Electoral Accountability and Political Competence[*]

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Much research contends that candidate competence brings technical or political skill, such that selecting against such attributes seems irrational. However, if special interest coalitions are sufficiently strong, a majority may expect that political expertise will be used to select policies that generate rents for narrow constituencies at the expense of its own welfare. I develop a model in which a majority prefers to elect the less competent politician in order to undermine the incumbent's ability to pursue the special interest agenda and derive the implications for accountability in this setting. The results demonstrate that the majority's attempts to reassert control over policy through its retention decisions impede social welfare maximizing reform and distort aggregate welfare by either encouraging (*i*) inefficient policy selection or (*ii*) inefficient candidate selection. Even if politicians choose policies that maximize social welfare doing so may only worsen aggregate welfare by providing voters with more information about candidate competence, which enables the majority to better select inept politicians.

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Conventional wisdom suggests—and much political economy research assumes—that voters prefer competent politicians that are better able to effectively execute policy. But what if a majority is aware that politicians will not use their political competence to pursue policies the majority prefers? For instance, politicians, once in office, may be responsive to special interest constituencies that prefer policies that impose a cost to the majority. In this case, effective implementation of the special interest agenda may only worsen majority welfare.

This paper formalizes the intuition that politicians have incentives to pursue the interests of passionate minorities (Downs 1957) and derives the implications for accountability when this incentive is commonly known by the electorate. As political competence improves a politician's ability to target policy reforms, the majority prefers *less* competent politicians that are less able to target policy benefits to narrow constituencies. In this setting, a crisis of political competence does not indicate voter irrationality or incompetence, rather it indicates that the majority recognizes its own limited control over the future actions of politicians. By electing incompetent politicians the majority reasserts some control over future policy by subverting a politician's ability to serve special interest constituencies.

The results are premised on two key substantive assumptions: (*i*) preference intensity matters for political outcomes (e.g., Downs 1957); and (*ii*) average voters know politicians have an incentive to pursue special interest policy reforms. This generates intuition as to how a majority of the electorate could correctly perceive that a particular candidate is less competent and yet prefer the incompetent candidate to a more competent alternative. That is, the majority both knowingly and deliberately elects a less competent politician.

I derive the social welfare implications of the majority's attempts to influence policy through its strategic retention behavior in an environment in which the special interest policy agenda maximizes social welfare. The results suggest that the majority undermines social welfare maximizing reform by either inducing politicians to pursue the majority's interests—which worsens current policy—or by selecting less capable candidates to govern—which worsens future policy.

Even if social welfare considerations should prompt politicians to pursue special interest reforms, politicians may pursue the majority agenda in order to gain reelection. The extent to which the majority coalition's support affects a politician's reelection prospects depends on the relative size of the majority and special interest coalitions, as well as the extent of information asymmetries between majority and special interest voters. If the special interest constituency is small or the majority is well-informed, politicians will distort policy towards the interests of the majority as majority support is critical for reelection. Instead, if the special interest constituency is relatively large or the majority is ill-informed, politicians will

pursue the special interest agenda.

The extent to which the majority coalition is able to induce politicians to pursue their interests in the first period affects the information available to both the majority and the special interest coalition prior to voting. If competent politicians sometimes pursue the majority's preferred policy to win reelection, first period policy outcomes will be uninformative of candidate ability, whereas if both types of politicians pursue the special interest agenda, policy outcomes will better reflect candidate skill. Additional information about candidate ability introduces competing effects: more information enables special interest voters to more effectively select competent candidates, but also enables majority voters to better select less competent ones.

To develop this argument, I construct a two-period accountability model that explicitly incorporates policy conflict between majority and special interest constituencies. The model represents the strategic dynamic between an incumbent politician and society as an electoral accountability arrangement, in which politicians are accountable to constituencies with opposing policy preferences. Politicians are motivated by social welfare and office-holding considerations, while voters seek to ensure accountability to their policy preferences through their voting decisions.

Each constituency attempts to exert control over the incumbent politician's policy decisions, but the constituencies differ in their ability to reliably monitor an incumbent's policy performance. In particular, the majority only observes a noisy signal of the actual policy outcome, whereas the special interest constituency always perfectly observes policy outcomes. This information asymmetry between majority and special interest voters suggests that special interest support is valuable to politicians for two reasons: (i) it is more predictable; and (ii) it reduces the need to gain the support of unpredictable majority voters to win reelection.

Previous work argues that as majority support is necessary to guarantee reelection, politicians often face electoral incentives to pander—pursuing popular policies at the expense of furthering social welfare (Canes-Wrone, Herron and Shotts 2001; Fox and Shotts 2009; Maskin and Tirole 2004; Harrington Jr 1993). These arguments would appear to suggest that aggregate welfare distortions may be avoided if politicians exercise true policy leadership by adopting unpopular policies which further the public good and provide more information about a politician's competence.

However, this view fails to consider that the majority's preferences over political expertise may not align with socially optimal candidate selection. In particular, majority voters who are aware of their own limited control over politicians may prefer to elect politicians who are incompetent and, therefore, less capable of exercising effective leadership. Exercising

policy leadership in the first period may only worsen candidate selection by providing more information about candidate ability to majority voters who have an interest in electing only incompetent representatives.

The analysis highlights that majority coalitions potentially undermine the policy goals of specialized or narrow coalitions either by inducing politicians to pursue the majority's interests in the first period or by increasing the likelihood the second period representative is incompetent. The results in this paper indicate that electoral incentives alone are not necessarily sufficient to guarantee that politicians pursue the majority's preferred policy agenda in the first period—especially if the electoral gains to pursuing the majority's preferences are dulled by the majority's own poor information. However, even if the majority fails to influence first period policy, it may still influence the disposition of second period policy by determining the types of politicians who assume office in the future.

This induces a familiar tension between accountability and selection (Fearon 1999). From the majority's perspective, accountability to its interests improves first period policy at the expense of selection: competent politicians that are better able to pursue the special interest agenda in the second period are more likely to be retained if they sometimes pursue the majority policy in the first period. However, from a social welfare perspective, accountability to the majority's policy interests in the first period worsens first period policy, but impedes the majority's ability to select less competent politicians which improves second period policy.

If the minority is sufficiently large, the majority's threats of dismissal following an unfavorable signal of policy performance fail to generate accountability to the majority's policy preferences. Politicians exercise policy leadership and pursue the special interest agenda in each period and the majority only reelects the incumbent following a favorable policy signal. In this case, first period policy always improves. However, policy leadership may either improve or worsen socially optimal electoral selection. Less competent politicians are retained more often if the minority is moderately-sized, whereas policy leadership improves the minority's ability to select competent types when the minority is relatively large. I refer to this as a *special interest discipline* equilibrium.

In contrast, if the special interest coalition is relatively small, reelection-motivated politicians may have an incentive to distort policy decisions towards the interests of the majority. In order to gain reelection, competent incumbents face incentives to appear inexpert in order to appeal to the majority. To avoid revealing their competence to majority voters, competent incumbents will sometimes implement policies that promote the majority's interests. This worsens first period welfare, but improves second period welfare as competent politicians are retained more often. I refer to this as a *limited majority discipline* equilibrium.

This paper is structured as follows. First, I review related literature. Then, I present a formal model of policymaking that incorporates competition between a majority and special interest constituency. This provides a rational, strategic basis for the majority's preference for incompetence. Then, I analyze the incumbent's policy actions and voters' strategic retention decisions. Following this, I discuss the equilibrium results generated by the model. The results demonstrate that if the policy demands of the special interest group are sufficiently strong, the majority is able to exert direct control over first period policy only if it is relatively large or informed, but may exercise indirect control over future policy through the selection of worse candidates. I conclude with a discussion of the welfare implications.

1 Related Literature

While average voters commonly express concerns about the role of special interests in politics, most formal analyses ignore this tension when considering voters' preferences over politicians.[1] Previous work generally assumes voters prefer competent politicians, with few exceptions (e.g., Di Tella and Rotemberg 2016; Egorov and Sonin 2011; Buisseret and Prato 2016; Schnakenberg 2018; Kartik and Van Weelden 2019).[2] This literature suggests that political competence confers either direct benefits (e.g., policy expertise) or indirect benefits (e.g., greater electoral control) to voters.[3] Voters either implicitly or explicitly prefer competent politicians as political competence is not at the expense of either electoral control or policy discipline. In fact, policy expertise often improves the voter's ability to exert control over the politician's policy actions.

