

External Shocks and Anticipatory Pandering

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Abstract

Some external shocks are out of the control of elected politicians, even if they can still anticipate their occurrence better than the general public. How can politicians use these types of anticipated external shocks to their benefit? How do they change their pandering incentives? And how does a rational voter incorporate these seemingly irrelevant external shocks in their voting decision? We build on the political accountability model of Canes-Wrone Herron Shotts, adding the ability to the voter to observe their utility, which is affected by external shock. The shock is observed by the incumbent politician but not the voter. We show that the incumbent's policy choice affects his reelection prospects through a direct channel - a different voting strategy for different policy choice - and indirect channel - policy choice affects voting decision through the voter's utility. A combination of these two channels shapes strategic incentives for the incumbent politician. Our analyses show that for high or low enough magnitude external shocks, a politician's ability to anticipate them eliminates his pandering incentives in equilibrium. For medium negative shocks, pandering could be a "gamble for resurrection," while for medium positive shocks, it acts as an "insurance" to guarantee the reelection. We show that both of these pandering regions emerge in equilibrium. A politician's ability to anticipate external shocks eliminates some unnecessary pandering in equilibrium and for some realizations of the external shock also improves the selection. However, the politician's knowledge of the shock, overall, decreases the voter's welfare in equilibrium.

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