

Learning to Love Democracy: A Theory of Democratic Consolidation

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Preliminary and incomplete draft – all comments are welcome!

Abstract

I develop a new theoretical model of democratic consolidation. I examine a setting in which elections must both motivate desirable performance by politicians as well as weed out those politicians who cannot be deterred from corrupt behavior by the threat of a removal from office. I show that elections may fail to accomplish both ends when political reputations are fragile, a concern that is particularly pressing in new democracies. If politicians fail to develop reputations that distinguish them from corrupt ones, a democracy may be caught in a trap of mutually reinforcing pessimistic expectations of voter apathy and corrupt political behavior. However, if politicians succeed in developing such distinguished reputations, elections will motivate principled behavior which voters will successfully demand. A democracy consolidates when political reputations and electoral competition are robust enough that a backslide into the trap of pessimistic expectations is no longer likely.

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1 Introduction

Observers of new democracies are often struck by the speed at which popular enthusiasm for political change turns into scepticism (see e.g. [Rupnik 1995](#); [Mishler and Rose 1996](#)). In fact, students of democratization frequently caution that a widespread disenchantment with democracy may be exploited by leaders with authoritarian tendencies and even lead to its breakdown ([Lipset 1959](#); [Powell 1982](#); [Huntington 1993](#); [Linz and Stepan 1996](#)). It is less clear, however, why political accountability and trust in democracy gradually improve in some new democracies while others seem to be caught in a cycle of corruption and voter apathy.

In this paper, I develop a new theoretical model of democratic consolidation that explains such divergent post-transition trajectories in new democracies. I argue that a key challenge to political accountability in new democracies are the great demands placed on the electoral mechanism at this early stage of democratic development. More specifically, elections must not only motivate desirable performance by politicians but also weed out those politicians who cannot be deterred from corrupt behavior by the threat of a removal from office.

I show that elections may fail to accomplish both of these ends when political reputations are fragile, a concern that is particularly pressing in new democracies. Elections may accomplish the second task of weeding out corrupt politicians by motivating them to develop reputations for principled – as opposed to corrupt – behavior. If politicians fail to develop such distinguished reputations, a democracy may get caught in a trap of mutually reinforcing pessimistic expectations: anticipating that any candidate will be corrupt if elected, voters will cease to draw any distinction between them, and even those candidates who would otherwise behave in a principled way will act corruptly in the

face of such expectations. Importantly, a democracy may fall into this trap of low expectations even if voters are initially optimistic about its promise. Nonetheless, if politicians do develop reputations for principled behavior, then elections will successfully motivate politicians to perform in a desirable manner.

A democracy consolidates when electoral competition and political reputations are robust enough that a backslide into the trap of pessimistic expectations is no longer likely. In other words, and in terms of voters' and politicians' expectations, a consolidated democracy is one that "works:" voters believe that democracy works because candidates are kept in line by the threat of a removal from office. Meanwhile, politicians believe that democracy works because their chances of staying in office are greater when they behave in a principled rather than corrupt way. Several influential authors characterize a consolidated democracy as one where democracy is the "only game in town" ([Di Palma 1990](#); [Przeworski 1991](#); [Linz and Stepan 1996](#)). My argument suggests that democracy becomes the only game in town because a backslide into the trap of pessimistic expectations – where voter apathy and candidate corruption pave the way for an authoritarian reversal – is no longer likely. To put it metaphorically, in a consolidated democracy, voters' expectations and politicians' behavior reinforce each other to the extent that a few bad apples can no longer spoil the whole barrel.

I develop these arguments with the help of a new formal model. I extend standard models of electoral accountability ([Barro 1973](#); [Ferejohn 1986](#); [Fearon 1999](#)) in two ways that capture the specific challenges to accountability in new democracies. First, I allow for the possibility that some candidates enter politics as their "one-time opportunity to get rich," and therefore the threat of a removal from office cannot deter them from behaving corruptly. In turn, voters would like to use elections in order to both weed out such "bad"

candidates as well as motivate “normal” candidates – who do respond to electoral incentives – to perform in a desirable manner. A classic formulation of this concern is [Madison’s \(1787\)](#), who warns against “men of factious tempers, of local prejudices, or of sinister designs, [who] may, by intrigue, by corruption, or by other means, first obtain the suffrages and then betray the interests of the people.” Research on popular attitudes in new democracies in Eastern Europe, Latin America, and Asia indicates that political corruption is indeed a major concern for voters and may account for the lack of trust in democracy in these polities ([Mishler and Rose 1997](#); [Anderson 2003](#); [Seligson 2002](#); [Chang and Chu 2006](#)).

The second extension that brings this new model closer to the concerns that dominate electoral politics in new democracies is that voters have the choice to either monitor a politician’s performance at a small cost or to ignore such information. Such “costly monitoring” reflects the difficulties that voters confront in evaluating politicians’ performance in new democracies: transitions to democracy frequently occur simultaneously with other large-scale political and economic reforms, the prudence of which may be hard to assess without previous democratic experience and with only an emerging independent media and civil society.

