MAGYAR TUDOMÁNYOS AKADÉMIA
KÖZGAZDASÁGTUDOMÁNYI INTÉZET

KTEI IE

INSTITUTE OF ECONOMICS
HUNGARIAN ACADEMY OF SCIENCES

MŰHELYTANULMÁNYOK **DISCUSSION PAPERS**

MT-**DP – 2011/15**

Divisive Politics and Accountability

ÁRON KISS

INSTITUTE OF ECONOMICS, HUNGARIAN ACADEMY OF SCIENCES
BUDAPEST, 2011

Discussion papers
MT-DP – 2011/15

Institute of Economics, Hungarian Academy of Sciences

Divisive Politics and Accountability

Author:

Áron Kiss
analyst
National Bank of Hungary
E-mail: kissa@mnb.hu

April 2011

ISBN 978-615-5024-49-8
ISSN 1785 377X

Divisive Politics and Accountability

Áron Kiss

Abstract

The paper analyzes a political accountability game with an electorate of 'partisan' and 'independent' voters. It is shown that politicians have a strategic incentive to engage in 'divisive politics', that is, to force some independent voters to take sides, even if the direct electoral benefits are higher for their opponents than for themselves. By polarizing the electorate, the incumbent politician weakens the ability of independent voters to make him accountable for his policies in the common interest. Moreover, the interests of the incumbent and the opposition are aligned: the opposition also benefits from divisive politics because, in equilibrium, its election probability increases.

Keywords: political accountability, political agency, divisive politics, democracy in divided societies

JEL: D72

Megosztó politika és elszámoltathatóság

Kiss Áron

Összefoglaló

A tanulmány egy politikai elszámoltathatósági játékot elemez, amelyben a választók 'pártos' és 'független' választókra oszthatók. A tanulmány megmutatja, hogy ebben az elméleti keretben a politikusoknak stratégiai érdekük fűződik ahhoz, hogy 'megosztó politikát' folytassanak, vagyis hogy cselekedeteikkel független választókat pártossá tegyenek, még akkor is, ha a kérdéses választók nagy része a politikai ellenfél pártos választója lesz. A választók polarizálása (a független szavazók arányának csökkenése) ugyanis gyengíti a független szavazók azon képességét, hogy működtessék a politikai elszámoltathatóságot. A tanulmány megmutatja továbbá, hogy ebben az elméleti keretben a kormány és az ellenzék érdekei megegyeznek: az ellenzéknek is érdeke a megosztó politika, mivel annak hatására az egyensúlyi pályán megnő kormányra jutásának valószínűsége.

Tárgyszavak: politikai elszámoltathatóság, megbízó-ügynök probléma a politikában, megosztó politika, demokrácia megosztott társadalmakban

JEL kód: D72

Divisive politics and accountability

Áron Kiss*

March 23, 2011

Abstract

The paper analyzes a political accountability game with an electorate of 'partisan' and 'independent' voters. It is shown that politicians have a strategic incentive to engage in 'divisive politics,' that is, to force some independent voters to take sides, even if the direct electoral benefits are higher for their opponents than for themselves. By polarizing the electorate, the incumbent politician weakens the ability of independent voters to make him accountable for his policies in the common interest. Moreover, the interests of the incumbent and the opposition are aligned: the opposition also benefits from divisive politics because, in equilibrium, its election probability increases.

1 Introduction

Politicians often take positions that, while popular among their supporters, mobilize the opposing political camp as well. Such 'divisive politics' leaves the electorate and the party system more polarized, often without creating a clear electoral gain for the initiator. In American politics such issues are called 'wedge issues' while polarizing politics is also known as 'cultural war'. In European politics, examples can be found especially in 'third wave democracies', like Spain

*National Bank of Hungary. Email: kissa@mnb.hu. Postal address: Szabadság tér 8-9., Budapest, H-1054, Hungary. Tel: +36 1 428 2600 (app. 1309). Fax: +36 1 428 2590.

or the new democracies in Central and Eastern Europe, especially related to the heritage of a past dictatorship or the rights of ethnic minorities, but also to social issues. A common feature of these examples is that the polarizing positions help to unite the governing parties as well as the opposition and that they intend to move the median voter rather than reflect a move toward her.