Nevertheless, voters often view organized special interest groups as exerting disproportionate influence over the actions of politicians (Gilens and Page 2014). A robust formal literature argues that organized groups translate either resource or informational advantages (Austen-Smith and Wright 1994) into policy gains. For instance, Lohmann (1998) demonstrates that policy will be biased towards smaller groups, as smaller groups

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[1]Notable exceptions include Snyder and Ting (2008), Lohmann (1998).

[2]On the surface, the preference for incompetence explored in this paper may seem similar to the loyalty-competence tradeoff developed in Egorov and Sonin (2011), but, in fact, it is fundamentally different. Neither type of politician is loyal in this model. In contrast, Schnakenberg (2018) argues that electing competent politicians hinders a voter's ability to enforce strong incentive contracts in an incumbent's first term, which leads voters to possibly prefer incompetent representatives. The preference for incompetence is driven by dynamic trade-offs, whereas the majority's preference for incompetence in my model is driven by common agency concerns.

[3]Related literature includes Fearon (1999), Ferejohn (1986), Austen-Smith and Banks (1989), Snyder and Ting (2008), Ashworth and Bueno de Mesquita (2008), Banks and Sundaram (1993), Banks and Sundaram (1998), Harrington Jr (1993), Canes-Wrone, Herron and Shotts (2001), and Besley (2006). Additionally, Ashworth (2012) provides an overview of recent theoretical and empirical findings.

typically have greater monitoring capabilities. Similarly, Grossman and Helpman (1996) demonstrate that interest groups are able to bias policies toward the group's ideal, either through contracting behavior or increased monitoring efforts. A common feature of these models is that the resulting policy bias is at the expense of majority welfare, but not necessarily at the expense of social welfare. This is because both special interest and majority coalitions have a common interest in selecting competent candidates—and special interest monitoring improves candidate selection.

In contrast, I develop a model that delivers the opposite prediction: the welfare distortions are at the expense of both special interest welfare and social welfare. This is because voting coalitions in my model do not have a common interest in selecting competent candidates— candidate competence only benefits the coalition whose policies the candidate seeks to enact. As a result, even limited majority monitoring worsens either first period policy or second period policy through the majority's impact on candidate selection.

The theoretical analysis in Buisseret and Prato (2016) is most similar to the analysis presented here in terms of highlighting the tradeoffs voters face between a politician's competence and their own ability to control the politician's actions once in office. The model similarly examines a voter's ability to exert electoral control over legislators of varying quality. However, in Buisseret and Prato (2016), the voter's poor control over politicians is due to a multitask problem where politicians may devote effort to activities that do not benefit the voter, whereas I examine how competition between voting coalitions impacts majority control and electoral selection.

Focusing on voting coalitions importantly constrains the contracting technology I am able to consider: each voting group is only able to exercise control through its retention decisions. If majority support is necessary to gain reelection, it may seem that the majority would easily be able to induce politicians politicians to pursue their interests. Yet politicians may have incentives to pursue special interest policies that further social welfare at the expense of majority welfare. In this model, preference divergence in the electorate delivers the seemingly pathological result of a rational preference for incompetence, while the relative size of the coalitions and the extent of information asymmetries determine the extent of welfare distortions.

More recent work considers the availability of competent candidates during times of economic turmoil (Izzo 2018). Izzo (2018) demonstrates that economic crises potentially deter competent candidates from entering electoral contests. This may suggest that voters are constrained by the availability, or lack thereof, of competent candidates. Yet, the election of incompetent representatives may not be a consequence of scarce political talent. Even if competent politicians are available, majority voters will seek to elect incompetent politicians.

This model contributes to a growing body of literature examining perverse political outcomes and incentives introduced by electoral institutions when voters have limited information (Canes-Wrone, Herron and Shotts 2001; Ashworth and Bueno De Mesquita 2014; Ashworth, Bueno de Mesquita and Friedenberg 2017; Gailmard and Patty 2019). In particular, the results provide further demonstration that improving voter information does not necessarily improve governance outcomes. In this model, this is a consequence of voting coalitions holding different preferences over political expertise, whereas in previous work voter monitoring encourages politicians to take actions that obscure their type in order to win reeelection (Ashworth and Bueno De Mesquita 2014).

More broadly, this paper demonstrates that in common agency environments with moral hazard, the party that is weaker at the contracting stage places even more importance on the selection of agents. In a competitive electoral environment, government policy may not simultaneously provide benefits to both a special interest minority and the general electorate. Both coalitions would prefer to dictate the politician's action, yet the coalitions differ in their ability to influence the representative's policy choice. If a coalition is unable to influence a representative's behavior in office, the group will attempt to influence policy outcomes through the selection of candidates.

2 The Model

Consider a two-period model of policymaking with periods denoted $t = 1, 2$ in which a unitary incumbent executive (I) implements a policy that generates welfare for a society. The society is represented by a large, but finite set of voters, $\mathbf{N}$, indexed $i = 1, \ldots, N$ with N odd. There are two distinct, homogenous voting groups in the society: a majority group and a special interest group. The majority group consists of $(N + 1)/2 \leqslant M < N$ individuals, where $h = 1, \ldots, M$ indexes majority voters. The minority group consists of the remaining $N_s \equiv N - M$ voters, where $j = M + 1, \ldots, N$ indexes special interest voters. This captures that the special interest coalition represents a relatively narrow constituency in the society, whereas the majority represents a broader constituency. I define $m \equiv M/N$ and $n \equiv (N - M)/N$ as the population shares of the majority and special interest coalition respectively.

In each policymaking period, Nature draws a state of the world, $\omega_t \in \{0, 1\}$, which is distributed identically and independently across periods. The common prior belief is that $\Pr(\omega_t = 1) = \pi \in (\frac{1}{2}, 1)$. The incumbent politician observes a private signal of the state of the world, $w_t \in \{0, 1\}$, before implementing a policy, $x_t \in \{0, 1\}$. The voters do not observe the incumbent's policy action directly. Instead, each voter obtains a payoff

from the policy outcome, which reflects both the policy implemented and the prevailing macroeconomic conditions. Following the first policymaking period, a majority rule election with no abstention occurs in which the society votes to either reelect or replace the incumbent with an ex ante identical challenger. I define the level of support necessary for reelection as $N^* \equiv (N+1)/2$.

A politician's type represents her level of competence, $\theta \in \{\lambda, 1\}$. A politician's competence is her private information and reflects the quality of her policy information, w_t. A competent politician ($\theta = 1$) always observes a perfectly informative signal of the state of the world, whereas an incompetent politician ($\theta = \lambda$) observes an imperfectly informative signal with $\Pr(w_t = \omega_t | \theta = \lambda) = \lambda$ and $\Pr(w_t = 1 - \omega_t | \theta = \lambda) = 1 - \lambda$. I assume $\lambda \in (\pi, 1)$.[4]

In each period, the aggregate policy outcome, Π_t, is determined by the policy implemented and the state of the world according to

$$\Pi_t = \begin{cases} 1 & \text{if } x_t = \omega_t \\ 0 & \text{otherwise.} \end{cases}$$

This reflects that the returns to a policy intervention vary depending on the underlying economic conditions.

Voters obtain information about an incumbent's policy performance by observing a signal of the policy outcome in the first period. Each voter's payoff from the government intervention is determined by the aggregate policy outcome generated, Π_t. The policy outcome indicates the extent to which the policy action benefits the majority or the special interest constituency. If $\Pi_t = 1$, the political outcome favors the majority, whereas if $\Pi_t = 0$, the policy outcome favors the special interest group.