The key, novel finding of this model of democratic consolidation is that electoral accountability may fail in a new democracy to the extent that the polity will be “trapped” in an equilibrium in which voters no longer make distinctions among politicians, and importantly, even politicians who would otherwise respond to electoral incentives behave corruptly. In a related work, [Myerson \(2006\)](#) points out that electoral accountability may fail when voters in new democracies start with very negative expectations about any politician’s performance and argues that federal constitutions enable the emergence of good

political reputations. By contrast, the present argument demonstrates that a new democracy may fall into the trap of pessimistic expectations even if, as we frequently observe, voters are initially optimistic about the promise of democracy and examines how politicians' gradual acquisition of reputation leads to consolidation even in a unitary democracy.

Qualitative evidence from a range of new democracies corroborates that such a “trap of pessimistic expectations” indeed occurs. One observer of Azerbaijan’s 2000 parliamentary election remarks that “the low voter turnout was a sign of political apathy among a substantial part of the population, who expected ... that voting would not change anything. They had no confidence that the fragmented opposition parties could run the country better than the present regime or that they would be any less prone to corruption” (Cornell 2001, 129). Statements such as “all crows under heaven are equally black” (O’Brien and Li 2006, 125-6) or “it makes no sense to replace a full tiger with a hungry wolf” (Li and O’Brien 1996, 34) exemplify the disenchantment with village elections in China after their failure to restrain corrupt behavior by local officials. In both of these instances, the advent of democratic institutions was at first heralded with great enthusiasm. The present model helps us understand the causes of this reversal of initial optimism and the ensuing cycle of voter apathy and political corruption.

Another new, surprising result in the model I develop here concerns voters’ behavior when a democracy is consolidated. Once politicians establish reputations for principled behavior, voters will condition their re-election on good policy outcomes and candidate will strive to deliver these. But as politicians’ reputations become increasingly impeccable, a qualitative change occurs: voters will be tempted to stop monitoring politicians’ behavior and simply re-elect the incumbent. In turn, politicians will test voters’ inattention by

behaving corruptly with a small yet positive probability. Thus in a consolidated democracy, an equilibrium phase of voter skepticism and reputation-building by politicians may be followed by one of voter complacency and politicians' exploitation of the acquired reputations. Importantly, the latter dynamic is the luxury of "high-end" reputations only and in fact does not present a genuine threat to the survival of democracy: once political reputations decline, equilibrium behavior will return to a phase where politicians again strive to improve their reputations as voters follow and condition re-election on performance. This model therefore provides a new explanation for the decrease in voter turnout in long-lived democracies ([Gray and Caul 2000](#)) and complements empirical research that finds that the sources of dissatisfaction with democracy are different in new and established democracies ([Inglehart 1997](#); [Pharr and Putnam 2000](#); [Anderson 2001](#)).

This theoretical model of democratic consolidation is also consistent with a number of empirical findings in the research on political accountability, survival of democracy, and popular attitudes towards democracy. Beginning with [Almond and Verba \(1963\)](#), an influential literature examines the relationship between popular attitudes about politics and the nature of government.¹ The model that I develop shows how the trajectory of voters' beliefs about democracy depends on both their beliefs at the time of transition as well as politicians' performance under the new democracy. The former may be the product of previous democratic experience, the competitiveness of the dictatorship that preceded the transition to democracy, or the exposure to democracy via neighboring countries. In the present model, beliefs about whether democracy "works" improve only gradually, as a result of good political performance (see e.g. [Inglehart 1997](#); [Mishler and Rose 2001](#)).

Moreover, voters remain realistic about how politicians would behave in the absence of any

¹See e.g. [Putnam \(1993\)](#), [Inglehart \(1997\)](#), but also the critiques by [Levi \(1996\)](#) and [Jackman and Miller \(2004\)](#).

electoral restraints. This is consistent with [Cleary and Stokes' \(2006\)](#) research on popular beliefs and accountability in Mexico and Argentina. They find that democracy works especially well when voters are skeptical about politicians and believe they serve voters best when checked by elections and institutions. Thus in the present model, [Cleary and Stokes' \(2006\)](#) “rational scepticism” is part of an equilibrium in a consolidated democracy.

One rationale that drives the research on political culture in new democracies is that a lack of trust in democracy may contribute to its breakdown (see e.g. [Diamond 1993](#); [Linz and Stepan 1996](#)). In a democracy that is plagued by a cycle of voter apathy and corruption – as in the trap of pessimistic expectations implied by the model here – voters will see little value in defending democracy in the face of a coup d'état or an incumbent with authoritarian inclinations. Thus within a fully strategic model, I demonstrate how popular trust in democracy may be decisive for its survival. By contrast, recent literature on transitions to democracy emphasizes primarily economic ([Przeworski et al. 2000](#); [Acemoglu and Robinson 2001](#); [Boix 2003](#)) and institutional factors ([Linz 1994](#); [Mainwaring and Shugart 1997](#); [Cheibub 2007](#); [Grzymała-Busse 2007](#)).² I can explain why even countries with similar economic and institutional features may, because of differences in political performance and the resulting, popular trust in democracy, follow very different post-transition trajectories.

