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Incumbent Competition and Pandering

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Abstract: Two politicians choose an action to maximize popularity with only partial information on the popular choice, the choice preferred by the public, and the socially optimal choice, the choice that maximizes public welfare. The model explores the decisions of politicians and the policies formed under a relative popularity framework. Although choosing the popular choice increases the popularity of politicians, pandering costs can be incurred when the socially optimal choice is revealed to be different from the popular choice. The paper looks at the types of policies passed for salient issues and non-salient issues given different levels of clarity on public opinion. I find that for salient issues, a divided public is better than a united but ill-informed one. For non-salient issues, policies are always passed when public opinion is clear, while politicians diverge strategically under low policy payoffs when public opinion is unclear.

Key Words: incumbent competition, pandering, popularity

1. INTRODUCTION

Within most representative democracies, the gains associated with positions of power make the decision to pander, to follow the public opinion regardless of reason, attractive. The decision to pander becomes more difficult when public sentiment does not align with expert opinion. Politicians perform a delicate balancing act between keeping their constituents happy and choosing what they believe is best for the public to lead the popularity race. Critical questions need to be explored to understand politician positions in policy: When the preference of the public does not align with what the politicians believe to be socially optimal, do politicians still follow public opinion? If there is uncertainty on public choice, do politicians follow what they think is socially optimal? Does the importance of the issue change politician behaviour and the corresponding policy outcomes?

Politicians, under the correct combination of incentives and disincentives, can choose to follow what they believe to be socially optimal for the public. The paper contributes to the understanding of pandering in politicians. Although there is vast literature available on pandering, focusing largely on information communication, voter targeting, and electoral competition (McGraw et al., 2002; Che et al., 2013; Morelli and Weelden, 2013; Gratton, 2014), the model is, to the best of my knowledge, the first to study pandering under a relative popularity framework. We also introduce a distinction between the popular choice and the socially optimal choice. When politicians are provided information on the popular and socially optimal choices separately, the decision to pander is defined clearly, and the behaviour of politicians and their propensity to pander can be explored thoroughly.

The interaction between politicians and the process of policy-making is also often studied with the threat of non-reelection, such as Alvarez and Franklin (1994); Grossman and Helpman (1996); Canes-Wrone et al. (2001). In this paper, the analysis is simplified by looking at popular opinion on a policy under a binary setting. The uncertainty is retained in the popular and socially optimal choices. Simplifying preferences to a binary choice allows for the analysis of issues where individuals with varying policy preferences can be classed largely into pro and anti sentiments. The comparisons inherent in political competition,

specifically in two party systems, are reelected in the model's relative popularity model. Removing the assumption that election is the primary driving force for actions taken in office, different aspects that may influence the policies passed can be explored in full.

Pandering is also explored in this paper. A pandering politician is one who always follows the popular choice regardless of her information on the socially optimal state. The definition of pandering in this paper is centered on the responsiveness of policy on public opinion. The effects of public opinion on policy has been studied substantially. Jacobs and Shapiro (1997) argued against the presence of pandering in politics, noting that politicians and their staff reported little reliance on polls in policy formation and more use as a tool for effective communication. We move away from the assumption of a rational electorate. The electorate's decision on the popular choice encompasses more than what is socially optimal and may be influenced by factors outside the issues including race, gender, and emotional judgments (Timpone, 1998; Isbell and Ottati, 2002). The observed rise of populism in countries within and outside Europe in recent years contradict this and corroborate the findings of Page and Shapiro (1983) and Burstein (2003) that policies on salient issues are found to be largely influenced by public opinion. Outcomes on non-salient issues, on the other hand, are often less congruent with public opinion (Burstein, 2003). The lack of oversight gives politicians room to pursue personal interests. Looking further into the influence of issue salience on politician responsiveness, we can find examples of how issue salience is played out in the policy making process. When issues are non-salient, policy implementation is used as a signal of on how effective politicians can be for more important issues. Constituents may focus on divergent positions but are often not interested in specific policy outcomes.

The paper finds that uncertainty in the public opinion on issues lead politicians to take divergent positions to maximize the chance of being identified as the most effective agent. The results show that the salience of the issue affects the implementation and the type of policy outcome. With uncertainty on public opinion, politicians choose to strategically diverge unless the pandering costs are high enough to deter them. The likelihood of each option being the socially optimal choice does not affect the policies implemented in both salient and non-salient issues. The only impact is the type of divergence in positions taken if no policy is implemented. When the popular choice is clear, pandering is widely observed. Salient issues push politicians towards pandering when private information is accurate. Politicians who do not pander obtain no payoffs, leaving politicians no choice but to pander. Non-salient issues always result to policy implementation. Politicians can advertise their effectiveness with little consequence when they agree with issues with low salience (Thomson, 2001).