This paper demonstrates that politicians 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 are aligned: the opposition also benefits from the weakening of political accountability.

In introducing elements of ideology into the analysis of political accountability, the paper brings together two separate strands of the literature. 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] Besides 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, in addition to disciplining the incumbent.[2]

[1]Recent 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 accountabilty. For an overview of the issues related to political accountability see Persson and Tabellini (2000) and Besley (2006).

[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).

By focusing on the relationship between polarization and accountability, the analysis is also related to the study in political science of democracy in 'divided societies.' Early analyses emphasized 'centrifugal forces' in democracies with multiple ethnicities (Rabushka and Shepsle, 1972), while much of the recent literature focuses on institutional arrangements that have the potential to tame those forces (Lijphart, 2004; Reilly, 2001). In relation with this literature the analysis brings to the fore that political accountability hinges crucially on the presence of independent voters. Accountability is weakened by cleavages in the electorate and even by what could be called the 'market power' of political parties.[3]

The formal analysis of the paper 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 excercise 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).[4]

The main results of the paper are derived from the analysis of the politi-

[3]Geys and Vermeir (2008) analyze a different aspect of the relationship between accountability and ideology. Their model follows the yardstick competition tradition in that voters look to outcomes in neighbouring jurisdictions to assess the performance of their policy-makers. The authors analyze why voters could react differently to similar signals from other jurisdictions depending on whether policy-makers there belong to the same party as the policy-makers at home.

[4]A similar framework is used to study the accountability of coalition governments by Kiss (2009).

cians' incentives to manipulate the distribution of voters prior to the political accountability 'subgame'. Politicians can choose to engage in divisive politics, forcing some independent voters to take sides and become partisan voters of either of the politicians. The result does not merely state that politicians will resort to devisive 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 independent 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. Moreover, the analysis shows that the opponent gains from divisive politics, too. As the leverage of independent voters decrease, the probability of the opponent winning the election, in equilibrium, also increases.

The next section presents the formal analysis. Between the formal analysis and the conclusion, the robustness of the results to various modifications of the assumptions is analyzed.

2 Analysis

2.1 The framework

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, an election is held where each voter casts a vote for exacly one of the politicians. Either A or B becomes the winner of the election. (In the tradition of the principal-agent literature, feminine pronouns will apply to the principal (the voter) and masculine pronouns to the agent (the politician).)

Politicians are office-motivated. The winner of the election reveives 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 chooses before the election. Effort is costly. We can thus summarize the politicians' expected utility as:

$$Eu_A = \pi R - e \quad (1)$$

$$Eu_B = (1-\pi)R \quad (2)$$

where π is the probability that the incumbent gets reelected.

There are three types of voters. A voter van be a 'partisan voter' of either A or B, or she can be an 'independent voter'. The type of a voter is denoted by $\theta = \{A, 0, B\}$. The utility of each voter increases in the incumbent's effort. A partisan voter receives an additional additive component Ω to her utility if her preferred politician wins the election. The utility of independent voters does not depend on the identity of the winner; they are inherently indifferent between the politicians. Voter utility can thus be summarized as

$$w_\theta = e + I_\theta \Omega \quad (3)$$

for $\theta = \{A, 0, B\}$, where I_θ is an indicator variable that equals 1 if a partisan voter's preferred politician wins the election 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 $s_A = \bar{s}_A - \varepsilon$ and $s_B = \bar{s}_B + \varepsilon$, where ε is a mean-zero random variable characterized by a continuous c.d.f. $F(\varepsilon) : [-k, k] \to [0, 1]$. (A restriction on the distribution parameter k that ensure the non-negativity of vote shares will be given after some further definitions.) The nature of the uncertainty and the distribution of the random variable ε 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 independent voters to take sides and turns them into partisan voters. The share of voters turning from independent voters to partisan ones is Δ. 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 $\bar{s}_A = \bar{s}_B = b$. Divisive politics results in the voter shares $\bar{s}_A = b + \lambda\Delta$ and $\bar{s}_B = b + (1 - \lambda)\Delta$. 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 independent voters are *sometimes* pivotal. Positive vote shares are ensured by $k < b$, and $\Delta < 1 - 2b$. As a final restriction on the parameters, the analysis concentrates on the case where $b + k > 1/2$. This assumption means that whatever the independent voters do, both politicians have a positive probability of winning.