In turn, the theory that I develop implies that the initial democratic experience critically shapes the chances for the success of democracy. As political reputations emerge and improve, the risk of falling in into the trap of pessimistic expectations declines. Thus undesirable policy outcomes, such as an economic recession, or the election of a corrupt politician, can have a disproportionately adverse effect on a democracy's chances of

²But see [Weingast \(1997\)](#).

survival immediately after a transition, when political reputations are most fragile. These implications are corroborated by empirical research on democratic survival, which finds that younger democracies are more likely to break down than older ones, even after facing a similar negative shock (Gasiorowski and Power 1998; Bernhard et al. 2001; Svobik 2009).

In the next section, I present my main findings. I examine a new formal model of democratic consolidation and study its equilibria. I then discuss the robustness of my results in light of alternative assumptions and consider several extensions to the basic model. I conclude with a summary of my results and discuss of their implications for our understanding of political accountability and consolidation in new democracies.

2 A Model of Democratic Consolidation

Consider the following *accountability game* between a *voter* and two candidates, the *incumbent* and the *challenger*. The incumbent may choose a policy that is either *principled* or *corrupt*. The principled action implies cost $c > 0$, that is, the incumbent prefers acting corrupt to acting principled. Being in office today implies a payoff of 1. Additionally, each candidate prefers to be kept in office in the next term rather than replaced by a challenger and I normalize the corresponding payoffs to $b > 0$ and 0.

The voter, on the other hand, may choose to either *keep* or *replace* the incumbent. She prefers a principled policy to a corrupt one, with the corresponding payoffs of $r > 0$ and 0. Furthermore, suppose for now that the voter can commit to a retrospective voting rule: she prefers to keep rather than replace the incumbent if he chose a principled policy (payoff of 1 versus 0), but prefers to replace rather than keep the incumbent with the challenger, if he chose a corrupt policy (payoff of 1 versus 0). I only consider a single, representative voter in order to focus on the problem of motivating desirable candidate performance in this

setting. Since the preferences of all voters are identical – each prefers principled to corrupt behavior by the candidates – we may reasonably assume that any single voter sees elections as an opportunity to act strategically vis-à-vis the candidates rather than other voters.

The following two assumptions distinguish this model from standard models of electoral accountability and lead to a new equilibrium dynamic. First, each candidate may be of two types. We may say that a candidate is *normal*, if the threat of a removal from office will deter him from corrupt behavior. Thus for a normal candidate, $1 + b - c > 1$ or $b > c$. On the other hand, a candidate is *bad*, if he would prefer taking the corrupt action even if a removal from office was a sure consequence of such an action, $c > b$. Thus we may alternatively think of c as the benefit to corrupt behavior, and of bad candidates as ones for whom corruption today is more attractive than being re-elected. Importantly, the candidate's type is his private information: each candidate knows his own type but not the type of the other candidate, and the voter does not know the candidates' types.

The second new aspect of the present setting is that the voter may choose whether to *monitor* or *ignore* the incumbent's performance. Monitoring entails a small cost $m > 0$ and if the voter monitors the incumbent's performance, she observes an informative but imperfect signal of his action. The voter observes an outcome θ that is either *good* or *bad*, $\theta \in \{good, bad\}$. If the incumbent adopts a principled policy, she observes a good outcome with probability γ_p and a bad outcome with probability $1 - \gamma_p$. If the incumbent adopts a corrupt policy, the corresponding probability of a good outcome is γ_c . I assume that $0 < \gamma_c < \gamma_p < 1$, so that a bad outcome may occur even after a principled policy, but is less likely than after a corrupt one, and a good outcome may occur even a corrupt policy but is less likely than after a principled one.

Both of these new assumptions, two candidate types and costly monitoring, are

intended to bring this model of political accountability closer to the concerns that dominate electoral politics in new democracies. We may think of the bad candidate type as one who sees politics as his “one-time opportunity to get rich.” But note that the normal type of a candidate is no angel either: if not threatened with a removal from office, he would prefer a corrupt to a principled policy. Following Myerson (1991), we may refer to the normal type as a strategic type and to the bad type as a behavioral type of player.

The assumption of costly monitoring also reflects a concern that is particularly pronounced in new democracies. At a minimum, the parameter m can be interpreted as the cost of following and evaluating news reports on the incumbent’s performance and, more broadly, as the cost of civic engagement. As I noted in the introduction, assessing a candidate’s performance may be particularly costly in new democracies where large political and economic changes frequently occur simultaneously and in the absence of established media or civil society.

		Voter	
		<i>Keep</i>	<i>Replace</i>
Normal Incumbent	<i>Principled</i>	$1 + b - c, r + 1 - m$	$1 - c, r - m$
	<i>Corrupt</i>	$1 + b, -m$	$1, 1 - m$

Figure 1: Payoffs in the accountability game; $m = 0$ if the voter ignores the incumbent’s performance.

