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Interest groups and the electoral control of politicians ☆

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Abstract

We develop a model of interest group influence in the presence of repeated electoral competition. In each period of the game, an interest group attempts to "buy" an incumbent's policy choice, and a voter chooses whether to replace the incumbent with an unknown challenger. The voter faces a tension between retaining good politician types and rewarding past performance. The model predicts that "above average" incumbents face little discipline, but others are disciplined increasingly – and re-elected at a higher rate – as the interest group becomes more extreme. Extensions of the model consider term limits, long-lived groups, and multiple groups.

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1. Introduction

Interest group politics is one of the most important topics in political economy and political science. However, while theorists have been analyzing formal models of interest group politics for more than thirty years, one aspect of the problem remains underdeveloped: How should strategic voters vote when they know that interest groups are trying to skew policies in ways the voters do not like? This issue has been overlooked because existing models focus on the calculations and strategic interactions of interest groups and politicians. As a result, these models treat voters as a black box, or at best as myopic actors that respond only to the short-run campaign promises of the current election.[1]

One obvious place to turn is the work on political agency, which focuses on the calculations voters and politicians make in a principal–agent framework. That literature goes back approximately as far as the interest group literature –

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[1] See Peltzman (1976), Denzau and Munger (1986), Grossman and Helpman (1994, and 2001, Chapters 7-9), and Persson and Tabellini (2000, Chapter 7) for examples of the former, and Austen-Smith (1987), Baron (1994), and Grossman and Helpman (1996, 2001, Chapter 10) for examples of the latter.

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Barro (1973) vs. Stigler (1971) – and has produced important insights about the possibilities and limits of using elections to control the behavior of politicians and/or select "good" types of politicians.[2] None of the models in this literature, however, explicitly incorporate interest groups as a strategic actor.

This paper takes a step toward combining the two literatures — to our knowledge, the first step. We analyze an infinite horizon game in which a representative voter elects a single office-holder in each period. In each election, the voter chooses between an incumbent and a randomly-drawn challenger. The voter cares about policy outcomes, while politicians care about holding office. Each period, Nature also draws an interest group that can offer a contract to the incumbent for choosing particular policies.

A key parameter in our analysis is each challenger's value of office, which is drawn i.i.d. each period and cannot be revealed to the voter until she achieves office. We refer to this value as the challenger's (or incumbent's) "type." The incumbent's type determines her "price" for an interest group's policy-buying efforts. A high-type incumbent who expects re-election will be relatively expensive for a group to buy, while a low-type incumbent who does not expect re-election will be relatively cheap. The voter thus has partially conflicting incentives. She can induce good performance through promises of re-election, but also prefers to retain only types who are less susceptible to interest group influence.

In addition to considering competition between voters and interest groups, the model can be viewed as a contest between two different kinds of interest groups. "Activist" groups such as the Sierra Club, National Association for the Advancement of Colored People, or American Association of Retired Persons have the attention of large numbers of voters in many constituencies, but relatively limited financial resources. On the other hand, groups such as Pharmaceutical Research and Manufacturers of America have impressive resources for lobbying, but relatively few voters. The model therefore captures some basic intuitions of competition between groups with heterogeneous resources.

We study two main variants of the model. In the first, the voter can commit to optimal stationary contracts for controlling the politician. In the second, we drop the commitment assumption and examine both stationary and simple (two-state) non-stationary equilibria. A non-stationary equilibrium would seem to demand an excessively high level of sophistication on the part of a voter. However, activist groups may in practice provide the link between desired punishment strategies and voter actions. By coordinating voting behavior through publications, advertisements, or endorsements, such groups can tune the responses of voters to incumbent behavior over multiple elections.

Our results reveal several important features of the tension between inducing performance and selecting types. In an environment where the voter can commit to re-election contracts, she will re-elect an incumbent only if the chosen policy is sufficiently close to her ideal point. The voter may allow policy to deviate from her ideal point somewhat, however, to prevent excessive interest group vote buying. Policies that are too far from the group's ideal will induce the group to "buy" its ideal policy instead, at a cost equal to the incumbent's expected lifetime payoff. An incumbent's price therefore depends on her anticipation of future re-elections.

For a given incumbent type, the voter thereby maximizes her policy utility by promising re-election in all future periods. However, the voter may not wish to induce maximum performance from every incumbent type. Since incumbents who value office more highly also command higher prices, voters have an incentive to remove "low-type" incumbents. Therefore, in the contracting equilibrium the voter will always keep sufficiently high-type incumbents and always remove sufficiently low-type incumbents. In between, incumbents may be retained if groups are extreme. This happens because even a temporary promise of re-election can improve policy performance. To a voter with a concave utility function, this performance is most valuable when a group is extreme relative to the voter. Our model thus makes the somewhat counterintuitive prediction that re-election rates should increase as policies diverge from the voter's ideal.

When we remove the assumption of re-election contracts, the results depend on the form of equilibrium assumed. In an equilibrium in stationary strategies, the voter's ability to induce performance is severely constrained. Since votes are cast after policies are chosen, the voter's type-selection incentives are too strong and all incumbent types produce the same policy results as the worst type.

When we additionally drop the strong stationarity restriction, however, the results can change dramatically. We show that by using simple non-stationary "trigger" strategies the contracting equilibrium can be restored. Note that this

[2] A sampling of the literature includes Ferejohn (1986), Rogoff and Sibert (1988), Austen-Smith and Banks (1989), Rogoff (1990), Banks and Sundaram (1993, 1998), Harrington (1993), Fearon (1999), Barganza (2000), Hindriks and Belleflamme (2001), Le Borgne and Lockwood (2001in press, 2006), Smart and Sturm (2003in press-a,b 2006), Besley (2006), Besley and Smart (2007).