With clear popular choice, the game becomes a simple coordination game, politicians gain as much as they can by implementing a policy for non-salient issues and avoid getting no payoffs by pandering for salient issues. Overall, the results indicate that a divided public may be better than a united yet ill-informed public. The model can be used to understand the behavior of politicians when they can be held directly accountable for their actions. Coalition partnerships, as observed in the UK and Germany, can be studied under this model. Our results support the empirical results of Eichorst (2014) where coalition partners report low salience issues under less divided policy dimensions, and high salience issues under more divided policy dimensions.

The model and the results are explained thoroughly in the rest of the paper. We begin with the methodology and the timing of the game in sections 2, results and discussion in section 3 and concluding remarks in section.

2. METHODOLOGY

Under the relative popularity framework, the public does not perceive the actions of an incumbent independently, but in conjunction with her opponent's actions. In an environment where the public is well-informed, and the popular decision coincides with what nature reveals to be, ex post, the socially optimal decision, a politician is rewarded when the action chosen is the popular choice. A good politician is perceived better with an ill-perceived opponent, whilst a bad politician is worse off if the opponent is well-perceived. Take for example the 2016 U.S. elections, Gallup pre-election polls showed that both Trump and Clinton had the "worst election-eve images of any major-party presidential candidates Gallup has measured back to 1956," with 61% and 52% perceiving them unfavorably, respectively (Saad, 2016). It can be argued that if a less disliked candidate ran against Trump, the results of the election might have been different. The model takes this adjustment in public perception into account, providing a more realistic

framework to understand politician actions and policy outcomes. The relative popularity model is introduced formally below.

2.1 Defining the Model

Nature selects both a socially optimal choice, $\omega^* \in \Omega^* = \{0,1\}$, and a popular choice, $\omega_p \in \Omega_p = \{0,1\}$, which are assumed to be independent of each other.

There are two politicians, $i = I \in \{1,2\}$. The politicians know that the socially optimal state occurs with the following probabilities: $P(\omega^* = 0) = r$ and $P(\omega^* = 1) = 1 - r$, where $\frac{1}{2} \leq r \leq 1$ and that the popular states occur with the following probabilities: $P(\omega_p = 0) = P(\omega_p = 1) = \frac{1}{2}$.[1]

Each politician receives a signal $\theta_i \in \{0,1\}$ on the popular choice, with an accuracy of q_i. The signal indicates what the politicians believe to be the popular choice. The quality of the signal, q, can be characterized as $q_i = P(\theta_i = \omega_p)$.

A politician i chooses an action $a_i \in A_i = \{0,1\}$. Both politicians choose at the same time and a policy is passed if both politicians choose the same action. Politicians know their own and their opponent's decision-making ability or the quality of signal on the popular choice.

The public is non-strategic in the model. The public knows only the popular choice. The public initially assesses the performance of the politicians based on the popular choice, ω_p. The politicians enjoy their popularity in the electorate. Their popularity depends on the actions taken by their opponent. The relative popularity model payoffs are shown in full below:

$$\pi_i = \begin{cases} 1 & if\ a_i = \omega_p\ and\ a_{-i} \neq \omega_p \\ T & if\ a_i = \omega_p\ and\ a_{-i} = \omega_p \\ B & if\ a_i \neq \omega_p\ and\ a_{-i} \neq \omega_p \\ 0 & if\ a_i \neq \omega_p\ and\ a_{-i} = \omega_p \end{cases}$$

where $1 \geq T \geq B \geq 0$.

A policy is implemented when both politicians choose the same action. The utility obtained from choosing the popular choice when the opposing party does not is the highest value 1. The public perceives the politician who follows the popular choice as the most effective agent. In contrast, choosing the unpopular choice when the opposing party chooses the popular choice provides the politician no utility. When both politicians choose the popular choice, a policy is implemented and the politicians each obtain the utility T, less than or equal what they would have received if the public positively identifies them as the effective agent. Implementing a policy which is not the public choice provides a utility value of $B \in (0, T]$, as the passing of the policy is still seen as a positive, albeit a non-representative, governmental response.