The payoffs in this accountability game are summarized in Figure 1. Before proceeding further, consider the problem of accountability without the new assumptions of two candidate types and costly monitoring. That is, suppose only the normal type of candidate is present and the voter observes the signal θ without any cost. Then there is an equilibrium in which accountability is achieved as long as re-election is sufficiently attractive to the candidates: the voter conditions re-election on observing the good signal and each candidate chooses the principled policy. When the voter conditions re-election on

observing the good signal, the incumbent's expected payoff from choosing the principled policy is

$$\gamma_p(1 + b - c) + (1 - \gamma_p)(1 - c) = 1 - c + \gamma_p b ,$$

whereas his expected payoff from the corrupt policy is

$$\gamma_c(1 + b) + (1 - \gamma_c)1 = 1 + \gamma_p c .$$

Thus the incumbent will choose the principled policy as long as

$$b \geq \frac{c}{\gamma_p - \gamma_c} . \tag{1}$$

That is, as long as the candidates care enough about re-election relative to the cost of the principled action (scaled by the informativeness of the signal), each candidate optimally chooses the principled policy. In turn, the voter optimally conditions re-election on observing the good signal. Thus when inequality (2) is satisfied, we may say that electoral accountability is *perfect*. Suppose, from now on, that condition (2) is satisfied.

Now consider whether accountability can be perfect once we take into account the new assumptions of two, private candidate types and costly monitoring. I will examine a repeated version of this new accountability game. At time $t = 0$, nature determines the type of the incumbent and the challenger. Independently, each will be normal with probability π^0 and bad with probability $1 - \pi^0$. The following stage game ensues in each period $t = 1, 2, \dots, \infty$. First, the incumbent chooses a principled or corrupt policy. Second, the voter decides whether to monitor or ignore the incumbent's performance. If the voter ignores the incumbent's performance, she either keeps or replaces the incumbent. If the

voter monitors the incumbent's performance, nature determines whether the outcome is good or bad. The voter observes the outcome and either keeps or replaces the incumbent. For now, I assume that voter and the candidates maximize their payoffs on a period-by-period basis. In section 3, I consider an extension to players with long-term time horizons.

I will examine the Markov perfect equilibria of this repeated game. For any period $t \geq 1$, denote by π_1^t the voter's belief that the candidate who is the incumbent in period 1 is normal. The corresponding belief about the other candidate is π_2^t . In a Markov perfect equilibrium, the history of the game affects play in any period t only via current voter's beliefs about the incumbent and the challenger, $\pi^t = (\pi_1^t, \pi_2^t)$.³ Since the bad, behavioral type of the incumbent always acts corruptly, we only need to find equilibrium strategies for the normal, strategic type of the incumbent and the voter. I will allow for mixed strategies, and in fact, I will show that for a range of beliefs π^t the only equilibrium in which the voter conditions re-election on the policy outcome is in mixed strategies. Thus for the normal incumbent, denote by α the probability with which he chooses a principled policy and by $1 - \alpha$ the probability with which he chooses a corrupt policy. On the other hand, denote by β the probability with which the voter observes the policy outcome and keeps the incumbent in if the outcome is good but replaces him if the outcome is bad. Then $1 - \beta$ is the probability with which the voter ignores the policy outcome and keeps the incumbent.

If the voter observes the policy outcome, she updates her belief $\pi_i^{t+1}(\pi_i^t, \theta)$ about the incumbent using Bayes' rule (i denotes the incumbent in period t .) That is, after observing a good outcome in period t , the voters belief that the incumbent is normal in period $t + 1$ will increase to

³See [Maskin and Tirole \(2001\)](#) for a formal definition and [Mailath and Samuelson \(2006\)](#) for a discussion of the Markov perfect equilibrium in games with imperfect information.

$$\pi_i^{t+1}(\pi_i^t, good) = \frac{[\alpha\gamma_p + (1 - \alpha)\gamma_c]\pi_i^t}{[\alpha\gamma_p + (1 - \alpha)\gamma_c]\pi_i^t + \gamma_c(1 - \pi_i^t)}.$$

On the other hand, if the voter observes a bad outcome in period t , her belief that the incumbent is normal in period $t + 1$ will decline to

$$\pi_i^{t+1}(\pi_i^t, bad) = \frac{[\alpha(1 - \gamma_p) + (1 - \alpha)(1 - \gamma_c)]\pi_i^t}{[\alpha(1 - \gamma_p) + (1 - \alpha)(1 - \gamma_c)]\pi_i^t + (1 - \gamma_c)(1 - \pi_i^t)}.$$

If the voter ignores the policy outcome his belief about the incumbent remains unchanged, $\pi_i^{t+1}(\pi_i^t, \theta) = \pi_i^t$.

The Trap of Pessimistic Expectations: Voter Apathy and Candidate Corruption

Can the voter motivate the incumbent to act in a principled way by conditioning re-election on the policy outcome? Consider first a scenario in which the voter believes that the incumbent is most likely of the bad type. That is, π_i^t is close to zero. Because monitoring the outcome of the incumbent's action is costly, there will be a level of π_i^t at which the voter will conclude that monitoring the incumbent's performance is not worth its cost, since he is most likely the bad type and will behave corruptly. In turn, the voter will ignore the incumbent's performance and plans to replace him. Anticipating that, even a normal incumbent will choose a corrupt policy.