After the incumbent makes this decision, but before he makes the effort choice, the independent voters choose (and announce) a 'simple retrospective voting strategy' for the election.[5] A simple retrospective voting strategy is fully described by a threshold level of effort $\bar{e}$. By announcing $\bar{e}$ the independent 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 independent voters to attain the highest payoff *given* the choice of divisive politics by the incumbent politician.[6]

The sequence of the moves is, thus, as follows: (1) The incumbent chooses whether to engage in divisive politics ($D = \{0, 1\}$); (2) The independent 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.

[5]Such 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).

[6]The next section, dedicated to analyze the robustness of the results to modifications of the assumptions, looks at the case where voters can condition their vote on whether the politician chose divisive politics in the first place. Under weak assumptions this cannot discourage the use of divisive politics.

2.2 Solving the accountability subgame

We solve the game by backward induction. In the last stage, it is always optimal for a partisan voter to vote for her preferred politician. Independent voters, in contrast, are indifferent between the politicians; at the election stage it is weakly optimal for an independent voter to execute the voting strategy she chose at stage (2).[7]

When choosing the effort level, the incumbent politician compares two relevant alternatives. He gains the votes of independent voters by setting $e = \bar{e}$. Any effort level higher than that causes additional cost without 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

$$\max_e E[u_A(e)] = \pi(e)R - e. \tag{4}$$

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 independent 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 $\bar{s}_A + \bar{s}_B + s_0 = 1$, we can express A's reelection probability as

$$\pi(\bar{e}) = \Pr\left(s_A + s_0 > \frac{1}{2}\right) = \Pr\left(\bar{s}_A - \varepsilon + s_0 > \frac{1}{2}\right) = \tag{5}$$

$$= \Pr\left(\varepsilon < 1 - \bar{s}_B - \frac{1}{2}\right) = F\left(\frac{1}{2} - \bar{s}_B\right). \tag{6}$$

(Note that the continuity of $F(.)$ ensures that ties occur with probability zero. Thus, the tie-breaking rule does not enter into the decision problem of the

[7] Though this is a natural assumption, it is an argument of equilibrium selection. Note that any voting profile chosen by the independent voters constitutes an equilibrium of the election subgame because none of the large number of voters is pivotal with a positive probabbility. By assuming that independent voters do not deviate from their announced (and optimally chosen) strategy we, in effect, pick the best equilibrium from the independent voters' point of view (for this argument see also Persson et al., 1997, p. 1171).

incumbent.) Turning to the alternative, if A chooses $e = 0$, the independent voters will vote for B. Therefore, the incumbent's reelection probability is

$$\pi(0) = \Pr\left(s_A > \frac{1}{2}\right) = \Pr\left(\bar{s}_A - \varepsilon > \frac{1}{2}\right) = \tag{7}$$

$$= \Pr\left(\varepsilon < \bar{s}_A - \frac{1}{2}\right) = F\left(\bar{s}_A - \frac{1}{2}\right). \tag{8}$$

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

$$\bar{e} \leqslant [\pi(\bar{e}) - \pi(0)]R = \left[F\left(\frac{1}{2} - \bar{s}_B\right) - F\left(\bar{s}_A - \frac{1}{2}\right)\right] R. \tag{9}$$

Intuitively, this relationship can be understood as an incentive constraint: it does not pay for the incumbent to exert more effort than the expected benefit he receives from the independent voters' 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 independent voters' support (and the less probable it is that he wins the election in spite of receiving their votes) the less effort he is ready to put forward.

When, at stage (2), independent voters contemplate to set the effort threshold $\bar{e}$, they must take this incentive constraint into account. Their utility increases with $\bar{e}$ 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 independent voters' utility falls to zero. Therefore, independent 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': the expected payoff he receives after zero effort and no support from independent voters. Independent voters are able to extract the full rent differential the incumbent receives by their support. We can summarize the results so far in

Lemma 1 *Consider the accountability subgame starting in stage (2) of the game. In equilibrium, independent voters set the reelection threshold*

$$\bar{e} = \left[F\left(\frac{1}{2} - \bar{s}_B\right) - F\left(\bar{s}_A - \frac{1}{2}\right)\right] R; \tag{10}$$

The incumbent sets $e = \bar{e}$ *and gets reelected with probability* $\pi = F\left(\frac{1}{2} - \bar{s}_B\right)$.