The payoffs for implementing a policy other than the popular decision can be rewritten as $B = \gamma T$, where $\gamma \in \{0, 1\}$. The salience of the issue is captured by γ. When issues are salient to the public, differences in popularity gained from policy implementation are stark. As the stakes are perceived to be higher, only decisions that align with the popular opinion obtain public approval (*i.e.* $\gamma = 0$). In contrast, non-salient issues are only thrust in the spotlight when politicians take divergent decisions. Policies are valued by the public equally when issues are non-salient, politicians are rewarded for passing policies instead of the type of policy passed (*i.e.* $\gamma = 1$).

After the actions of the politicians are announced, the socially optimal choice is revealed to the politicians and the public. The socially optimal choice maximizes public welfare. The public punishes pandering politicians by decreasing their popularity. The decrease in popularity, herein referred to as the pandering cost, is given by:

$$\delta_i = \begin{cases} 0 & if\ a_i \neq \omega_p\ \ or\ if\ a_i = \omega_p = \omega^* \\ c & if\ a_i = \omega_p\ and\ \omega_p \neq \omega^* \end{cases}$$

Pandering in this model is the act of following the popular choice to please the public despite knowing that it is not socially optimal. The popularity of a politicians decreases by a fraction c when caught pandering. The punishment from pandering is directly related to how voters react upon learning about politician actions. Krosnick and Kinder (1990) studied the effect of the news on the secret sale of weapons on Iran in support of the Nicaraguan funds in the approval ratings of Ronald Reagan under the theory of priming. Under the priming theory defined in their

[1] By setting $r \geq \frac{1}{2}$, $\omega * = 0$ is more likely. This is without loss of generality.

paper, the more attention provided by media on a specific area, the more the electorate incorporates the acquired information in the judgment of the president. Krosnick and Kinder (1990) found that outside increasing public awareness on the government's intervention in Central America, the information on the weapon sale affected the evaluation of Reagan's overall performance more than his character assessment. Price et al. (1997) also showed in an experiment with university students that receiving information on an issue relevant to them, (*i.e.* funding cuts), significantly affects the topical focus of receivers, and the subsequent thoughts generated on the issue.

The electorate adjusts their evaluation of politician performance when a mismatch in the popular choice and socially optimal choice is observed. Pandering costs affect payoffs where the politicians are compensated for choosing the popular choice, specifically under payoffs T and 1. The cost of pandering $c \in [0\,,1]$ here also accounts for the probability of getting caught. Incorporating pandering δ_i to the popularity payoffs π_i, the utility of the politicians is provided below:

$$U_i(\omega_p, a_i, a_{-i}) = \begin{cases} 1 & if\ a_i = \omega_p, a_{-i} \neq \omega_p, \omega_p = \omega^*, \\ 1-c & if\ a_i = \omega_p, a_{-i} \neq \omega_p, \omega_p \neq \omega^*, \\ T & if\ a_i = \omega_p, a_{-i} = \omega_p, \omega_p = \omega^*, \\ T-c & if\ a_i = \omega_p, a_{-i} = \omega_p, \omega_p \neq \omega^*, \\ B & if\ a_i \neq \omega_p, a_{-i} \neq \omega_p, \forall \omega^*, \\ 0 & if\ a_i \neq \omega_p, a_{-i} = \omega_p, \forall \omega^*. \end{cases}$$

The simultaneous Bayesian game $(N, \Omega, \Sigma, r, \Theta, U)$ is formally defined as follows:

1. There are $N = \{1\,,2\}$ incumbent politicians.
2. The state $\Omega = (\Omega^*, \Omega_p)$, where $\Omega^* = \{0\,,1\}$ and $\Omega_p = \{0\,,1\}$.
3. The set of strategies $\sigma_i \in \Sigma_i$ for politician i to determine the action $a_i \in A_i = \{0\,,1\}$.
4. The probability $\Omega^* = 0, r$.
5. The signal on ω_p, $\theta_i \in \Theta_i = \{0\,,1\}$, with quality $q \in [\frac{1}{2}\,,1]$
6. The utility of player i: $U_i(\sigma_i, \sigma_{-i};\ \theta_i, \theta_{-i})$.

The strategy spaces, the payoff functions, probability of the socially optimal states occurring, and the signal quality on popular choice are assumed to be common knowledge.

2.2 Politician's Strategies

The politicians can choose one of six strategies, $\sigma_i \in \Sigma_i = \{P, L\,, R, C, G, D\}$.