I now formalize this intuition and find the threshold level belief $\underline{\pi}$ below which it depicts an equilibrium. More precisely, I will find the lowest π_i^t for which the voter prefers to ignore the incumbent's performance and replace him even if she could expect that the normal incumbent would choose a principled policy. Suppose candidate i is the incumbent in period t and chooses a principled policy with probability α . The voter's expected payoff

from ignoring and replacing the incumbent is

$$\pi_i^t[\alpha r + (1 - \alpha)1] + (1 - \pi_i^t)1 = 1 - \alpha\pi_i^t(1 - r).$$

On the other hand, the voter's expected payoff from monitoring the outcome and keeping the incumbent if the outcome is good and replacing him if the outcomes is bad is

$$\begin{aligned} &\pi_i^t(\alpha[\gamma_p(r + 1 - m) + (1 - \gamma_p)(r - m)] + (1 - \alpha)[\gamma_c(-m) + (1 - \gamma_c)(1 - m)]) \\ &+ (1 - \pi_i^t)[\gamma_c(-m) + (1 - \gamma_c)(1 - m)] = 1 - m - \gamma_c - \alpha\pi_i^t(1 - r - \gamma_c - \gamma_p). \end{aligned} \quad (2)$$

The voter prefers ignoring and replacing the incumbent if

$$\pi_i^t \leq \frac{m + \gamma_c}{\alpha(\gamma_c + \gamma_p)} = \underline{\pi}. \quad (3)$$

Thus even for $\alpha = 1$, there is a positive threshold on beliefs about the candidates $\underline{\pi} > 0$ below which the voter prefers to ignore and replace the incumbent. In fact, for large values of m – when monitoring the incumbent's performance is very costly – the voter will prefer to ignore and replace the incumbent for any value of π_i^t . We may therefore restrict the monitoring cost to $m < \gamma_p$, and thus focus on settings where the voter's expectations may become sufficiently optimistic that she would consider monitoring the incumbent and conditioning re-election on the policy outcome for at least some values of π_i^t .

The above analysis implies that for any $\pi_i^t \leq \underline{\pi}$, the voter's scepticism about the type of the candidate will be self-fulfilling. If the voter ignores and replaces the incumbent, even a normal incumbent's best reply is to choose a corrupt policy, $\alpha = 0$. Thus we may say that for any $\pi_i^t \leq \underline{\pi}$, electoral accountability *fails*. Furthermore, when both candidates'

reputations are below $\underline{\pi}$, this polity will be trapped in a cycle of voter apathy and candidate corruption, regardless of which candidate is in office. Accordingly, we may call this equilibrium the *trap of pessimistic expectations*.

Inequality (3) implies that the threshold $\underline{\pi}$ is increasing in the monitoring cost m and γ_c , and it is decreasing in γ_p . That is, the trap of pessimistic expectations can be avoided even at high levels of voter's pessimism about the type of the candidates as long as the policy outcome is highly informative about the incumbent's action.

Finally, note that the voter and the candidates may coordinate on any $\pi_i^t > \underline{\pi}$ as a threshold below which they will act as they would in the trap of pessimistic expectations. Nonetheless, we may plausibly consider $\underline{\pi}$ to be a focal threshold, since it is the lowest π_i^t at which the trap of pessimistic expectations can be avoided and thus most desirable from both the voter's and the candidates' point of view.

Voter Skepticism and Reputation Building

The above analysis raises the possibility that if the voter were sufficiently optimistic about the type of incumbent, she might be able to motivate desirable candidate performance by conditioning re-election on the policy outcome. From (2), the voter's expected payoff from observing and conditioning re-election on a good policy outcome is

$$1 - m - \gamma_c - \alpha\pi_i^t(1 - r - \gamma_c - \gamma_p).$$

Inequality (3) implies that the voter prefers to observe the policy outcome and condition re-election on it to ignoring the policy outcome and replacing the incumbent as long as $\pi_i^t > \underline{\pi}$.

Now consider when the voter would also prefer to observe and condition re-election on

the policy outcome to ignoring the policy outcome but keeping the incumbent. The voter's payoff from the latter is

$$\pi_i^t[\alpha(r+1) + (1-\alpha)0] + (1-\pi_i^t)0 = \alpha\pi_i^t(r+1). \quad (4)$$

Then the voter prefers observing and conditioning re-election on the policy outcome to ignoring the policy outcome and keeping the incumbent as long as

$$\pi_i^t \leq \frac{1-m-\gamma_c}{\alpha(2-\gamma_c-\gamma_p)} = \bar{\pi}. \quad (5)$$

In turn, as the analysis leading to inequality (2) implies, the normal candidate will optimally choose a principled policy. In other words, there is range of beliefs about the incumbent, $\pi_i^t \in (\underline{\pi}, \bar{\pi})$, for which the voter observes and conditions re-election on a good policy outcome and the normal incumbent chooses a principled policy. Thus for $\pi_i^t \in (\underline{\pi}, \bar{\pi})$, electoral accountability is perfect.

This equilibrium exists whenever $\bar{\pi} > \underline{\pi}$, or equivalently, if

$$\bar{\pi} - \underline{\pi} = \frac{\gamma_p - \gamma_c - 2m}{(\gamma_c + \gamma_p)(2 - \gamma_c - \gamma_p)} > 0. \quad (6)$$

The above will hold as long as monitoring the incumbent's performance is not too costly, $m < (\gamma_p - \gamma_c)/2$, and larger monitoring cost will be admissible when the policy outcome is more informative about the incumbent's action.

