Introduction

- Representative democracy vs. direct democracy
- Accountable vs. unaccountable officials
- Develop a simple model to explore when different types of government are optimal

Focus on two effects of accountability

- Get rid of officials whose interests are not aligned with the public's
- Encourage officials to take the interests of the public into account
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Model: Preferences

- 2 periods
- Actions $a$ and $b$ in each period
Model: Preferences

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- Actions $a$ and $b$ in each period
- In each period, all voters have the same preference ranking over actions
  - Independent across periods
  - Voters don’t know their preference ranking
  - Risk-neutral with no discounting – receive $x$ utils if preferred action is chosen $x$ times
- Voters prefer “popular” action $a$ with probability $p > \frac{1}{2}$
Model: Officials

- Official has distinct preference ranking over actions
- Fraction $\pi > \frac{1}{2}$ of officials are “congruent”
  - Same preference ranking as voters in each period
- Own preference ranking is private information
Model: Officials

- Official has distinct preference ranking over actions
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  - Same preference ranking as voters in each period
- Own preference ranking is private information
- In each period, receives utility $G$ from choosing preferred action (legacy motive), $R$ from holding office (office-holding motive), and 0 otherwise
- Discounts future at rate $\beta$
- Effective discount factor:

$$\delta \equiv \beta \frac{G + R}{G}$$
Forms of Government

- Direct Democracy (DD): voters choose action each period
  - Always choose “popular” action
  - Welfare: $W^{DD} = 2p$
Forms of Government

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- **Judicial Power (JP):** voters select unaccountable official in period 1 to select action
  - Official remains in power in period 2
  - Always chooses preferred action
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- **Representative Democracy (RD):** voters select accountable official in period 1
  - Official is up for reelection in period 2
  - Always chooses preferred action in period 2
  - May choose preferred action or pander and choose “popular” action in period 1
Focus on Markov Perfect Bayesian Equilibria robust to a small fraction of officials who always choose preferred action

Strong office-holding motive ($\delta > 1$):
- Unique equilibrium is full pandering
- Always choose "popular" action in period 1
- Reelected and choose preferred action in period 2

Welfare:

$$W_{RD} = p + \pi < \max\{W_{DD}, W_{JP}\}$$

Optimal government is DD or JP:

Eric Maskin and Jean Tirole

The Politician and the Judge: Accountability in Government
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Representative Democracy Is Not Optimal

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Optimal government is DD or JP:

![Diagram showing the trade-off between popular and judicial power]
Representative Democracy May Be Optimal

- Weak office-holding motive ($\delta < 1$):
  - No pandering
  - After period 1, voters use Bayes’ rule to formulate $\pi^a$ and $\pi^b$
    - $\pi^a > \pi$ – reelect official
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    - Accountability allows voters to increase likelihood of congruent official in period 2
    - Accountability does not affect decision in period 1
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- Optimal government is DD or RD:

![Graph showing representative democracy and direct democracy](image)
Alternatives may be optimal

$\delta > 1$:

- Use RD and commit to probability of reelection following action – $x_a$ and $x_b$

  - $x_a - x_b \leq \frac{1}{\delta}$ to deter pandering
  - $\pi^a > \max\{\pi, p\}$, so $x_a = x_b + \frac{1}{\delta}$
  - $\pi^a - \pi < \pi - \pi^b$, so $x_b = 0$
  - Reelection probability is not ex-post optimal
General System

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    - $\pi^a - \pi < \pi - \pi^b$, so $x_b = 0$
    - Reelection probability is not ex-post optimal
- If $\pi < p$, in the case of replacing an official, switch to DD
Importance of issue to official is i.i.d. with mean $G$
- RD discount factor is $\delta' \equiv \frac{G}{G'} \delta$
- Important issues should be given to accountable officials
Small Extensions

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  - RD discount factor is $\delta' \equiv \frac{G'}{G} \delta$
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- Official must pay cost $c < (1 - p)G$ to learn optimal action
  - RD discount factor increases to $\delta' \equiv \delta + \frac{c}{G} \left( \frac{1 - (1 - p)\beta}{1 - p} \right)$
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  - Balance risk preferences with cost of transition

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- Outside option of $\sigma \in [0, 1]$ each period
  - Discretion in period 1 yields information on congruence
  - Accountable officials should have more discretion
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- Candidates can commit to period 2 action
  - If officials pander, leads to more pandering
  - If officials don’t pander, reveals optimal action
Feedback

