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- Accountable vs. unaccountable officials
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- 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

# 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  $p > \frac{1}{2}$

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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:

$$\delta \equiv \beta \frac{G + R}{G}$$

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  - Welfare:  $W^{JP} = 2\pi$
- 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

# Representative Democracy Is Not Optimal

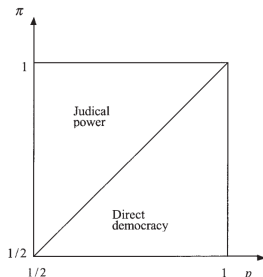
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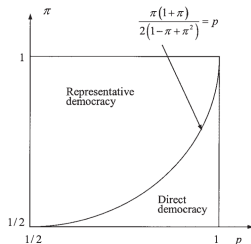
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- Alternatives may be optimal
- $\delta > 1$ :
  - Use RD and commit to probability of reelection following action –  $x_a$  and  $x_b$ 
    - $x_a - x_b \leq \frac{1}{\delta}$  to deter pandering
    - $\pi^a > \max\{\pi, p\}$ , so  $x_a = x_b + \frac{1}{\delta}$
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    - Reelection probability is not ex-post optimal
- If  $\pi < p$ , in the case of replacing an official, switch to DD

# Small Extensions

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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

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  - Forward-looking pandering ( $\delta q \geq 1$ )
    - Officials choose optimal action for voters
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  - 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.  $\frac{1-p}{p}$
    - 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
    - If feedback, reelected if optimal action chosen

- JP and DD are the same as before
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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  $B > 0$
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- 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

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- 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  $(\frac{B}{L})^*$  and  $(\frac{B}{L})^{**}$  – 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  $\delta < 1$

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