Voter Complacency and Reputation Exploitation

Finally, consider a scenario in which the voter strongly believes that the incumbent is of the normal type. Thus π_i^t is close to one, and the voter is primarily concerned about motivating the normal incumbent to choose the principled rather than corrupt policy. In such a case, any Markov perfect equilibrium in which the voter conditions re-election on a good policy outcome must contain some mixing between corrupt and principled behavior by the incumbent and between monitoring and ignoring the outcomes by the voter.

Suppose, to the contrary, that the incumbent always behaved in a principled way. Then the voter could safely ignore the policy outcome, save the monitoring cost m , and keep the incumbent. But if the voter indeed adopted this strategy, then the incumbent could not resist behaving corruptly, since this would not be observed by the voter. Thus a scenario in which the incumbent acts principled and the voter ignores the policy outcome and keeps him in office is not an equilibrium. Similarly, a scenario in which the incumbent behaves corruptly and the voters observe the outcome and use that information to either keep or replace him is not an equilibrium either, because that would be enough to motivate the normal incumbent to behave in a principled way. In other words, in any equilibrium in which the voter uses the policy outcome to motivate the incumbent, the incumbent tests the voter's attention by possibly behaving corruptly and, in turn, the voter checks the incumbent's desire to do so by possibly monitoring the policy outcome and replacing him if the outcome is bad.

Recall that the incumbent chooses a principled policy with probability α and a corrupt policy with probability $1 - \alpha$. Then the above intuition implies that, in equilibrium, α must be such that the voter is indifferent between i) monitoring the policy outcome and keeping the incumbent in if the outcome is good but replacing him if the outcome is bad

and ii) ignoring the policy outcome and keeping the incumbent. From (2), the voter's expected payoff from the former is

$$1 - m - \gamma_c - \alpha\pi_i^t(1 - r - \gamma_c - \gamma_p),$$

whereas, based on (4), the voter's expected payoff from ignoring the policy outcome and keeping the incumbent is

$$\alpha\pi_i^t(r + 1).$$

The voter is indifferent between the two strategies as long as

$$\alpha = \frac{1 - m - \gamma_c}{\pi_i^t(2 - \gamma_c - \gamma_p)}, \quad (7)$$

and $\pi_i^t \geq \bar{\pi}$. Furthermore, equilibrium condition (7) implies that the probability with which the incumbent chooses the principled action is decreasing in his reputation π_i^t , the monitoring cost m , but increasing in the informativeness of the signal θ .

Now consider the voter's choice of β . In equilibrium, the incumbent must be indifferent between the expected payoffs to his corrupt and principled actions. The incumbent's payoff from being corrupt is

$$\beta[\gamma_c(1 + b) + (1 - \gamma_c)1] + (1 - \beta)(1 + b) = 1 + b[1 - \beta(1 - \gamma_c)], \quad (8)$$

and his payoff from being principled is

$$\beta[\gamma_p(1 + b - c) + (1 - \gamma_p)(1 - c)] + (1 - \beta)(1 + b - c) = 1 - c + b[1 - \beta(1 - \gamma_p)],$$

The incumbent is indifferent between his actions when

$$\beta = \frac{c}{b(\gamma_c + \gamma_p)}. \quad (9)$$

Thus in equilibrium, the probability that the voter monitors the policy outcome and conditions re-election on it is increasing in the cost c (to the incumbent) of adopting a principled policy and decreasing in the incumbent's desire for re-election b .

While this mixing behavior may be unexpected, there is an intuitive explanation for it. If an incumbent were never to behave corruptly, the voter could safely ignore any information about his performance. In order for the voter to exert effort in monitoring the incumbent's performance, it must be that there is a real possibility that he would in fact act corruptly. Put differently, in order to check the voters' complacency, the incumbent behaves corruptly with a positive probability. In turn, voters remain skeptical about a candidate's performance, even if they are almost certain that they face a normal instead of a bad candidate. In fact, we may say that the candidate betrays the trust that he has earned by behaving corruptly with a positive probability and, as a result, he exploits the reputation he has acquired. Thus when $\pi_i^t \geq \bar{\pi}$, electoral accountability is *imperfect*.

Candidate Reputations and Political Accountability

To summarize, the investigation so far reveals the following equilibrium relationship between candidate reputation and political accountability. When the incumbent's reputation is below $\underline{\pi}$, $\pi_i^t \in [0, \underline{\pi}]$, the odds that the voter is facing a bad incumbent are so high that monitoring him is not worth its cost to the voter. The voter instead ignores the policy outcome and replaces the incumbent, and in turn, even a normal incumbent behaves corruptly. We may say that this is an equilibrium with voter apathy and candidate

corruption in which electoral accountability fails. When both candidates' reputations are below $\underline{\pi}$, this polity will be trapped in a cycle of voter apathy and candidate corruption, regardless of which candidate is in office, and I earlier characterized that condition as the trap of pessimistic expectations.

