Chapter 3

Divisive politics and accountability

3.1 Motivation

Politicians often take ideological positions that, while popular among the initiator’s supporters, seem to unite the opposing political camp even more. Such ‘divisive politics’ leaves the electorate and the party system more polarized, without creating a clear electoral gain for the initiator. In European politics, examples can be found in Spain (in the foreign policy of the People’s Party or in the liberal social policies of the Socialist Party) and, more painfully, in the appeal to nationalism and anti-European sentiment in post-transition Poland, Hungary and other countries of Central-Eastern Europe. A common feature of these examples is that the positions taken are distant from the median voter’s
preferred position and that they help to unite the governing parties as well as the opposition.

This paper demonstrates that politicians may have a strategic incentive to engage in ‘divisive politics’, even if most of the direct electoral benefit accrues to their opponent. By polarizing the electorate, the incumbent weakens the ability of ‘independent’ voters to make him accountable for his policies in the common interest. Moreover, the analysis shows that the interests of the incumbent and the opposition may be aligned: the opposition may also benefit from the weakening of political accountability.

The analysis introduces elements of ideology into the analysis of political accountability. The theoretical analysis of political accountability, initiated by the early work of Barro (1973) and Ferejohn (1986), concentrates on the moral-hazard aspect of politics: the conflict of interest between citizens (principals) and politicians (agents). Examples of this conflict of interest are given by corruption and the diversion of public funds by politicians to projects of their preference. Alternatively, one may think of politicians as investing costly effort in the efficient functioning of the state. Voters can make the incumbent act in their interest by offering the reward of reelection in case of good outcomes.¹

¹Recent developments in the analysis of political accountability include Persson et al. (1997) who study the effect of “checks and balances” in a political system with more than one politician responsible for a policy outcome, and Maskin and Tirole (2004) who point out the potentially negative effects of political accountability. For an overview of the issues related to political accountability see Persson and Tabellini (2000) and Besley (2006).
Beside the moral-hazard aspect, some analyses introduced an adverse-selection element to the study of political accountability. Voters in these frameworks would like to choose the more able politicians, beside disciplining the incumbent.\(^2\)

The present analysis is most closely related to Besley (2006, pp. 124-128) who studies a political accountability game with ‘partisan’ and ‘swing’ voters. Partisan voters always vote for their preferred party; it is swing voters who exercise political accountability. He finds that electoral accountability is more effective if there is less ‘noise’ in voters’ decisions, if the electorate is less polarized, and if the competition between parties is more even.

The approach taken here differs from that of Besley (2006) in three important respects. First, the present paper models explicitly the politicians’ incentives to manipulate the distribution of voters through ‘divisive politics’. Second, the incentives of the opponent politician are for the first time analyzed. Third, the present model abstracts from the adverse-selection problem and concentrates on the core moral-hazard aspect of political accountability, as in the model by Persson and Tabellini (2000, Chapter 4).

The main results of this are derived from the analysis of the politicians’ incentives to manipulate the distribution of voters prior to the political accountability ‘subgame’. Politicians can choose to engage in divisive politics, forcing some swing voters to take sides and become partisan voters of either of the politicians. The result does not merely

\(^2\)See Banks and Sundaram (1993) and Besley and Case (1995). A detailed discussion of such models can be found in Fearon (1999) and Besley (2006).
state that politicians will resort to divisive politics if it brings them an electoral advantage over their opponents (as in Proposition 2 by Besley (2006, p. 127)). The strategic advantage of ‘divisive politics’ for the incumbent is that swing voters lose some leverage over the reelection, and therefore have to reduce their demands towards the incumbent. ‘Divisive politics’ pays off for the incumbent even if most of the direct electoral benefit accrues to the opposition. But the analysis also shows that the opponent also gains from divisive politics. As the leverage of swing voters decrease, the probability of the opponent winning the election, in equilibrium, also increases.

3.2 Analysis

3.2.1 The model

Consider an economy with a large number of voters and two politicians, an incumbent $A$ and an opponent $B$. The incumbent chooses an action $e \in \mathbb{R}^+$, which we call effort. After $e$ becomes public, elections are held where each voter casts a vote for one of the politicians. Either $A$ or $B$ becomes the winner of the elections.

Politicians are office-motivated. The winner of the elections receives a rent $R$. The rent from office may be thought of as ‘ego rent’ but may also be thought of as reflecting the ability to shape (unmodeled) policy. Apart from this rent, the utility of the incumbent depends on the effort he chose before the elections. Effort is costly. We can thus summarize
the politicians' expected utility as:

\[ Eu_A = \pi R - e \]

\[ Eu_B = (1 - \pi)R \]

where \( \pi \) is the probability that the incumbent gets reelected.

