticism of this argument is that selection between candidates with intrinsic differences may require solving complicated

[☆] Some of this research took place while Feltovich was at University of Aberdeen. Financial support from the University of Aberdeen and Monash University is gratefully acknowledged. We thank an editor, two referees, Nejat Anbarci, Miguel Costa-Gomes, Marco Faravelli, Miguel Fonseca, Santiago Sánchez-Pagés, Joe Swierzbinski, and seminar participants at Queensland University of Technology, University of Innsbruck and University of New South Wales for helpful suggestions and comments.

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¹ See Persson and Tabellini (2000), Chap. 9.1 for an example.

² See Fearon (1999) for a thorough discussion of this point.

signal extraction problems that require voters to have unrealistic levels of cognitive ability. For example, in uncertain environments where outcomes depend on politicians' innate abilities but are not fully determined by them, voters see only outcomes but prospective voting requires that they use these outcomes to form expectations about politicians' underlying abilities. In contrast, retrospective voting would only require evaluating the outcomes.³ Such arguments suggest a rule of thumb: one would expect prospective voting to obtain if voters are sufficiently sophisticated, but otherwise the inability to select candidates beforehand should lead voters to take on the easier task of sanctioning them afterwards, leading to retrospective voting. Following on from these arguments, the question of whether voters behave retrospectively or prospectively is not solved, but just reduced to the question of how rational voters are.

Since the question of retrospective versus prospective voting cannot be resolved theoretically, the issue has been taken up by the empirical literature. One branch of this literature has taken the issue of voters' level of sophistication directly to the data (MacKuen et al., 1992; Erikson et al., 2000; Clarke and Stewart, 1994), but with largely inconclusive results. Another branch relies on exploiting natural differences in electoral institutions, such as term limits (Besley and Case, 1995, 2003; Alt et al., 2011; Ferraz and Finnan, 2011) or differences in electoral rules (Persson et al., 2003; Chang and Golden, 2006). This has also had limited success, since while this type of analysis may tell us which institutions can provide better outcomes, it cannot really capture the difference between the two types of voting behaviour. For example, if term limits or large district sizes turn out to increase corruption, is this because they increase the difficulty of making politicians accountable, or because they make it harder to select better politicians?

Laboratory experiments provide a useful way to test whether theoretical arguments about voting apply to real elections, as they allow the researcher to (1) induce preferences over outcomes using monetary rewards, instead of having to infer them or make assumptions about them as in field-data studies, and (2) vary features of the environment (including the choices available to decision makers and the information they receive) in a controlled way, which combined with random assignment of subjects to treatments eliminates many issues of endogeneity and selection.⁴ The small experimental literature examining retrospective and prospective voting has tended to find strong support for retrospective voting. Azfar and Nelson (2007) find that voters vote retrospectively, tending not to re-elect officials found to be corrupt. (Their experiment also allowed "campaign speeches", but they did not report any analysis of these messages or how they impacted voting.) Landa (2010) finds that voters retrospectively reward effort, even though it provides no information about officials' intrinsic characteristics, in an environment where outcomes depend on both officials' quality and their effort choices. He also finds that candidates anticipate this retrospective voting, exerting more effort than predicted.⁵ Woon (2012) considers a setting where voters have incomplete information about the state of the world and the official's type, and finds that officials approximately best-respond to voters' behaviour, but voters tend to vote retrospectively even when conditions call for prospective voting. He attributes this excessive sanctioning not only to voters' recognising their bounded ability to make inferences, but also to a preference for sanctioning errant politicians.

Our experiment also examines behaviour in a setting that combines accountability and selection considerations, but in a novel way that departs from the usual identification of retrospective (prospective) voting with unsophisticated (sophisticated) voters. We begin with a simple voting model in a standard moral-hazard environment: in each round, officials choose a level of rent appropriation and then face the voters in an election. Intrinsic differences between candidates are absent, so the demands on voters' sophistication are significantly reduced. As a test of retrospective voting, we compare two versions of this basic game that differ only in the discount factor; officials with higher discount factors should accept lower current rents as the price for staying in office for another period.