When the incumbent's reputation is between $\underline{\pi}$ and $\bar{\pi}$, $\pi_i^t \in (\underline{\pi}, \bar{\pi})$, the voter is both sufficiently optimistic about the possibility of facing a normal incumbent to be willing to follow the policy outcome and sufficiently concerned about his performance and the possibility of a bad incumbent type to prefer observing and conditioning re-election on the policy outcome to ignoring it and keeping the incumbent. In turn, the normal incumbent chooses a principled policy. We may characterize this equilibrium as one of voter skepticism and candidate reputation building, and with perfect electoral accountability.

Finally, when the incumbent's reputation is above $\bar{\pi}$, $\pi_i^t \in [\bar{\pi}, 1]$, the voter is so confident that she is facing a normal incumbent type that she is tempted to ignore the policy outcome and keep the incumbent in. In turn, the incumbent tests the voter's attention by behaving corruptly with a positive probability. We may characterize this equilibrium as one of voter complacency and reputation exploitation by the incumbent, and imperfect electoral accountability.

Thus we see that the equilibrium dynamics in the present model is very different from the one in a standard model of electoral accountability. As I showed at the beginning of this section, electoral accountability is perfect in the latter as long candidates are sufficiently motivated by re-election. By contrast, electoral accountability may cycle between a phase with voter skepticism and candidate reputation building and one with voter complacency and reputation exploitation by the incumbent. These two phases correspond to perfect and imperfect accountability. But importantly, electoral

accountability may fail entirely as a democracy enters the trap of pessimistic expectations. Figure 2 illustrates the equilibrium behavior in these three reputational regions.

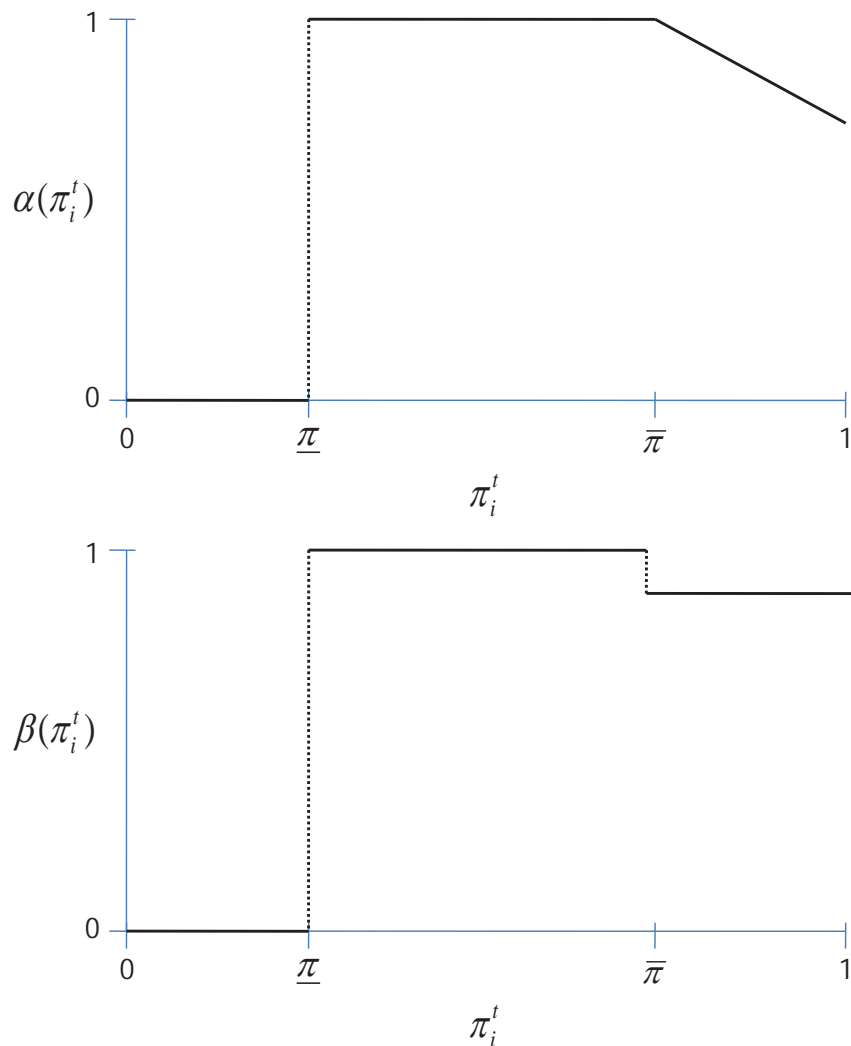


Figure 2: Equilibrium dynamics in a model of democratic consolidation.

Since the normal candidates' and the voter's equilibrium strategies depend on the incumbent's reputation π_i^t , we may denote them by $\alpha^*(\pi_i^t)$ and $\beta^*(\pi_i^t)$, and summarize the formal results in the section as follows.