- **Pander (P)**: Politician i employs the strategy *Pander* if he follows his signal, $a_i = \theta_i, \forall\ \theta_i$.
- **Left (L)**: Politician i employs the strategy *Left* if he always chooses $a_i = 0,\ \forall\ \theta_i$.
- **Right (R)**: Politician i employs the strategy *Right* if he always chooses $a_i = 1,\ \forall\ \theta_i$.
- **Contrarian (C)**: Politician i is *Contrarian* if he always chooses the opposite of the signal, $a_i = \theta_i'$ *and* $\theta_i' \neq \theta_i$.
- **Good (G)**: Politician i is *Good* if he always chooses the action that he believes maximizes public welfare: if $P(\omega^* = \omega) > \frac{1}{2}$, $a_i = \omega$.
- **Destructive (D)**: *Politician i* is Destructive if he never chooses the action he believes maximizes public welfare: if $P(\omega^* = \omega) > \frac{1}{2}$, $a_i \neq \omega$.

2.3 Expected Utility

The expected utility of a politician is given as follows:

$$EU_i(\sigma_i, \sigma_{-i}) = \sum_{\omega \in \Omega} [P(\omega_p = \omega)((P(a_i = \omega)(T\,P(a_{-i} = \omega) + P(a_{-i} \neq \omega)) + B\,P(a_i \neq \omega)P(a_{-i} \neq \omega))] - \sum_{\omega \in \Omega} [cP(\omega^* \neq \omega)P(\omega_p = \omega)(T\,P(a_i = \omega)P(a_{-i} = \omega) + P(a_i = \omega)P(a_{-i} \neq \omega))]$$

The expected utility above is used in the derivation of the model's best responses and the Bayesian Nash equilibria.

3. RESULTS AND DISCUSSION

The analysis of the results is broken down into two main cases, one where politicians have no information on the popular choice, another where full information is available. For each case, politician actions and policy implications for both salient and non-salient issues are studied in detail.

3.1 Popular Choice is Unclear ($q_i = q_{-i} = \frac{1}{2}$)

The popular choice is unclear when both politicians have bad signals. At $q = \frac{1}{2}$, the politician's signal on popular choice does not provide him with additional information.

For non-salient issues, the equilibria is shown in figure 1-1. When the issue is non-salient, $\gamma = 1$, the

popularity expected from passing a policy does not vary across decisions ($B = T$). The politicians have no clear indication on what the electorate prefers given very poor signal quality on the popular choice. Pandering does not provide politicians any additional benefits. Although the electorate has a preferred decision, only divergence in positions can provide politicians with differing popularity payoffs. If the rewards for implementing policy, T and B, are high enough, politicians gravitate towards a single decision, without regard to the popular and socially optimal decisions, to maximize their popularity payoffs.

High pandering costs pushes politicians towards pursuing the socially optimal decision. As there is no clear indication on the popular choice, pandering is very risky for politicians, and the costs on being perceived as a pandering politician deters them from straying from what the likely socially optimal decision is.

Socially optimal policies are found to be implemented at moderate popularity payoffs, and at higher policy payoffs for very high pandering costs. For very low rewards for policy implementation, there are no incentives for politicians to choose similar positions. As one politician tries to minimize pandering costs by choosing the socially optimal decision (G), the other chooses the antithetical position (D) to maximize the chances of being identified as the sole effective agent.

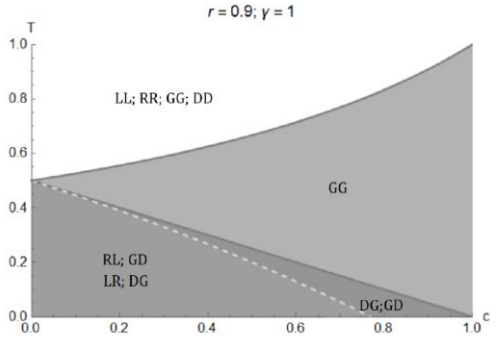

Fig. 1-1. Equilibria for Non-Salient Issue: r= 0.9, q = 0.5

The equilibria for salient issues are shown in figure 1-2. The observed outcomes under salient issues indicate a higher proportion of equilibria resulting to socially optimal policy implementation. When issues are salient, $\gamma = 0$, implementing the decision that is not popular is the same as choosing the wrong decision. In figure 1-2, if the payoffs for the implementation of the socially optimal policy are high enough, politicians gravitate towards the socially optimal decision. The results echo those from a study conducted by Mooney and Lee (2000) on U.S. Death Penalty Reform from 1965 to 1982 focusing on the impact of consensus versus contentious policies.