- Voters learn w.p. \( q \) whether period 1 action was optimal
- Three different types of equilibria for RD (focus on \( \delta > 1 \)):
Voters learn w.p. $q$ whether period 1 action was optimal

Three different types of equilibria for RD (focus on $\delta > 1$):

- **Full pandering** ($\delta(1 - 2q) \geq 1$)
  - Officials choose “popular” action and are reelected

- **Forward-looking pandering** ($\delta q \geq 1$)
  - Officials choose optimal action for voters
  - Reelected if no feedback or if feedback is good

- **Partial pandering** ($\delta q < 1$)
  - Congruent officials choose optimal action for voters
  - If “popular” action is optimal, incongruent chooses her preferred action w.p. $1 - p$
  - If “popular” action isn’t optimal, incongruent chooses her preferred action
  - If no feedback, $x_a - x_b = 1 - \delta q$ is ex-post optimal
  - If feedback, reelected if optimal action chosen
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  - Partial pandering \((\delta q < 1)\)
    - Congruent officials choose optimal action for voters
    - If “popular” action is optimal, incongruent chooses her preferred action w.p. \( \frac{1-p}{p} \)
    - If “popular” action isn’t optimal, incongruent chooses her preferred action
    - If no feedback, \( x_a - x_b = \frac{1-\delta q}{1-q} \) is ex-post optimal
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JP and DD are the same as before

$W^{RD} > W^{JP}$ in forward-looking pandering and partial pandering equilibria

- Even if office-holding motive is strong, RD may be optimal if feedback is likely
• JP and DD are the same as before
• $W^{RD} > W^{JP}$ in forward-looking pandering and partial pandering equilibria
  • Even if office-holding motive is strong, RD may be optimal if feedback is likely
• $W^{RD}$ is highest in forward-looking pandering equilibrium
  • If feedback is likely, increasing office-holding motive may increase welfare
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- Even if office-holding motive is strong, RD may be optimal if feedback is likely

$W^{RD}$ is highest in forward-looking pandering equilibrium

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Accountability weeds out incongruent officials and encourages optimal behavior
Majority vs. Minority Concerns

- Voters know preferences but are heterogeneous
- Majority prefers \( a \); minority prefers \( b \)
- W.p. \( x \), social welfare of \( a \) relative to \( b \) is \( B > 0 \)
- W.p. \( 1 - x \), social welfare of \( a \) relative to \( b \) is cost \( L > 0 \)
Majority vs. Minority Concerns

- Voters know preferences but are heterogeneous
- Majority prefers $a$; minority prefers $b$
- W.p. $x$, social welfare of $a$ relative to $b$ is $B > 0$
- W.p. $1 - x$, social welfare of $a$ relative to $b$ is cost $L > 0$
- Officials can side with majority (M), minority (m), or social welfare (W)
- Official preferences are private information
- Official’s legacy motive is independent of type
**Majority vs. Minority Concerns**

- DD always chooses majority’s preferred action
- JP always chooses official’s preferred action

If \( \delta > 1 \), RD panders to majority and is reelected.

If \( \delta < 1 \), RD doesn’t pander – officials who side with the minority and some who side with social welfare are eliminated in period 2.

There exist \( 0 < x^* \leq x^{**} < 1 \) – equivalently \((B_L)^*\) and \((B_L)^{**}\) – such that:

- \( x < x^* \): JP is optimal (unaccountable official protects minority)
- \( x > x^{**} \): DD is optimal (majority is usually correct)
- \( x \in [x^*, x^{**}] \): RD is optimal (balances two concerns)

\( x^* < x^{**} \) if and only if \( \delta < 1 \).
Majority vs. Minority Concerns

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  - $x \in [x^*, x^{**}]$: RD is optimal (balances two concerns)
    - $x^* < x^{**}$ if and only if $\delta < 1$
Accountability has two effects

- Get rid of officials who are incongruent or disagree with majority
- Encourage officials to pander to majority or optimal action

Unaccountable officials are desirable when

- Pandering to popular opinion is likely
- Cost of acquiring information is high
- Legacy motive is weak
- Feedback is unlikely
- And pandering to popular opinion is dangerous

Voters are poorly informed about optimal action

Accountable officials are desirable when

- Pandering to popular opinion is unlikely, but dangerous
- Pandering to optimal action is likely
Conclusion

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    - Minority is likely to be overly oppressed
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