Proposition 1. *In a Markov Perfect equilibrium:*

(i) if $\pi_i^t \leq \underline{\pi}$, normal candidate i adopts a corrupt policy when in office and the voter ignores the policy outcome and replaces him, $\alpha^*(\pi_i^t) = 0$ and $\beta^*(\pi_i^t) = 0$;

(ii) if $\pi_i^t \in (\underline{\pi}, \bar{\pi})$, normal candidate i adopts a principled policy when in office and the voter monitors the policy outcome, keeps the incumbent if the outcome is good and replaces him if the outcome is bad, $\alpha^*(\pi_i^t) = 1$ and $\beta^*(\pi_i^t) = 1$; and

(iii) if $\pi_i^t \geq \bar{\pi}$, normal candidate i adopts a principled policy with probability $\alpha^*(\pi_i^t) = \frac{1-m-\gamma_c}{\pi_i^t(2-\gamma_c-\gamma_p)}$ while the voter monitors and conditions re-election on the policy outcome with probability $\beta^*(\pi_i^t) = \frac{c}{b(\gamma_c+\gamma_p)}$ and ignores the policy outcome and keeps the incumbent with probability $1 - \beta^*(\pi_i^t)$.

In order to illustrate how equilibrium behavior changes as candidates' reputations evolve, consider the following numerical example. Suppose $b = 2$, $c = 1$, $m = 0.1$, $\gamma_p = 0.8$, and $\gamma_c = 0.2$. Then $\underline{\pi} = 0.3$ and $\bar{\pi} = 0.7$. Suppose $\pi^0 = 0.65$ and the incumbent is normal. Then at $t = 1$, $\pi_1^1 \in (\underline{\pi}, \bar{\pi})$ and the incumbent will choose a principled policy and the voter will monitor the outcome. If the outcome is good, the incumbent will be re-elected and his reputation will increase to $\pi_1^2 = 0.88$. Since $\pi_1^2 \geq \bar{\pi}$ in period $t = 2$, the incumbent will choose a principled policy with probability $\alpha^* = 0.79$ while the voter will monitor the policy outcome with probability $\beta^* = 0.83$. As long as $\pi_1^t > \underline{\pi}$ in any future period, candidate 1 may move between a phase of reputation building and reputation exploiting, while the voter will move between the corresponding phases of skepticism and complacency. If, on the other hand, the outcome in period $t = 1$ is bad, the incumbent will be replaced by the challenger and his reputation will drop to $\pi_1^2 = 0.32$. When candidate 1 comes back to office in some future period t , he will choose a principled policy because $\pi_1^t \in (\underline{\pi}, \bar{\pi})$ and the voter will observe and condition re-election on the outcome. But if the incumbent is unlucky and the outcome is bad again, his reputation will drop to $\pi_1^t = 0.1 < \underline{\pi}$. If the

same happens to candidate 2, this polity will enter the trap of pessimistic expectations and stay there.

3 Alternative Assumptions and Extensions

In this section, I discuss and relax some of the assumptions that I made earlier in order to present the theory as cleanly as possible. It is incomplete at this point, and so I only list the extensions that I consider in the final version of the paper:

- Endogenous re-election thresholds
- Endogenous entry and exit
- Costly monitoring versus costly replacement
- Commitment to re-election rules versus prospective voting
- Long-term time horizons
- Equilibrium behavior as $\pi \rightarrow 1$ and $m \rightarrow 0$

4 Conclusion

The accountability of elected representatives is one of the central promises of democracy. I develop a novel theoretical model of political accountability in new democracies and demonstrate that when candidate reputations for principled behavior are fragile, elections may fail to deliver such accountability. A new democracy may fall into a trap of pessimistic expectations in which voter apathy and political corruption reinforce each other. This failure of accountability raises the specter of an authoritarian reversal, as voters will see

little worth in defending such a democracy. This is especially likely in the face of a leader who may, in exchange for fewer checks on his power, promise to restore order (as did Vladimir Putin in Russia) or deliver social justice (as did Hugo Chávez in Venezuela).

Yet I also show that if politicians succeed in developing reputations for principled behavior, accountability can be achieved. Once such reputations are firmly in place, the backslide into the trap of pessimistic expectations is so unlikely that we may consider such a democracy consolidated. The model that I develop furthermore suggests that, even in a consolidated democracy, political accountability is not trivially achieved: a polity may cycle between a phase of voter skepticism and reputation-building by politicians and a phase of voter complacency and reputation exploitation by politicians. Rather than a genuine threat to the survival of democracy, the latter dynamic is a luxury that we observe only in democracies where political reputations become close to impeccable.

Thus within a unified model of political accountability, I provide a new explanation for the vicious cycle of voter apathy and candidate corruption that we too frequently observe in new democracies. At the same time, I account for the malaise of voter complacency and low turnout that we observe in advanced democracies. Moreover, the rich equilibrium dynamics in the present model are consistent with a broad range of empirical research on voter attitudes, political accountability, and the survival of new and established democracies.

The literature on transitions to democracy rightly emphasizes that the electoral mechanism is only one of several key components of democracy ([Karl 2000](#)). But it is in new democracies where this electoral mechanism tends to be strongest, and possibly the only functioning, component of democracy. Other mechanisms that may curb the abuse of power by elected representatives, such as the separation of powers, the rule of law, or the protection of civil liberties, may be much weaker or entirely lacking. The argument that I

make here contributes to the literature on political accountability and democratic consolidation by examining both the promise of as well as the limits to elections as a check on a politician's desire to exploit public office for personal gain.

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