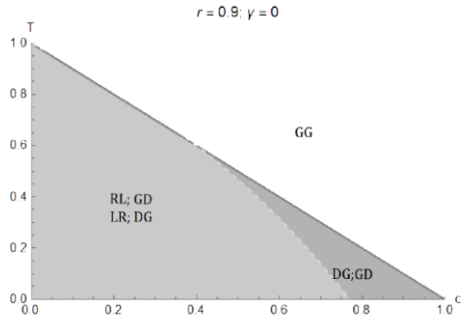

Fig. 1-2. Equilibria for Salient Issue: r= 0.9, q = 0.5

Mooney and Lee (2000) found that for morality issues, which are highly salient, politicians try their best to reflect public opinion under the right incentives, even though there may be a dearth of information and public opinion. It may be possible that expert opinion, or the likely socially optimal choice, is used to stand in for popular opinion. Literature on public opinion also indicates that salient issues show higher degrees of responsiveness from politicians (Page and Shapiro, 1983; Edwards et al., 1995; Burstein, 2003). This may be due to the impact salient issues have on re-election prospects.

3.1 Popular Choice is Clear ($q_i = q_{-i} = 1$)

The popular choice is clear when the signal received is always correct. Politicians know exactly what the public wants, making pandering a very attractive option. The analysis shows that pandering may not always be the most preferred option despite the accuracy of the signal on public opinion.

With non-salient issues under clear popular choice, pandering is not a unique equilibrium (See Figure 1-3). When there is no uncertainty on the popular choice for a non-salient issue, politicians implement any policy. Doing so may signal effectiveness as an agent; politicians who deliver on simple promises, advertise the outcomes in the hopes of increasing rewards from the electorate (Thomson, 2001). In an empirical study on coalitional agreements, Eichorst (2014) noted that published agreements of coalition partners included low salience issues under policies on which they are less divided.

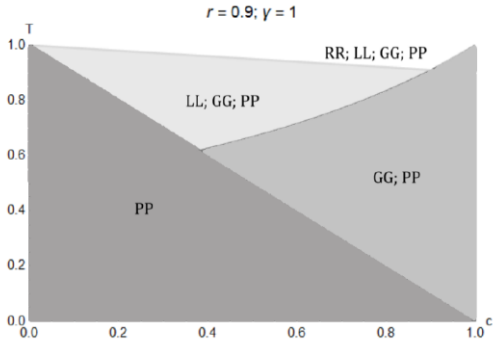

Fig. 1-3. Equilibria for Non-Salient Issue: r=0.9, q=1

When the issue is salient however, both politicians are observed to pander in equilibrium.

The model provides an explanation as to why coalition agreements do not only showcase likely successes, but also diverging political positions as observed empirically (Timmermans, 2006; Moury, 2011; Eichorst, 2014). The results also highlight the importance of issue salience in political accountability. If media scrutiny on issues considered to be non-salient is heightened, this can push non-salient issues into the forefront of public awareness and reduce the implementation of suboptimal policies. The findings also support Jacobs and Shapiro (2000) where they show that politicians do not pander as much as conventional wisdom suggests. Even when there is no uncertainty on the popular choice, we find that pandering is not always a unique equilibrium outcome.

4. CONCLUSIONS

In this paper, two politicians decide on policy actions given the action of their opponent and their beliefs on both popular and socially optimal choice.

We find that the actions of politicians and the subsequent policy outcomes depend on the quality of the signal on the popular choice and the salience of the issue. When the popular choice is unclear, pandering as a strategy disappears. Uncertainty in public perception leads politicians to take divergent positions to maximize the chance of being identified as the most effective agent. For issues that are non-salient, very high popularity rewards on policy implementation provide politicians incentives to misbehave and implement any policy regardless of public opinion and welfare. For salient issues, we find that the only possible outcomes are a divergence of positions for the politicians and the implementation of the socially optimal policy.

When the popular choice is clear, politicians exclusively pander when the issue is salient. For non-salient issues, politicians always implement a policy. Given this, we find that salience is not a reliable indicator of when politicians put their constituents' best interests in mind. However, politicians place more consideration on what is socially optimal when the demands of the public are not clear. The results indicate that for issues of very high importance, the public may sometimes be better off when there is more uncertainty on popular opinion.

The model can be used to understand the behavior of politicians when they can be held directly accountable for their actions. Coalition partnerships can be explored further under this model. The model provides important insights on how and when politicians pander. The results also highlight the importance of issue salience in political accountability. Voters may be able to induce politicians to vote for the socially optimal choice regardless of popular choice if key conditions given the type of issue are met. The paper will be further developed through the introduction of information asymmetry, and multiple issue platforms across one or two periods.

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