The special interest constituency always observes the policy outcome, Π_t, directly prior to the election. This is identical to the case in which the minority observes both the policy choice, x_t, and the state of the world, ω_t, prior to the election. In contrast, each majority voter observes a noisy signal, s_t, of the actual policy outcome:

$$s_t^h = \begin{cases} \Pi_t & \text{with probability } \alpha \\ 1 & \text{with probability } \frac{1}{2}(1-\alpha) \\ 0 & \text{with probability } \frac{1}{2}(1-\alpha). \end{cases}$$

The parameter α represents the majority's effective monitoring capacity. As α increases, the

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[4]This guarantees that incompetent politicians possess policy-relevant private information for any signal realization, or $\Pr(\omega_t = 0 | w_t = 0) > \Pr(\omega_t = 1 | w_t = 0)$.

likelihood the majority is informed of the true policy outcome increases. As α decreases, the majority voters are less likely to observe the true policy outcome. I assume $\alpha \in (0, 1)$.

The information asymmetry between majority voters and minority voters captures that majority voters are generally less aware of policy actions than voters with special interests. As special interest voters have more to gain from policy, they have a greater incentive to become informed (Olson 1965).

Sequence.   The sequence of the game is as follows:

1. Nature draws the competence of the incumbent and challenger and each politician is privately informed of their own ability, θ.

2. Nature determines the state of the world, ω_1.

3. Incumbent observes a private signal of the state of the world, w_1, and then selects a policy, x_1.

4. The special interest constituency observes Π_1, whereas each majority voter observes the actual outcome $s_1^h = \Pi_1$ with probability α and an arbitrarily favorable or unfavorable signal $s_1^h \in \{0, 1\}$ with equal probability $\frac{1}{2}(1 - \alpha)$.

5. Voters simultaneously vote to reelect $(v^i = 1)$ the incumbent or elect $(v^i = 0)$ the challenger.

6. Nature determines the state of the world, ω_2.

7. The second period incumbent observes a private signal of the state of the world, w_2, and then selects a policy, x_2.

8. Payoffs are realized.

The common prior belief that an untried politician is competent is given by $\kappa \in (0, 1)$. This assumption implies that ex ante the challenger is as likely to be competent as the first period incumbent.

Payoffs and Information.   A majority voter's utility is given by

$$U_t^h = \Pi_t.$$

This captures that a majority voter always prefers that the policy correspond to the state of the world, ω_t.

A special interest voter's utility is given by

$$U_t^j = \rho(1 - \Pi_t),$$

where $\rho > 1$ represents the preference intensity of special interest voters. The special interest constituency's policy preferences conflict with those of the majority group: the minority group prefers the opposite policy to the state, whereas the majority prefers that the policy coincide with the state. This captures that the self-interest of the minority coalition runs counter to the welfare of the majority constituency.

Each politician obtains utility from policy and office holding. In particular, her utility is a function of average voter welfare and the rents that accrue from office holding. An incumbent politician I obtains utility in period t given by

$$U_t^I = \frac{1}{N} \sum_{i=1}^{N} U_t^i + \tau\{I \text{ in office}\},$$

where $\tau \in (0, 1]$. As τ increases, the politicians become more concerned with maintaining office and less concerned social welfare. Each actor's total payoff from the interaction is the sum of their payoffs across each period.

Strategies and Beliefs. A strategy for each voter specifies a probability of retention $\nu_i \in [0, 1]$ for each possible information set—each first period policy outcome signal: $s_1^h \in \{0, 1\}$ for majority voters, or Π_1 for special interest voters. A majority voter's beliefs about the likelihood the first period incumbent is competent are given by $\hat{\kappa}^h(s_1^h)$, whereas a special interest voter's beliefs are given by $\hat{\kappa}^j(\Pi_1)$.

A strategy for each politician is a policy choice, x_t, as a function of her competence, θ and policy information, w_t, for each period in which the politician is eligible to be in office. Let $\sigma_t(w_t; \theta) \in [0, 1]$ represent the probability that an incumbent of type θ selects $x_t = 1$ given her private information w_t.

Assumption 1 *(Strong Special Interest Group)* $\rho > m/n$.

Assumption 1 guarantees that the special interest policy agenda maximizes social welfare such that absent reelection concerns politicians prefer to implement the special interest agenda. This assumption implies that the special interest group holds sufficiently strong policy preferences or equivalently that the special interest coalition is not too small (i.e., $N_s > N/(1 + \rho)$). This captures that often the consequences of policy interventions for the special interest coalition are more pronounced. Appendix A.2 provides results if instead

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the special interest group is weak. In this case, reelection concerns and policy motivations are aligned provided the majority is sufficiently large. Politicians are motivated to pursue policies which produce the best outcomes for the majority.[5]

3 Analysis

The equilibrium analysis considers quasi-symmetric perfect Bayesian equilibria (PBE), in which voters' strategies are identical within each coalition. This implies each actor's actions are consistent with his or her beliefs and beliefs are derived using Bayes' Rule when possible. I consider only pure strategy PBE when pure strategy equilibria exist. If multiple equilibria exist, I restrict attention to the equilibrium that maximizes aggregate voter welfare.

As is standard in voting models, I restrict attention to weakly undominated voting strategies. This eliminates pathological voting behavior that arises due to concerns of pivotality. For instance, this restriction eliminates equilibria in which a special interest voter votes for the less competent candidate based on a belief that the less competent candidate has enough voter support to gain election or reelection. Similarly, this restriction eliminates equilibria in which a majority voter votes for the more competent candidate by the same rationale. Appendix A.1 provides formal proofs for the results.

3.1 Politicians

In the second period, the incumbent will pursue the policy that maximizes her payoff, given her private information, w_t. Remark 1 gives the incumbent's posterior beliefs in each period based on her private information.

Remark 1 (Incumbent Beliefs) An incumbent's posterior beliefs are given by

$$\hat{\pi}_t(w_t = 0; \theta) = \frac{(1-\theta)\pi}{(1-\theta)\pi + \theta(1-\pi)} < \frac{1}{2} < \hat{\pi}_t(w_t = 1; \theta) = \frac{\theta\pi}{\theta\pi + (1-\theta)(1-\pi)}. \tag{1}$$

Absent reelection concerns, assumption 1 implies that the incumbent pursues the special interest agenda. Therefore, given Remark 1, the optimal policy choice for the second period incumbent is

$$\sigma_2(w_2; \theta) = 1 - w_2. \tag{2}$$

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[5]This is because I assume the majority observes a noisy signal of the actual policy outcome. If voters were restricted to drawing inferences of incumbent quality on the basis of policy choice, the executive could face incentives to pander.

Lemma 1 *(Second Period Policy) In any perfect Bayesian equilibrium, the second period incumbent selects policy according to $\sigma_2^*(w_2; \theta) = 1 - w_2$.*

Lemma 1 implies the following expected second period utility from office holding for each type of politician,

$$\mathbb{E}U_2^I(\theta) = \begin{cases} \rho n + \tau & \text{if } \theta = 1 \\ \lambda \rho n + (1 - \lambda)m + \tau & \text{otherwise.} \end{cases} \tag{3}$$

3.2   Voters

Majority Voting Rules.   Given the second period incumbent pursues the minority agenda according to Lemma 1, a majority voter's expected utility given the competence of the second period incumbent is equal to

$$\mathbb{E}U_2^h = (1 - \hat{\kappa}^h)(1 - \lambda) \tag{4}$$

where $\hat{\kappa}^h$ represents a majority voter's belief that the second period incumbent is competent: either the posterior belief that $\theta = 1$ given s_1^h if the first period incumbent is reelected or κ if the challenger is elected. A majority voter's expected utility is decreasing in the expected competence of the second period incumbent, or as $\hat{\kappa}^h \to 1$. Therefore, a majority voter will reelect an incumbent if and only if the incumbent is less likely to be competent. This gives the following retention rule for a majority voter h,

$$\nu^h = \begin{cases} 1 & \text{if } \hat{\kappa}^h < \kappa \\ \nu^h \in [0, 1] & \text{if } \hat{\kappa}^h = \kappa \\ 0 & \text{otherwise.} \end{cases} \tag{5}$$

Special Interest Voting Rules.   Given second period policy will reflect the preferences of the special interest coalition, the special interest group would prefer that policy be executed as competently as possible. A special interest voter's expected utility given the expected competence of the second period incumbent is equal to

$$\mathbb{E}U_2^j = (\hat{\kappa}^j + (1 - \hat{\kappa}^j)\lambda)\rho. \tag{6}$$

This is increasing in the expected competence of the second period representative. Therefore, a special interest voter will reelect an incumbent if and only if the incumbent is more likely

to be competent. This gives the following retention rule for a special interest voter j,

$$
\nu^j = \begin{cases} 1 & \text{if } \hat{\kappa}^j > \kappa \\ \nu^j \in [0,1] & \text{if } \hat{\kappa}^j = \kappa \\ 0 & \text{otherwise.} \end{cases} \tag{7}
$$

Lemma 2 summarizes each constituency's optimal voting rule and states that the special interest coalition has an incentive to elect competent politicians, whereas the majority coalition has an incentive to elect incompetent politicians. As the special interest voters observe the true policy outcomes generated by the politician, the coalition is better able to differentiate between competent and incompetent politicians. This reflects the superior monitoring capabilities of narrow or specialized coalitions (Olson 1965).

