

“Conditional Retrospective Voting in Large Elections” by Ignacio Esponda and Demian Pouzo

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Behavioral Models of Politics

1. Non-Standard Preferences

- ▶ Incomplete Preferences, Prospect Theory, Reference Dependence, Time Inconsistency, Social Prefs, ...

2. Imperfect Best Response

- ▶ Myopic/Naive Agents, QRE, Aspiration-Based Adaptive Rules, Limited Attention, Mental Accounting, Menu Effects, Persuasion, ...

3. Limited Strategic Thinking

- ▶ Gambler's Fallacy, Projection Bias, Persuasion Bias, Information Projection, Overconfidence, Level-K/Cognitive Hierarchy, Cursed Equilibrium, ...

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- ▶ Boudreau et al (2013), Dickson (2013), Minozzi et al (2013), Morton et al (2013), Linardi & Rudra (2013)

2. Imperfect Best Response

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- ▶ Minozzi and Woon (2013), Dickson (2013)

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- ▶ Linardi & Rudra (2013), Minozzi and Woon (2013), Esponda & Pouzo (2012)

What Imperfection In This Model?

- ▶ Voters unable to control for unobserved counterfactuals
⇒ systematically biased beliefs.
- ▶ Voters overestimate benefit from alternative that has performed better in the past ⇒ retrospective voting.

How Is This Imperfection Modeled?

Microfoundation from Esponda & Pouzo (2012b):

- ▶ Voters do not know primitives of the model.
- ▶ Observe payoffs of alternative chosen by the committee, but not counterfactual payoff from other alternative.
- ▶ Disregard informational content of other voters' actions.
- ▶ Do not take into account the sample selection problem.
- ▶ Related to Cursed Equilibrium (Eyster & Rabin 2005).
- ▶ Standard preferences and decision-making.

Consequence: voters overestimate benefit from alternative that performs better in more favorable states of nature.

Implications of Retrospective Voting Equilibrium

Many new insights on elections:

- ▶ Supermajority rules for risky alternatives are beneficial
- ▶ Parties have incentives to exacerbate their differences
- ▶ More information decreases welfare (unless optimal ρ)

Implications of Retrospective Voting Equilibrium

Comments:

- ▶ What political institutions ameliorate/exacerbate the bias?
- ▶ ρ is incumbency advantage, rather than electoral rule
- ▶ Benefit only from electoral disadvantage for alternative that performs better in favorable state (e.g., risky alternative)
- ▶ What about real electoral rules (FPTP vs PR)? Federalist vs centralized state? Number of candidates? Veto players?
- ▶ What if politicians learn with biased beliefs: over efficacy of different policies (implemented by agent)? Over benefit of catering/advertising to different constituencies?

Testing This Theory

- ▶ Retrospective model can be rationalized by aspiration-based adaptive rules: Bendor, Kumar and Siegel (JTP 2010).
- ▶ Similar bias (risk loving behavior in bandits problem) might arise from underweighting of rare events (Hertwig et al 2004)
- ▶ What learning rule? If retrospective voting, why?
- ▶ Ultimately empirical questions.
- ▶ Answer likely to depend on setting and agents' sophistication.

What Do We Know From Laboratory Experiments?

Group-Decision Making:

- ▶ Woon (AJPS 2012): strong tendency to use a retrospective voting rule. Why? Simple heuristic to cope with a difficult problem but also preferences for accountability.

Individual Decision Making:

- ▶ Camerer & Ho (ECMA 1999): “experienced-weighted attraction” combining reinforcement and fictive learning.
- ▶ Subjects use model-based information about foregone payoffs, but don’t weigh that info as heavily as received rewards.
- ▶ Hu, Kayaba, Shum (GEB 2013): more reluctance to “update down” following failure, than “update up” following success.