There are three types of voters: partisan voters of either A or B and 'swing voters'. The type of a voter is denoted by \( \theta = \{A, 0, B\} \). The utility of each voter increases in the incumbent’s effort. Partisan voters receive an additional additive component \( \Omega \) to their utility if their preferred politician wins the elections. The utility of swing voters does not depend on the identity of the winner; they are inherently indifferent between the politicians. Voter utility can thus be summarized as

\[ w_\theta = e + I_\theta \Omega \]

for \( \theta = \{A, 0, B\} \), where \( I_\theta \) is an indicator variable that equals 1 if a partisan voter’s preferred politician wins the elections and zero otherwise.

The shares of partisan voters are \( s_A \) and \( s_B \), respectively. The rest of the voters is independent: their share is \( s_0 \) with \( s_0 = 1 - s_A - s_B \). The share of partisan voters is stochastic; the uncertainty resolves only at the election stage. The voter shares are \( s_A = \overline{s}_A - \varepsilon \) and \( s_B = \overline{s}_B + \varepsilon \), where \( \varepsilon \) is a mean-zero random variable characterized by a continuous c.d.f. \( F(\varepsilon) : [-k, k] \rightarrow [0, 1] \). (A restriction on the distribution parameter \( k \) that ensure the non-negativity of vote shares will be given below after some further definitions.) The nature of the uncertainty and the distribution of the random variable \( \varepsilon \) are common knowledge.

At the beginning of the game, the incumbent makes a choice \( D \in \{0, 1\} \) whether to engage in 'divisive politics.' Divisive politics \( (D = 1) \)
forces a fraction of swing voters to take sides and turns them into partisan voters. The share of voters turning from swing voters to partisan ones is $\Delta$. A fraction $\lambda \in (0, 1)$ of these voters become partisan voters of the incumbent while the rest $(1 - \lambda)$ becomes partisan to the opponent politician. If the incumbent chooses not to engage in divisive politics, the expected shares of partisan voters are $s_A = s_B = b$. Divisive politics results in the voter shares $s_A = b + \lambda \Delta$ and $s_B = b + (1 - \lambda)\Delta$. None of the results below depend on the simplification that both parties initially have an equal share of partisan voters. The substantive assumption is that swing voters are sometimes pivotal. Positive vote shares are ensured by $k < b$, and $\Delta < 1 - 2b$. To avoid corner solutions, the analysis concentrates on the case where $b + k > 1/2$. This assumption means that whatever the swing voters do, both politicians have a positive probability of winning.

After the incumbent made this decision, but before he makes the effort choice, the swing voters choose (and announce) a ‘simple retrospective voting strategy’ for the elections. A simple retrospective voting strategy is sufficiently described by a threshold effort level $\bar{e}$. By announcing $\bar{e}$ the swing voters make the non-binding announcement that they will vote for the incumbent if and only if he chooses an effort higher or equal to $\bar{e}$. This class of strategies enables the swing voters to attain the highest payoff given the choice of divisive politics by the incumbent politician. It is crucial for the argument, however, that vot-

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3Such voting strategies, or as they are sometimes referred to, ‘simple retrospective voting rules’ are discussed in detail by Persson et al. (1997) and Persson and Tabellini (2000).
ers cannot condition their vote on whether the politician chose divisive politics. This assumption tries to capture the idea that divisive politics modifies the conditions of electoral competition but is external to the direct means of electoral competition.

The sequence of the moves is, thus, as follows: (1) The incumbent chooses whether to engage in divisive politics \((D = \{0, 1\})\); (2) The swing voters choose and announce voting strategy \(\bar{e}\); (3) The incumbent chooses effort \(e\), which is publicly observed; (4) Each voter casts a vote for either \(A\) or \(B\). The election winner emerges and payoffs are realized.