Lemma 2 *(Voting) A special interest voter reelects the incumbent only if the incumbent is more competent than a replacement: $\nu_j^* > 0$ only if $\hat{\kappa}_j^* \geqslant \kappa$. A majority voter reelects the incumbent only if the incumbent is less competent than a replacement: $\nu_h^* > 0$ only if $\hat{\kappa}_h^* \leqslant \kappa$.*

3.3 Reelection Probability

Using the voting strategies for each coalition to compute the incumbent's expected reelection probability reveals an important tradeoff. If in equilibrium incumbents exercise policy leadership and pursue the special interest agenda, the special interest coalition will reelect the incumbent provided the policy outcome favors the group, $\Pi_1 = 0$. If $\Pi_1 = 0$, then the incumbent captures the support of the entire special interest coalition. This means the incumbent requires less majority support to gain reelection when the outcome favors the special interest group.

If instead the incumbent pursues the majority policy agenda, the incumbent must gain the support of a majority of the electorate—but this support is exclusively derived from the majority coalition. In other words, action on the special interest agenda generates reliable support from the special interest coalition, whereas action on the majority agenda does not necessarily translate into electoral gains. If the majority's information is sufficiently bad or arbitrary, the increase in support from the majority does not outweigh the loss of sure support from the special interest constituency.

The incumbent's support from the majority coalition under each outcome is the sum of individual voting decisions, which are independent, identically distributed random variables for $\alpha \in [0,1)$. Then, the difference in the incumbent's reelection probability if she pursues
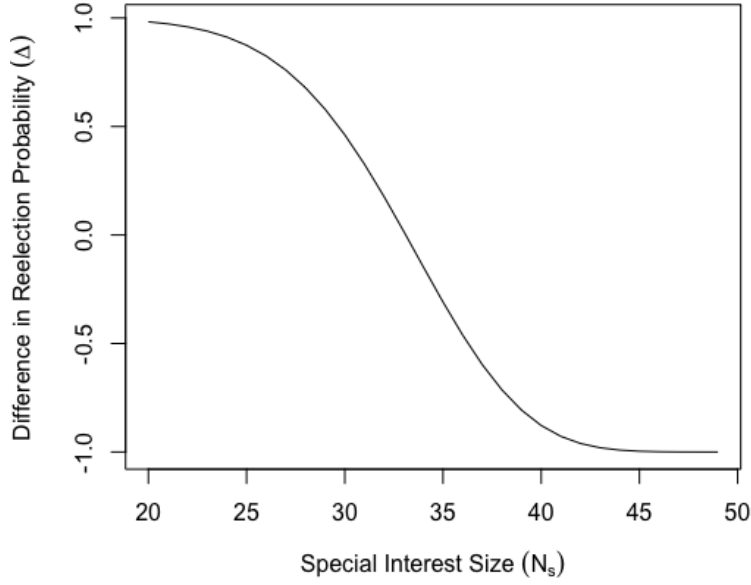
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Figure 1: Difference in Reelection Probability if $\nu_h^*(1) = \nu_j^*(0) = 1$, $\nu_h^*(0) = \nu_j^*(1) = 0$

Note: The figure is constructed assuming $\rho = 4, \alpha = 0.5, N = 99$.

the majority agenda rather than the special interest agenda is

$$\Delta(\nu_h^*(1), \nu_h^*(0)) \equiv F_0(N^* - N_s; M, p_0) - F_1(N^*; M, p_1)$$

where F_Π represents the CDF of the binomial distribution characterized by (M, p_Π) and

$$p_0 = \frac{1}{2}(1 - \alpha)\nu_h^*(1) + \frac{1}{2}(1 + \alpha)\nu_h^*(0) \qquad p_1 = \frac{1}{2}(1 + \alpha)\nu_h^*(1) + \frac{1}{2}(1 - \alpha)\nu_h^*(0).$$

Figure 1 graphs the electoral gain to pursuing the majority agenda. As the size of the special interest coalition increases, the incumbent is more likely to be reelected if she pursues the minority agenda. This is easy to see if we consider a minority of size $M - 1$. In this case, the pursuing the special interest policy means the incumbent only needs the support of one majority voter to win. This is very likely to happen even if the majority is relatively well-informed. In contrast, when the majority is large, the incumbent needs the support of more majority voters in order to be reelected.

4 Results

There are two types of equilibria, characterized by the first period policy discipline generated by the majority coalition. In **special interest discipline** equilibria, the majority is incapable of generating policy discipline directly and each type of incumbent politician prefers to pursue the special interest policy agenda in each period. In contrast, in **limited majority discipline** equilibria, the majority is able to induce competent incumbents to pursue the general interest policy agenda with positive probability in the first period. The extent to which the majority is able to induce accountability amongst incumbent politicians is determined by (i) the incumbent's reelection motivations and (ii) the size of the special interest coalition.

Special Interest Discipline. In special interest discipline equilibria, the majority is unable to induce competent incumbents to pursue their policy interests in the first period as policy concerns dominate reelection motivations. If the majority is ill informed, the threat of dismissal is insufficient to limit competent incumbents pursuit of the special interest policy agenda. In this case, competent incumbents prefer to pursue the special interest policy in each period. Definition 1 defines such special interest discipline equilibria.

Definition 1 *A special interest discipline equilibrium is a perfect Bayesian equilibrium, in which both competent and incompetent incumbents pursue the special interest agenda in each period according to $\sigma_t^*(w_t; \theta) = 1 - w_t$.*

If both competent and incompetent incumbents pursue the special interest policy in the first period, the majority is better able to differentiate between competent and incompetent incumbents on the basis of their private information, s_1. The substantive results persist if voters observe the policy choice in addition to (possibly) noisy utility. Appendix A.3 proves the existence of special interest equilibria if voters are also aware of the policy choice. Definition 1 implies voters hold beliefs characterized in Lemma 3.

Lemma 3 *(Special Interest Discipline: Voter Beliefs) In a special interest discipline equilibrium, a voter's beliefs are given by*

$$0 = \hat{\kappa}_j^*(1) < \hat{\kappa}_h^*(1) < \kappa < \hat{\kappa}_h^*(0) < \hat{\kappa}_j^*(0) < 1. \tag{8}$$

Proposition 1 *There exists a special interest discipline equilibrium, in which $\sigma_t^*(w_t; \theta) =$*

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$1 - w_t$, $\nu_h^*(1) = \nu_j^*(0) = 1$ *and* $\nu_h^*(0) = \nu_j^*(1) = 0$ *if*

$$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau + (1 - \kappa)(1 - \lambda)(\rho n - m)} \equiv \beta \tag{9}$$

which holds if and only if

$$N_s \geqslant N^* - F_0^{-1}\left(\beta + F_1(N^*; M, {}^1\!/\!{}_2(1 + \alpha)); M, {}^1\!/\!{}_2(1 - \alpha)\right) \equiv \overline{N}_s. \tag{10}$$

If $N_s > \overline{N}_s$, this is the unique quasi-symmetric perfect Bayesian equilibrium refined to rule out weakly dominated strategies.

Limited Majority Discipline. In majority discipline equilibria, the majority is able to induce some accountability amongst incumbent politicians. A competent incumbent is only willing to subvert social welfare if doing so increases the likelihood of reelection. In this case, the future benefits of officeholding outweigh the potential policy losses in the first period. Definition 2 provides a formal characterization of limited majority discipline equilibria.