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:

$$\begin{aligned} Eu_A &= \pi(\bar{e})R - \bar{e} = \pi(\bar{e})R - [\pi(\bar{e}) - \pi(0)]R = & (11) \\ &= \pi(0)R = F\left(\bar{s}_A - \frac{1}{2}\right)R = \Pr\left(\varepsilon < \bar{s}_A - \frac{1}{2}\right)R. & (12) \end{aligned}$$

Now we can turn to the question how this expected payoff is affected by divisive politics. Divisive politics ($D = 1$) increases $\bar{s}_A$, increases $\bar{s}_B$ 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 1 *In equilibrium, the incumbent politician 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 λ 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 independent 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.

2.4 An extension: Divisive politics by the opponent

We have seen that it is in the interest of the incumbent to divide the independent 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 $\bar{s}_A = b + \lambda\Delta$ and $\bar{s}_B = b + (1 - \lambda)\Delta$. Otherwise the expected share of partisan voters is $\bar{s}_A = \bar{s}_B = b$. 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

$$Eu_B = (1 - \pi(\bar{e}))R. \tag{13}$$

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 2 *Consider the modified game where the opponent B can engage in divisive politics. In equilibrium, the opponent 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 independent voters are turned into partisan voters, however unbalanced the benefits between the two politicians are. In particular, the opponent benefits even when λ 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 independent as well as his partisan voters. The opponent wins the election 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 independent 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 independent voters.

3 Robustness to modifications of the assumptions

This section discusses five natural modifications of the setup and shows that the conclusions of the main analysis are robust to these modifications.

Independent voters punish divisive politics. Could independent voters discourage divisive politics by committing themselves to vote against the incumbent if he engages in it? It can be shown that, under relatively weak assumptions, this is not the case.

It is true that if *all* originally independent voters can commit to vote against the incumbent in the case that he chooses to divide, then he has no incentive any more to do so. (He is indifferent then.) However, divisive politics will remain beneficial for the incumbent politician as long as it converts an arbitrarily small share of independent voters to his partisans. This main result is not affected by the behavior of the rest of the independent voters or whether these are able to condition their vote on the use of divisive politics. Surprisingly, it may even harm the independent voters while it is indifferent to the divisive politician.

The reason is that, as we saw, the equilibrium payoff of the incumbent is equal to his 'outside option,' i. e., the payoff he receives if he chooses zero effort and the independent voters vote for the opponent. The politician's outside

option is, in turn, not affected if a fraction of independent voters chooses not to vote for him under any circumstances (becoming, in effect, partisan voters of the opponent). The only consequence of such a choice is that the leverage of the rest of the independent voters decreases even further, which forces them to lower their demands even further. In fact, even if some independent voters do announce at the beginning of the game that they will refrain from voting for the incumbent if he chooses divisive politics, this threat is not credible. Independent voters only value effort. Therefore, once the choice about divisive politics has been made, they are better off to use their leverage to give incentives to the incumbent, rather than to execute their threat and thereby reduce the politician's equilibrium effort.

The politician values the vote share rather than just winning. The analysis was based on the assumption that the incumbent values winning but wants to avoid costly effort. Another possible assumption could be to assume that the politician wants to maximize his vote share while trying to avoid costly effort. This assumption could be captured by specifying the expected utility of the politician as $E[\text{vote share}] - f(e)$ where $f(.)$ is a strict monotonically increasing function of effort. This different specification, however, would not change the results of the paper. If there is an arbitrarily small share of voters turned into partisan voters by divisive politics, the value of the incumbent's 'outside option' increases: after zero effort he expects to receive a higher vote share than without divisive politics. Thus, the incumbent's equilibrium expected payoff increases and the independent voters must lower the level of effort they demand in exchange for their support. Also, the opponent's expected vote share, along the equilibrium path, is increased by divisive politics, which keeps him, too, interested in divisive politics.