### 3.2.2 Solving the accountability subgame

We solve the game by backward induction. In the last stage, partisan voters always vote for their preferred politician. Swing voters are inherently indifferent between the politicians; at the election stage it is weakly optimal for them to execute the voting strategy they chose at stage (2).\(^4\)

When choosing the effort level, the incumbent politician compares two relevant alternatives. He gains the votes of swing voters by setting \(e = \bar{e}\). Any effort level higher than that causes additional costs with-

\(^4\)Though this is a natural assumption, it is an argument of equilibrium selection. Note that any voting action chosen by the individual swing voters constitutes an equilibrium of the election subgame because none of the large number of voters is pivotal. By assuming that swing voters do not deviate from their announced (and optimally chosen) strategy we, in effect, pick the best equilibrium from the swing voters’ point of view (for this argument see also Persson et al., 1997, p. 1171).
out any electoral gain and is therefore strictly dominated. The relevant alternative is to set \( e = 0 \). Any effort level in the intermediate range \( e \in (0, \bar{e}) \) is more costly without electoral gain and is therefore dominated by zero effort.

The incumbent maximizes his expected payoff according to the formula

\[
\max_e E[u_A(e)] = \pi(e)R - e. \tag{3.4}
\]

To be able to compare the relevant expected payoffs, we first calculate the incumbent’s probability of reelection conditional on his effort choice. If he sets \( e = \bar{e} \), the swing voters will vote for him. The vote share \( A \) receives is thus \( s_A + s_0 \), while \( B \) gets a vote share \( s_B \). Using the identity \( s_A + s_B + s_0 = 1 \), we can express \( A \)'s reelection probability as

\[
\pi(\bar{e}) = \Pr\left(s_A + s_0 > \frac{1}{2}\right) = \Pr\left(s_A - \varepsilon + s_0 > \frac{1}{2}\right) = \Pr\left(\varepsilon < 1 - s_B - \frac{1}{2}\right) = F\left(\frac{1}{2} - s_B\right). \tag{3.5}
\]

(Note that the continuity of \( F(\cdot) \) ensures that ties occur with probability zero. Thus, the tie-breaking rule does not enter into the decision problem of the incumbent.) Turning to the alternative, if \( A \) chooses \( e = 0 \), the swing voters will vote for \( B \). Therefore, the incumbent’s reelection probability is

\[
\pi(0) = \Pr\left(s_A > \frac{1}{2}\right) = \Pr\left(s_A - \varepsilon > \frac{1}{2}\right) = \Pr\left(\varepsilon < s_A - \frac{1}{2}\right) = F\left(s_A - \frac{1}{2}\right). \tag{3.7}
\]
Comparing the payoffs conditional on the choice of effort, we find that the incumbent will choose $e = \bar{e}$ (rather than $e = 0$) if and only if

$$\bar{e} \leq [\pi(\bar{e}) - \pi(0)] R = \left[ F \left( \frac{1}{2} - s_B \right) - F \left( \frac{1}{2} - s_A \right) \right] R. \quad (3.9)$$

Intuitively, this relationship can be understood as an incentive constraint: it does not pay for the incumbent to exert more effort to gain the swing voters’ support than than the expected benefit he receives from their support. The expected benefit is the increased probability of reelection times the rent in office. The more probable it is that the incumbent wins the election without the swing voters’ support (and the less probable it is that he wins the elections in spite of receiving their votes) the less effort he is ready to put forward.

When, at stage (2), swing voters contemplate to set the effort threshold $e$, they must take this incentive constraint into account. Their utility increases with $e$ up to the level where the politician is indifferent between choosing $\bar{e}$ and zero effort. If the threshold $\bar{e}$ exceeds that level, the incumbent prefers to choose zero effort and the swing voters’ utility falls to zero. Therefore, swing voters will set $\bar{e}$ in a way to make the incumbent’s incentive condition bind. In effect, the incumbent receives an expected utility equal to his ‘outside option’ (zero effort); swing voters are able to extract the full rent difference the incumbent receives by their support. We can summarize the results so far in

**Lemma 3.1** Consider the accountability subgame starting in stage (2). In equilibrium, swing voters set the reelection threshold

$$\bar{e} = \left[ F \left( \frac{1}{2} - s_B \right) - F \left( \frac{1}{2} - s_A \right) \right] R; \quad (3.10)$$
The incumbent always sets $e = \bar{e}$ and gets reelected with probability $\pi = F\left(\frac{1}{2} - \frac{s_B}{s_A}\right)$.