Definition 2 *A limited majority discipline equilibrium is a perfect Bayesian equilibrium, in which incompetent incumbents select first period policy according to $\sigma_1^*(w_1; \lambda) = 1 - w_1$ and competent incumbents select $\sigma_1^*(0; 1) = \lambda$, $\sigma_1^*(1; 1) = 1 - \lambda$.*

Lemma 4 *(Majority Discipline: Voter Beliefs) In a majority discipline equilibrium, a voter's beliefs are given by*

$$0 < \kappa_j^*(0) = \kappa_h^*(0) = \kappa = \kappa_h^*(1) = \kappa_j^*(1) < 1. \tag{11}$$

Proposition 2 *There exists a majority discipline equilibrium, in which $\nu_h^*(0) = \nu_j^*(1) = 0$, $\nu_j^*(0) = 1$, and $\nu_h^*(1) \in (0, 1]$ such that*

$$\Delta(\nu_h^*(1), 0) = \frac{\rho n - m}{\tau + (1 - \kappa)(1 - \lambda)(\rho n - m)} \equiv \beta \tag{12}$$

only if $N_s \leqslant \overline{N}_s$.

Proposition 2 states that competent politicians will use their private information to sometimes pursue the majority interest if and only if the majority are sufficiently likely to be informed.If the majority are sufficiently informed, conditioning retention decisions on the observed policy outcome induces competent politicians to pursue the majority's preferred policy with positive probability in the first period in order to increase the

probability of reelection, thereby improving voter welfare in the second period. The majority is only able to generate limited discipline amongst competent politicians as it is not credible for the majority to retain politicians more likely to be competent due to politicians' second period incentives to pursue special interest policies.

The analysis could be extended to incorporate pandering incentives for the politicians if the majority possibly only observes the politician's policy choice and believes one policy is ex ante more likely to be correct (i.e., $x_1 = 1$ is more likely to be correct if $\pi > \frac{1}{2}$). However, the focus of this analysis is to highlight circumstances under which politicians have an incentive to pursue the special interest policy agenda and to what extent these policymaking incentives induce perverse selection incentives amongst majority voters. This strategic incentive is distinct from the issue of pandering.

If the majority is sufficiently informed and politicians are sufficiently office-motivated, then the majority is able to exercise more control over policy selection. This control over first period policy is at the expense of the majority's second period welfare as reelection motivations prevent competent politicians from revealing their competence to voters. This improves electoral selection as competent politicians are retained more often. That is, the more control the majority exerts in the first period, the less future policy reflects the majority will. Figure 4 depicts the equilibrium regions graphically.

5 Welfare Implications

I consider the welfare implications of the equilibria discussed in the previous section. There are two mechanisms by which welfare distortions may arise in this model: (1) inefficient first period policy choice; and (2) inefficient candidate selection. As politicians select second period policy to maximize social welfare—pursuing the special interest policy agenda—the only mechanism by which the majority may influence the disposition of second period policy is through candidate selection.

As is standard in electoral agency models, there is a tension between informative first period policy outcomes and better or worse electoral selection. If incumbent politicians select first period policy to maximize social welfare, policy outcomes will reveal more information to voters about the incumbent's ability. Often this information improves selection as the policy interests of the representative voter—or the majority coalition—are typically assumed to align with the second period policy interests of politicians, such that the voter prefers to elect only competent candidates. In contrast, I obtain this result only if the minority wields sufficient electoral influence as increasing the amount of information available to voters about candidate types enables the majority to impede positive selection when the special interest
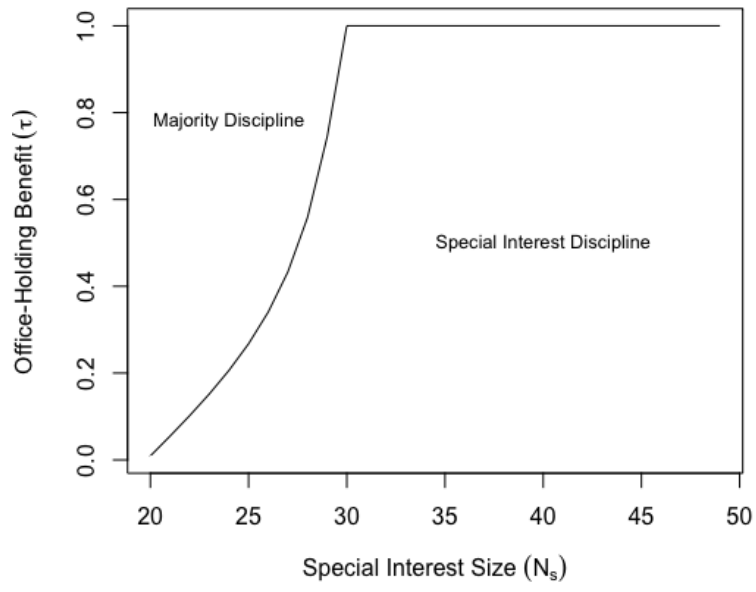
16

Figure 2: Equilibrium ($t = 1$)

Note: The figure is constructed assuming $\rho = 4, \alpha = 0.5, N = 99, \kappa = 0.5, \lambda = 0.75$.

coalition is not too large.

5.1 First Period Policy

In the equilibria identified in the previous section, the majority exerts limited control over first period policy only if the special interest group is sufficiently small (i.e., $N_s \leqslant \overline{N}_s$). The relative size of each coalition affects the level of majority support an incumbent politician must generate to win reelection. When the special interest group is sufficiently small, the reelection benefits of majority support outweigh the policy cost of pursuing the majority's interests.

More generally, the majority influences the incumbent's first period policy choice by rewarding politicians with retention following signals of favorable performance and threatening dismissal following signals of poor performance. This tool is most potent when the majority is aware of the actual policy outcome. As the reliability of the majority's information increases (i.e., $\alpha \to 1$), the majority's rewards and sanctions are less arbitrary. As a consequence, a politician's actions impact her reelection prospects to a greater extent—the electoral rewards to pursuing the majority policy are not dampened by arbitrarily bad signals of performance, just as the electoral costs of pursuing the special interest policy are not mitigated by arbitrarily good signals.

Similarly, as the value of officeholding increases, the benefit of future office-holding outweighs the first period cost of policy distortions for the politician. An incumbent politician is less willing to reveal her competence to voters as the value of officeholding increases. Proposition 3 provides a formal statement of these results. Figure 3 represents graphically the difference in reelection probability for different levels of majority information.

Proposition 3 *The majority is able to exert more control over first period policy, or $\overline{N}_s$ increases, as*

- *majority information improves (i.e., $\alpha \to 1$);*

- *office-holding motivations increase (i.e., $\tau \to 1$).*

5.2 Candidate Selection

Now I consider the case in which the minority is sufficiently large (i.e., $N_s \geqslant \overline{N}_s$) such that the electoral benefit of pursuing the majority agenda fails to outweigh the cost of distorting first period policy. This leads politicians to exercise policy leadership in the
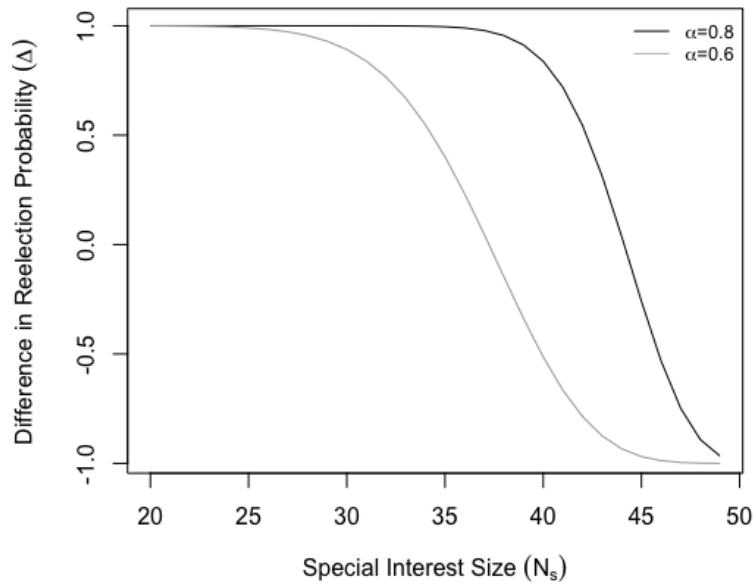
18

Figure 3: Difference in Reelection Probability by α (Special Interest Discipline Equilibrium)

Note: The figure is constructed assuming $\rho = 4, N = 99$.

first period—implementing the policy that maximizes social welfare—and, as a consequence, policy outcomes convey more information about candidate ability.