We investigate prospective voting in one treatment by modifying the basic model so that incumbent and challenger can costlessly make non-binding pre-election "campaign promises": announcements of the candidate's salary choice should he/she win the election. These are cheap talk and hence have no effect on the set of possible equilibrium rents. However, they may affect which equilibrium is selected, and hence what rents are actually chosen.⁶ If voters take campaign promises seriously by voting out incumbents who have broken their promises, then they should vote for the candidate promising to take fewer rents in the next period, and their most-preferred equilibrium will be attained.⁷ Thus, in our context, prospective voting does not need to rely on the ability of voters to make potentially complex calculations but, on the contrary, is facilitated by campaign promises.

Our experimental results offer broadly positive support for the theory. Consistent with retrospective voting, we find that officials choosing to take higher rents perform worse in subsequent elections; moreover, raising the discount factor results in lower rents and (*ceteris paribus*) worse electoral outcomes for incumbents, though these differences are not always significant. Allowing campaign promises gives rise to several effects. Most importantly, voters use them to vote prospectively: either a promise of low rent appropriation or a high promise by the opponent increases a candidate's vote share and the associated chance of winning. Voters also use past campaign promises for retrospective voting: appropriating a higher rent than promised leads to worse electoral outcomes for the incumbent, even after controlling for the rent itself. Finally, we find suggestive evidence that campaign promises really are informative in some cases, and more generally they lead to officials appropriating fewer rents than when such promises can't be made.

There have been few previous experimental tests of endogenous campaign promises in settings with opposed official and voter interests. A notable exception is the recent work by Corazzini et al. (2014), who find a significant positive association in a one-shot setting between the portion of a social endowment politicians choose to distribute to

⁶ We use "cheap talk" in the standard game-theoretic way to mean communication that is costless, in the sense of the game's payoffs or the induced payoffs of the experiment, and non-binding in the sense of having no effect on the sender's subsequent action choice set or corresponding payoffs. We note that cheap talk is not necessarily cheap under certain non-standard preferences such as an aversion to lying. Some theorists have modelled electoral lying as an activity that is psychologically costly (Banks, 1990; Callander and Wilkie, 2007), paralleling a corresponding theoretical literature in general strategic environments (e.g., Ellingsen and Johannesson, 2004; Hurkens and Kartik, 2009; Kartik, 2009; López-Pérez, 2012; Miettinen, 2013), and in contrast to the traditional approach to campaign promises in the economics literature exemplified by Barro (1973), where they are considered to be ineffective. There is also a growing experimental literature looking at individuals' aversion to lying (Gneezy, 2005; Sánchez-Pagés and Vorsatz, 2007, 2009; Lundquist et al., 2009; López-Pérez and Spiegelman, 2013), though it should be noted that some experiments find lying to be rampant (Wilson and Sell, 1997; Duffy and Feltovich, 2002). To the extent that people in experiments face psychic costs to lying, campaign promises could be viewed as carrying some information content. However, if lying has a positive effect on electoral success, selection pressures might make politicians less honest on average than the ordinary people who participate in experiments (Callander and Wilkie, 2007).

⁷ The idea that retrospective and prospective voting may be compatible if voters select the best equilibrium for them amongst different equilibria with accountability is discussed in Ashworth et al. (2013), although they don't discuss the role of campaign promises in helping to achieve this selection.

³ See Woon (2012) for a discussion.

⁴ See Morton and Williams (2010) for discussions of the history and methodology of experimental political science, and see Wilson (2011) for a discussion of the relevance of results from economics experiments for political science.

⁵ Interestingly, Landa (2010) considers both a setting where outcomes are deterministic functions of ability and effort and a setting where there is an additional stochastic component, and finds that voters reward effort more in the latter setting where signal extraction is more difficult. This suggests that voters treat effort choices as costly signals of future effort. In the current paper, we investigate the possibility that costless signals (campaign promises) influence voter behaviour.

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