Divisive politics makes effort costlier. Will the incumbent be discouraged from divisive politics if it makes effort more costly or if it leaves him with less resources left to exert effort? It can easily be shown that this is not the case. It might be plausible to assume that the same scarce resource (time, attention, etc.) must be utilized for divisive politics and effort. In this case, after divisive

politics, there might be an upper bound to the effort the politician can exert. This will mean, in turn, an upper bound (i. e., a restriction) to the effort independent voters can demand from the incumbent in exchange for their support. There are two cases then: either this restriction is not binding, in which case the results will not be affected at all, or it is binding, in which case the independent voters are made worse off and the incumbent better off than in the absense of the restriction. In other words, if divisive politics lowers the maximum effort of the incumbent, it will become only the more desirable.

The situation is similar, but not quite the same, if divisive politics makes effort more costly: this will not affect the attractiveness of divisive politics but it will make its consequences worse for the voters. To recall, independent voters set their effort demand $\bar{e}$ to make the incumbent indifferent between satisfying their demand and zero effort. If effort is more costly, the demanded effort has to be lowered to find that point of indifference. The intuition for this result is more general: if the incumbent can handicap himself before the accountability subgame, he will choose to do it, because less effort can be demanded of him as a consequence.

Divisive politics increases the uncertainty about the electorate. All through the paper it was assumed that the uncertainty about the composition of the electorate is unaffected by divisive politics. It may be plausible, however, to assume that divisive politics increases the uncertainty. Could this make divisive politics less appealing to the incumbent (or the opponent)? To answer this question, we should again consider that the equilibrium payoff of the incumbent is equal to the value of his outside option, i. e., his payoff after zero effort and no support from the independent voters. Suppose that the incumbent expects that, after engaging in divisive politics, his base $\bar{s}_A$ will be below 50%. After zero effort the independent voters will vote for the opponent. The incumbent thus wins the election only if the uncertainty regarding the electorate is resolved in a way that is very favorable to him (more precisely: if $\varepsilon < \bar{s}_A - \frac{1}{2}$). If divisive politics increases uncertainty, extreme values of the shock ε will become more likely. It follows that the probability of winning after zero effort will increase

for the incumbent, which means that his 'outside option' will be more valuable. Thus, in this case, increasing uncertainty will make divisive politics more, not less, attractive for the incumbent. Similarly, divisive politics will become more attractive for the opponent if the vote share of his base $\bar{s}_B$ is below 50%. This is because, along the equilibrium path, independent voters will vote for the incumbent. The opponent can win the election only after an extremely positive shock ε. This event is made more likely by increasing uncertainty.

Interestingly, this logic also points at instances where the dependence of uncertainty from divisive politics makes divisive politics less desirable for the politicians. This is the case if the politician's base is expected to be smaller than 50% and divisive politics *decreases* uncertainty about the electorate: in this case the two effects of divisive politics have to be weighed against each-other. This will also be the case if the politician's base is expected to *exceed* 50% and divisive politics *increases* the uncertainty.

Divisive politics is really about firing up the base. Finally, it could be argued that divisive politics serves more to mobilize, or 'fire up,' a politician's base, rather than to force independent voters to take sides. To be sure, politicians are conscious that it is important to convince their supporters to turn out to vote. This consideration is perfectly compatible with the model described in this paper, to the extent that it might be called a different interpretation of the same model. To see this, consider a possible operationalization of the 'firing-up-the-base' aspect. Suppose that the initial distribution of the voters reflects only those who would turn up to vote anyway. (Indeed, the uncertainty about the partisan voters might just be the uncertainty about who shows up at the polls.) Divisive politics convinces some, previously inactive, partisan voters to take part in the election, thus increasing the *number* of partisan voters of both politicians. This decreases the share of independent voters in the active electorate. This, in turn, leads to the exact same mechanisms and conclusions as what is presented in the main part of the paper under just one condition: the distribution of the newly activated base voters should not be so unequal as to reduce the vote *share* of the divisive politician's base.

4 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 independent 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 eventhough the incumbent satisfies the independent voters' demands.

The analysis brings to the fore that political accountability hinges crucially on the presence of independent voters. Accountability is weakened by cleavages in the electorate and even by what could be called the 'market power' of political parties.