Policy Leadership Worsens Candidate Selection. If competent and incompetent incumbents both pursue the special interest policy, policy outcomes will reveal information about the incumbent's ability. If the special interest coalition is sufficiently small—or the majority sufficiently large—the information about the incumbent's ability transmitted by the policy outcome enables the majority to better select *against* competence. This worsens equilibrium selection as less competent politicians are retained more often.

This contrasts with the logic of standard electoral accountability models in which the majority interest aligns with socially optimal candidate selection—such that providing voters with more information about candidate ability only enhances selection. However, the result that policy leadership may actually worsen selection if the majority is weary of competence provides a distinct mechanism by which increased voter information worsens aggregate welfare. In this case, more information does not induce pathological policymaking incentives for politicians (e.g., to implement policies that obscure their skill), rather it enables the majority to better select inept representatives.

Proposition 4 *Define $\widehat{N}_s \equiv N^* - F_0^{-1}(F_1(N^*; M, \frac{1}{2}(1+\alpha)); M, \frac{1}{2}(1-\alpha))$. If the special interest coalition is moderately sized (i.e., $\overline{N}_s \leqslant N_s < \widehat{N}_s$), policy leadership in the first period worsens electoral selection, or $\Pr(\theta = 1 | t = 2) = \tilde{\kappa} < \kappa$.*

Policy Leadership Improves Candidate Selection. If the special interest coalition is large—or the majority sufficiently small—the additional information about the incumbent's ability enables the special interest constituency to select competent politicians. This recreates results from standard political agency models: that more information about a politician's ability improves electoral selection.

Proposition 5 *If the special interest coalition is sufficiently large (i.e., $N_s \geqslant \widehat{N}_s$), policy leadership in the first period improves electoral selection, or $\tilde{\kappa} \geqslant \kappa$.*

6 Conclusion

In this paper, a majority may exercise control over policy directly—by inducing politicians to pursue to its interests in order to gain reelection—or indirectly—by electing less competent candidates. In this framework, a majority voter prefers an incompetent representative precisely because the incompetent representative is less politically effective.
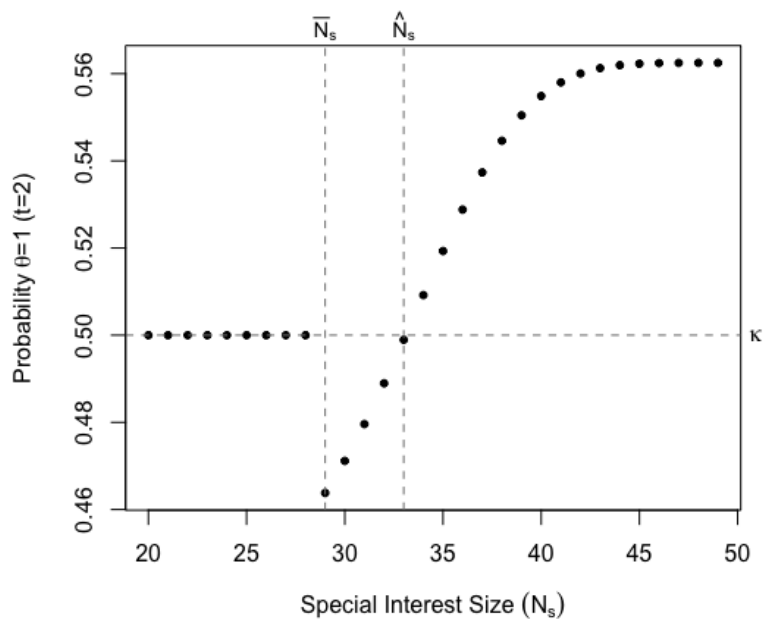
Figure 4: Equilibrium Selection

Note: The figure is constructed assuming $\rho = 4, N = 99, \alpha = 0.5, \kappa = 0.5, \lambda = 0.75$.

If the majority understands that the special interest coalition is better able to influence the incumbent's actions and the special interest agenda is at odds with the interests of the majority, the majority will seek to elect a less competent politician to undermine the incumbent's ability to effectively pursue the special interest agenda in the future.

The analysis suggests that the extent to which a constituency is able to induce accountability amongst incumbent politicians depends critically on the information available to each group. Poor information limits the majority's ability to effectively coordinate on electoral sanctions or rewards. This undermines the majority's ability to both influence first period policy by threatening dismissal and influence second period policy by retaining only less competent politicians.

The results demonstrate that more voter information may actually worsen social welfare by enabling a less informed majority to more effectively select worse candidates. If politicians select first period policy to maximize social welfare, first period policy outcomes will convey more information about political expertise. This additional information enables the majority to better screen candidates, which worsens candidate selection if the majority is sufficiently large. This highlights that policy incentives to 'do the right thing' do not necessarily improve longrun policy outcomes.

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A   Appendix

A.1   Formal Proofs

This appendix proves Remark 1, Lemmas 1-4, and Propositions 1-4.

Proof of Remark 1. Consider an incumbent of type θ. This is a straightforward application of Bayes' Theorem, where

$$\Pr(\omega_t = 1 | \theta, w_t = 1) = \frac{\Pr(w_t = 1 | \theta, \omega_t = 1) \Pr(\omega_t = 1)}{\Pr(w_t = 1 | \theta, \omega_t = 1) \Pr(\omega_t = 1) + \Pr(w_t = 1 | \theta, \omega_t = 0) \Pr(\omega_t = 0)}$$

$$= \frac{\theta \pi}{\theta \pi + (1-\theta)(1-\pi)},$$

$$\Pr(\omega_t = 1 | \theta, w_t = 0) = \frac{\Pr(w_t = 0 | \theta, \omega_t = 1) \Pr(\omega_t = 1)}{\Pr(w_t = 0 | \theta, \omega_t = 1) \Pr(\omega_t = 1) + \Pr(w_t = 0 | \theta, \omega_t = 0) \Pr(\omega_t = 0)}$$

$$= \frac{(1-\theta)\pi}{(1-\theta)\pi + \theta(1-\pi)}.$$

∎

Proof of Lemma 1. In the second period, the incumbent will select the policy that maximizes social welfare given there is no election, or

$$\max_{\sigma_2(w_2;\theta)} \sigma_2(w_2;\theta) \left[\hat{\pi}_2(w_2;\theta)m + (1 - \hat{\pi}_2(w_2;\theta))\rho n \right] + (1-\sigma_2(w_2;\theta)) \left[\hat{\pi}_2(w_2;\theta)\rho n + (1 - \hat{\pi}_2(w_2;\theta))m \right],$$

and

$$\sigma_2^*(w_2;\theta) = \begin{cases} 1 & \text{if } \hat{\pi}_2(w_2;\theta) < \frac{1}{2} \\ 0 & \text{otherwise.} \end{cases}$$

∎

Proof of Lemma 2. Given Lemma 1, a special interest voter's expected second period utility associated with reelecting the incumbent is given by

$$(\hat{\kappa}^j + (1 - \hat{\kappa}^j)\lambda)\rho$$

whereas a majority voter's expected second period utility is

$$(1 - \hat{\kappa}^h)(1 - \lambda).$$

A special interest voter will prefer to reelect the incumbent only if

$$(\hat{\kappa}^j + (1 - \hat{\kappa}^j)\lambda)\rho \geqslant (\kappa + (1 - \kappa)\lambda)\rho \Rightarrow \hat{\kappa}^j \geqslant \kappa.$$

Similarly, a majority voter will prefer to reelect the incumbent only if

$$(1 - \hat{\kappa}^h)(1 - \lambda) \Rightarrow \hat{\kappa}^h \leqslant \kappa.$$

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∎

Proof of Lemma 3. Suppose $\sigma_1^*(w_1; \theta) = 1 - w_1$. Then, this is a straightforward application of Bayes' Theorem, where

$$\hat{\kappa}_j^*(1) = \Pr(\theta = 1 | \Pi_1 = 1) = 0$$

$$\hat{\kappa}_h^*(1) = \Pr(\theta = 1 | s_1 = 1) = \frac{(1 - \frac{1}{2}(1-\alpha))\kappa}{1 - \alpha(1-\kappa)(1-\lambda) - \frac{1}{2}(1-\alpha)}$$

$$\hat{\kappa}_h^*(0) = \Pr(\theta = 1 | s_1 = 0) = \frac{\frac{1}{2}(1-\alpha)\kappa}{\frac{1}{2}(1-\alpha) + \alpha(1-\kappa)(1-\lambda)}$$

$$\hat{\kappa}_j^*(0) = \Pr(\theta = 1 | \Pi_1 = 1) = \frac{\kappa}{\kappa + \lambda(1-\kappa)}.$$

∎

Proof of Proposition 1. First I show that this is indeed an equilibrium, then I prove uniqueness provided $N_s > \overline{N}_s$.