3.2.3 Divisive politics in equilibrium

At the first stage of the game, the incumbent politician decides whether to engage in divisive politics. Expecting equilibrium behavior in the subgame starting at stage 2, his expected payoff is:

$$Eu_A = \pi(\bar{e})R - \bar{e} = \pi(\bar{e})R - [\pi(\bar{e}) - \pi(0)]R = \pi(0)R = F\left(\frac{s_A}{s_A} - \frac{1}{2}\right)R = \Pr\left(\varepsilon < \frac{s_A}{s_A} - \frac{1}{2}\right)R. \quad (3.12)$$

Now we can turn to the question, how this expected payoff is affected by divisive politics. Divisive politics $(D = 1)$ increases $s_A$, increases $s_B$ and reduces $s_0$. Thus, according to the last expression, it unequivocally increases the expected payoff of the politician for the whole range of possible parameter values $\Delta \in (0, 1 - 2b)$ and $\lambda \in (0, 1)$. We can now state the main result of the analysis.

**Proposition 3.1** In equilibrium, the incumbent politician always chooses to engage in divisive politics $(D = 1)$ for all parameter values $\Delta \in (0, 1 - 2b)$ and $\lambda \in (0, 1)$.

Perhaps surprisingly, the incumbent has an incentive to engage in divisive politics even if it overwhelmingly benefits the opponent (that is, even if $\lambda$ is very close to zero). To see the intuition of this result, consider the incumbent’s expected equilibrium payoff. As was shown, this expected payoff equals the incumbent’s ‘outside option’ at the effort stage, that is, his expected utility after setting $e = 0$. The value
of the outside option, however, depends solely on the probability that the incumbent’s partisan voters are in absolute majority. All swing and $B$-partisan voters vote against the incumbent after $e = 0$; any redistribution between these voter groups is inconsequential for $A$’s equilibrium expected payoff. Thus, he will engage in divisive politics even if it benefits the opponent more than himself.

### 3.2.4 Extension: Divisive politics by the opponent

We have seen that it is in the interest of the incumbent to divide the swing voters. It may be interesting to ask whether the opponent politician $B$ has the opposite interest. To operationalize this, consider a modification of the game analyzed above. In stage (1) of the modified game, the opponent $B$ (instead of the incumbent $A$) makes a decision $D_B = \{0, 1\}$ whether to engage in divisive politics. If he indeed does choose divisive politics ($D_B = 1$), the expected share of partisan voters become respectively $s_A = b + \lambda \Delta$ and $s_B = b + (1 - \lambda) \Delta$. Otherwise the expected share of partisan voters is $s_A = s_B = b$. The political accountability subgame (stages (2) to (4)) remains unchanged.

It is left to see under what parameter values $B$ prefers divisive politics. Using the equilibrium of the accountability subgame as analyzed in Subsection 2.2, the payoff of $B$ is

$$ Eu_B = (1 - \pi(\bar{e})) R. \tag{3.13} $$

Since $\pi(\bar{e}) = F \left( \frac{1}{2} - \bar{s_B} \right)$ and $\bar{s_B}$ is increased by divisive politics over the full parameter range of $\Delta \in (0, 1 - 2b)$ and $\lambda \in (0, 1)$, we reach the following proposition:
Proposition 3.2 Consider the modified game where the opponent $B$ can engage in divisive politics. In equilibrium, the opponent always chooses divisive politics ($D_A = 1$) for all parameter values $\Delta \in (0, 1 - 2b)$ and $\lambda \in (0, 1)$.

This result shows that the interests of the incumbent and the opponent are aligned: both benefit if swing voters are turned into partisan voters, however unbalanced the benefits between the two politicians are. In particular, the opponent benefits even when $\lambda$ is very close to one. The opponent receives a higher expected payoff because, in equilibrium, divisive politics increases the the probability that the incumbent gets removed from office. Remember that in equilibrium the incumbent sets $e = \bar{e}$ and he receives the votes of the swing as well as his partisan voters. The opponent wins the elections in this case only if his partisan voters are in an absolute majority. This probability is increased even by a very small fraction of independents becoming partisan voters of the opponent.

Relying on the results above, it is possible to make the argument that divisive politics may emerge even under less favorable circumstances. It is a corollary of Propositions 1 and 2 that in a setting where it both politicians must engage in divisive politics for it to become effective and divide swing voters, it is an equilibrium in weakly dominant strategies that both politicians indeed choose divisive politics. In that case, divisive politics is a means of collusion of the politicians against the swing voters.
3.3 Conclusion

The analysis has shown that it may be in the interest of both the incumbent and the opponent politician to use divisive politics. Divisive politics forces some swing voters to take sides and thereby reduces their ability to make the incumbent accountable for his actions in the common interest. In the resulting equilibrium, the opponent also benefits from the weakening of political accountability because his election probability increases even though the incumbent satisfies the swing voters’ demands.