Acknowledgements

The author would like to thank Kai Konrad and Helmut Bester for their guidance and support of the research project, and participants of the European Public Choice Society Meeting in Athens (2009) and the Summer Workshop of the Institute of Economics at the Hungarian Academy of Science (2009), as well as two anonymous referees, for useful comments and suggestions.

References

[1] Banks, J.S., Sundaram, R.K., 1993. Adverse selection and moral hazard in a repeated elections model, in: Barnett, W.A., Hinich, M.J., Schofield, N.J. (Eds.), Political economy: Institutions, competition and representation. Cambridge University Press.

[2] Barro, R., 1973. The control of politicians: An economic model. Public Choice 14(1), 19-42.

[3] Besley, T., 2006. Principled Agents? The Political Economy of Good Government. Oxford University Press.

[4] Besley, T., Case, A., 1995. Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition. The American Economic Review 85(1), 25-45.

[5] Fearon, J.D., 1999. Electoral Accountability and the Control of Politicians: Selecting Good Types versus Sanctioning Poor Performance. In: Przeworski, A., Stokes, S.C., Manin, B. (Eds.), Democracy, accountability, and representation. Cambridge: Cambridge University Press.

[6] Ferejohn, J., 1986. Incumbent performance and electoral control. Public Choice 50, 5-25.

[7] Geys, B., Vermeir, J., 2008. Party cues and yardstick voting. European Journal of Political Economy 24, 470-477.

[8] Kiss, Á., 2009. Coalition Politics and Accountability. Public Choice 139(3), 413-428.

[9] Lijphart, A., 2004. Constitutional design for divided societies. Journal of Democracy 15(2), 96-109.

[10] Maskin, E., Tirole, J., 2004. The Politician and the Judge: Accountability in Government, American Economic Review 94(4), 1034-1054.

[11] Persson, T., Roland, G., Tabellini, G., 1997. Separation of Powers and Political Accountability. Quarterly Journal of Economics 112(4), 1163-1202.

[12] Persson, T., Tabellini, G., 2000. Political Economics: Explaining Economic Policy. MIT Press.

[13] Rabushka, A., Shepsle, K.A., 1972. Politics in Plural Societies: A Theory of Democratic Instability. Columbus, Ohio: Charles Merrill.

[14] Reilly, B., 2001. Democracy in divided societies: Electoral engineering for conflict management. Cambridge University Press.

Discussion Papers published in 2011

Mihályi Péter: Utolérési kísérletek Magyarországon, 1870-2030. MT-DP 2011/1

Zsolt Darvas - Jean Pisani-Ferry: The Threat of 'Currency Wars': A European Perspective. MT-DP 2011/2

Zsolt Darvas: Beyond the Crisis: Prospects for Emerging Europe. MT-DP 2011/3

Barnabás M. Garay - András Simonovits - János Tóth: Local Interaction in Tax Evasion.
MT-DP 2011/4

Maria Csanadi: Varieties of System Transformations and Their Structural Background Based on the IPS Model. MT-DP 2011/5

Mária Lackó: The Poor Health Status of the Hungarians; Comparative Macro-Analysis of the Likely Explanatory Factors on Hungarian and Austrian Data, 1960-2004. MT-DP 2011/6

Fazekas Károly: Közgazdasági kutatások szerepe az oktatási rendszerek fejlesztésében. MT-DP 2011/7

Gábor Kézdi - Gergely Csorba: Estimating the Lock-in Effects of Switching Costs from Firm-Level Data. MT-DP 2011/8

Antal-Pomázi Krisztina: A kis- és középvállalkozások növekedését meghatározó tényezők - A különböző finanszírozási formák hatása a vállalati növekedésre. MT-DP 2011/9

Zsolt Darvas - Jean Pisani-Ferry - André Sapir: A Comprehensive Approach to the Euro-Area Debt Crisis. MT-DP 2011/10

András Simonovits: International Economic Crisis and the Hungarian Pension Reform. MT-DP 2011/11

András Simonovits: The Mandatory Private Pension Pillar in Hungary: An Obituary. MT-DP 2011/12

Horn Dániel: Az oktatási elszámoltathatósági rendszerek elmélete. MT-DP 2011/13

Miklós Koren - Márton Csillag: Machines and machinists: Capital-skill complementarity from an international trade perspective. MT-DP 2011/14