- **The special interest discipline equilibrium exists.**

  Suppose $\sigma_1^*(w_1; \theta) = 1 - w_1$. By Lemma 3, the voters' beliefs are given by

  $$0 = \hat{\kappa}_j^*(1) < \hat{\kappa}_h^*(1) < \kappa < \hat{\kappa}_h^*(0) < \hat{\kappa}_j^*(0) < 1.$$

  This implies the majority strategy $\nu_h^*(1) = 1$, $\nu_h^*(0) = 0$ and the special interest strategy $\nu_j^*(1) = 0$, $\nu_j^*(0) = 1$.

  A competent incumbent will prefer to select $x_1 = 1 - w_1$ provided

  $$\rho n - m \geqslant \Delta(1,0)(\tau + (1-\kappa)(1-\lambda)(\rho n - m))$$

  or

  $$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)}.$$

  Rearranging the above gives the condition that

  $$N_s \geqslant N^* - F_0^{-1}\left(F_1(N^*; M, (1+\alpha)/2) + \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)}\right) \equiv \overline{N}_s.$$

  An incompetent incumbent will prefer to select $x_1 = 1 - w_1$ provided

  $$\rho n - m \geqslant \Delta(1,0)(\tau - \kappa(1-\lambda)(\rho n - m))$$

  or

  $$\Delta(1,0) \geqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau < \kappa(1-\lambda)(\rho n - m) \qquad (13)$$

  $$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau > \kappa(1-\lambda)(\rho n - m). \qquad (14)$$

Observe that $\Delta(1,0) \geqslant 0$ such that for sufficiently small τ, condition (13) is always satisfied.

Then, consider $\tau > \kappa(1-\lambda)(\rho n - m)$. Rearranging condition (14) gives

$$N_s \geqslant N^* - F_0^{-1}\left(F_1(N^*; M, (1+\alpha)/2) + \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)}; M, (1-\alpha)/2\right) \equiv \tilde{N}_s$$

where $\tilde{N}_s \leqslant \overline{N}_s$. ∎

- **This equilibrium is unique if $\tau < \bar{\tau}$ or $N_s > \overline{N}_s$.**

  Consider an arbitrary retention strategy for the majority voter: $\nu_h(1), \nu_h(0)$. Then, the competent politician will prefer to select $x_1 = w_1$ if and only if

  $$\Delta(\nu_h(1), \nu_h(0)) \geqslant \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)}.$$

  Then, given the difference in reelection probabilities $\Delta(\nu_h(1), \nu_h(0))$ is maximized at $\nu_h(1) = 1$, $\nu_h(0) = 0$ if

  $$\Delta(1,0) < \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)},$$

  there does not exist a feasible voter strategy that would induce $\sigma_1^*(1;1) > 0$ or $\sigma_1^*(0;1) < 1$ if $N_s > \overline{N}_s$.

  Similarly, the incompetent politician will prefer to select $x_1 = w_1$ if and only if

  $$\Delta(1,0) \geqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau < \kappa(1-\lambda)(\rho n - m)$$

  $$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau > \kappa(1-\lambda)(\rho n - m).$$

  Then, if $N_s > \overline{N}_s$, there does not exist a feasible voter strategy that would induce $\sigma_1^*(1;\lambda) > 0$ or $\sigma_1^*(0;\lambda) < 1$. Therefore, neither type of politician will prefer reelection to the social welfare cost in period $t = 1$ if $N_s > \overline{N}_s$. ∎

Proof of Lemma 4. Suppose $\sigma_1^*(w_t; \lambda) = 1 - w_t$, $\sigma_1^*(1;1) = 1 - \lambda$, $\sigma_1^*(0;1) = \lambda$. Then, this

is again a straightforward application of Bayes' Theorem, where

$$\kappa_j^*(1) = \Pr(\theta = 1|\Pi_1 = 1) = \frac{(1-\lambda)\kappa}{(1-\lambda)\kappa + (1-\lambda)(1-\kappa)} = \kappa,$$

$$\kappa_h^*(1) = \Pr(\theta = 1|s_1 = 1) = \frac{(\frac{1}{2}(1-\alpha) + \alpha(1-\lambda))\kappa}{(\frac{1}{2}(1-\alpha) + \alpha(1-\lambda))\kappa + (\frac{1}{2}(1-\alpha) + \alpha(1-\lambda)))(1-\kappa)} = \kappa,$$

$$\kappa_j^*(0) = \Pr(\theta = 1|\Pi_1 = 0) = \frac{\lambda\kappa}{\lambda\kappa + \lambda(1-\kappa)} = \kappa,$$

$$\kappa_h^*(0) = \Pr(\theta = 1|s_1 = 0) = \frac{(1-\alpha(1-\lambda) - \frac{1}{2}(1-\alpha))\kappa}{(1-\alpha(1-\lambda) - \frac{1}{2}(1-\alpha))\kappa + (1-\alpha(1-\lambda) - \frac{1}{2}(1-\alpha))(1-\kappa)} = \kappa.$$

■

Proof of Proposition 2. Suppose $\sigma_1^*(w_1; \lambda) = 1 - w_1$, $\sigma_1^*(1; 1) = 1 - \lambda$, $\sigma_1^*(0; 1) = \lambda$. By Lemma 4, the voters' beliefs are given by

$$0 < \hat{\kappa}_j^*(0) = \hat{\kappa}_h^*(0) = \kappa = \hat{\kappa}_h^*(1) = \hat{\kappa}_h^*(1) < 1.$$

Consider a strategy for each majority voter given by $\nu_h^*(0) = 0$ and $\nu_h^*(1) \in (0, 1]$.

For this to be an equilibrium, competent politicians must be indifferent between selecting $x_1 = w_1$ and $x_1 = 1 - w_1$, or

$$\Delta(\nu_h(1), \nu_h(0)) \left[\tau + (1-\kappa)(1-\lambda)\rho n - (1-\kappa)(1-\lambda)m\right] = \rho n - m.$$

Rearranging, this is only feasible if $\exists\, \nu^h(1) \in (0, 1]$ such that

$$\Delta(\nu_h^*(1), \nu_h^*(0)) = \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)} \equiv \hat{\beta}(\theta = 1).$$

Finally, it must be that incompetent politicians prefer to select $x_1 = 1 - w_1$, which holds if

$$\rho n - m \geqslant \Delta(\nu_h^*(1), \nu_h^*(0)) \left[\tau - \kappa(1-\lambda)(\rho n - m)\right]$$

which is only satisfied if

$$\Delta(\nu_h^*(1), \nu_h^*(0)) \leqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \equiv \hat{\beta}(\theta = \lambda).$$

This holds given $\hat{\beta}(\lambda) \leqslant \hat{\beta}(1)$. ■

Proof of Proposition 3. Observe

$$\overline{N}_s \equiv N^* - F_0^{-1}\left(\beta + F_1(N^*; M, \tfrac{1}{2}(1 + \alpha)); M, \tfrac{1}{2}(1 - \alpha)\right)$$

and

$$\frac{\partial \overline{N}_s}{\partial \alpha} = -F_0^{-1\prime}\left(\beta + F_1(N^*; M, \tfrac{1}{2}(1+\alpha)); M, \tfrac{1}{2}(1-\alpha)\right) F_1'(N^*; M, \tfrac{1}{2}(1+\alpha)) > 0$$

given F_1 is increasing in α and F_0 is decreasing in α which gives F_0^{-1} decreasing in α. Similarly,

$$\frac{\partial \overline{N}_s}{\partial \tau} = F_0^{-1\prime}\left(\beta + F_1(N^*; M, \tfrac{1}{2}(1+\alpha)); M, \tfrac{1}{2}(1-\alpha)\right) \frac{(\rho n - m)}{(\tau + (1-\kappa)(1-\lambda)(\rho n - m))^2} > 0.$$

∎

Proof of Proposition 4. Suppose $N_s \geqslant \overline{N}_s$. Let $\tilde{\kappa} = \Pr(\theta = 1 | t = 2)$. Then

$$\tilde{\kappa} = \kappa\left[1 - F_0(N^* - N_s; M, \tfrac{1}{2}(1-\alpha))(1 - \kappa - \lambda(1-\kappa)) + (1-\kappa)(1-\lambda)F_1(N^*; M, \tfrac{1}{2}(1+\alpha))\right]$$

where

$$\tilde{\kappa} < \kappa \Rightarrow N_s < N^* - F_0^{-1}(F_1(N^*; M, \tfrac{1}{2}(1+\alpha)); M, \tfrac{1}{2}(1-\alpha)) \equiv \widehat{N}_s.$$

∎

Proof of Proposition 5. From Proposition 4, we have

$$\tilde{\kappa} \geqslant \kappa \Rightarrow N_s \geqslant N^* - F_0^{-1}(F_1(N^*; M, \tfrac{1}{2}(1+\alpha)); M, \tfrac{1}{2}(1-\alpha)) \equiv \widehat{N}_s.$$

∎

A.2 Equilibrium with Weak Special Interest Group

This appendix characterizes an equilibrium if $\rho \leqslant m/n$.

Suppose $\rho \leqslant m/n$. Then, the following is always a perfect Bayesian equilibrium if $M \geqslant \overline{M}$:
$\sigma_t^*(w_t; \theta) = w_t$, $\nu_h^*(1) = \nu_j^*(0) = 1$, $\nu_h^*(0) = \nu_j^*(1) = 0$, $\hat{\kappa}_j^*(0) = 0$ and

$$\hat{\kappa}_h^*(0) = \frac{(1 - \frac{1}{2}(1 + \alpha))\kappa}{1 - \alpha(\lambda + \kappa - \lambda\kappa) - \frac{1}{2}(1 - \alpha)} < \kappa < \hat{\kappa}_h^*(1) = \frac{\frac{1}{2}(1 + \alpha)\kappa}{\frac{1}{2}(1 - \alpha) + \alpha(\kappa + \lambda(1 - \kappa))} < \hat{\kappa}_j^*(1) < 1.$$

Proof. Suppose $\sigma_t^*(w_t; \theta) = w_t$ in an equilibrium. Then, this strategy implies expected second period utility is

$$\mathbb{E}U_2^h = \hat{\kappa}^h + (1 - \hat{\kappa}^h)\lambda$$

and

$$\mathbb{E}U_2^j = (1 - \hat{\kappa}^j)(1 - \lambda)\rho$$

and the following beliefs for the voters:

$$\hat{\kappa}_j^*(0) = 0$$

$$\hat{\kappa}_h^*(0) = \frac{(1 - \frac{1}{2}(1 + \alpha))\kappa}{1 - \alpha(\lambda + \kappa - \lambda\kappa) - \frac{1}{2}(1 - \alpha)} < \kappa$$

$$\hat{\kappa}_h^*(1) = \frac{\frac{1}{2}(1 + \alpha)\kappa}{\frac{1}{2}(1 - \alpha) + \alpha(\kappa + \lambda(1 - \kappa))} > \kappa$$

$$\hat{\kappa}_j^*(1) = \frac{\kappa}{\kappa + \lambda(1 - \kappa)} > \kappa.$$

This implies the following voting rules for voters: $\nu_h^*(1) = \nu_j^*(0) = 1$, $\nu_h^*(0) = \nu_j^*(1) = 0$.

As $\rho \leqslant m/n$, the majority policy maximizes social welfare and absent reelection concerns politicians will prefer to implement $x_2 = w_2$. Then, for this to be an equilibrium, both competent and incompetent incumbents must prefer $x_1 = w_1$ to $x_1 = 1 - w_1$ in the first period. This requires

$$\frac{m - \rho n}{\tau + (1 - \kappa)(1 - \lambda)(m - \rho n)} \geqslant F_1(N^*; M, (1 + \alpha)/2) - F_0(N^* - N_s; M, (1 - \alpha)/2)$$

or

$$M \geqslant \frac{N - 1}{2} + F_0^{-1}\left(F_1(N^*; M, (1 + \alpha)/2) - \frac{(m - \rho n)}{\tau + (1 - \kappa)(1 - \lambda)(m - \rho n)}; M, (1 - \alpha)/2\right) \equiv \overline{M}$$

for a competent incumbent and

$$\frac{m - \rho n}{\tau - \kappa(1 - \lambda)(m - \rho n)} \geqslant F_1(N^*; M, (1 + \alpha)/2) - F_0(N^* - N_s; M, (1 - \alpha)/2)$$

for an incompetent incumbent. Observe if the incentive constraint is satisfied for the competent politician, it implies the incentive constraint is satisfied for the incompetent

politician. ∎

A.3 Existence of Special Interest Discipline Equilibrium with Policy Observability

This appendix proves the special interest discipline equilibrium continues to exist even if majority voters also observe policy x_1 in addition to the noisy signal of utility s_1.

Suppose $\rho > m/n$. There exists a perfect Bayesian equilibrium in which $\sigma_t^*(w_t) = 1 - w_t$.

Proof. Suppose $\sigma_t^*(w_t) = 1 - w_t$ in an equilibrium. Then, this strategy implies the following beliefs for the voters, $\hat{\kappa}^i(s_1, x_1)$:

$$\hat{\kappa}_j^*(0, x_1) = 0$$

$$\hat{\kappa}_h^*(0,0) = \frac{(1 - \frac{1}{2}(1-\alpha))\kappa}{1 - \frac{1}{2}(1-\alpha) - \alpha(1-\kappa)(1 - \pi\lambda)} > \kappa$$

$$\hat{\kappa}_h^*(0,1) = \frac{(1 - \frac{1}{2}(1-\alpha))\kappa}{1 - \frac{1}{2}(1-\alpha) - \alpha(1-\kappa)(1 - (1-\pi)\lambda)} > \kappa$$

$$\hat{\kappa}_h^*(1,0) = \frac{\frac{1}{2}(1-\alpha)\kappa}{\frac{1}{2}(1-\alpha) + \alpha(1-\kappa)(1-\pi)(1-\lambda)} < \kappa$$

$$\hat{\kappa}_h^*(1,1) = \frac{\frac{1}{2}(1-\alpha)\kappa}{\frac{1}{2}(1-\alpha) + \alpha(1-\kappa)\pi(1-\lambda)} < \kappa$$

$$\hat{\kappa}_j^*(1, x_1) = \frac{\kappa}{\kappa + \lambda(1-\kappa)} > \kappa.$$

This implies $\nu_h^*(1, x_1) = 1$, $\nu_h^*(0, x_1) = 0$, $\nu_j^*(1, x_1) = 0$, and $\nu_j^*(0, x_1) = 1$.

Then, for this to be an equilibrium, both competent and incompetent incumbents must prefer $x_1 = 1 - w_1$ to $x_1 = w_1$ in the first period. This requires

$$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau + (1-\kappa)(1-\lambda)(\rho n - m)}$$

for a competent incumbent and either

$$\Delta(1,0) \geqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau < \kappa(1-\lambda)(\rho n - m)$$

$$\Delta(1,0) \leqslant \frac{\rho n - m}{\tau - \kappa(1-\lambda)(\rho n - m)} \qquad \text{if } \tau > \kappa(1-\lambda)(\rho n - m).$$

for an incompetent incumbent. Observe that this reduces to the same conditions from Proposition 1. ∎