Strategies of the Political Opposition

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May 18, 2007

Abstract

I consider the strategies that an opposition party can use against an incumbent party which controls the government. The focus is on strategies when citizens vote retrospectively (so that the incumbent's chance of winning re-election increases with his performance), and when citizens compare the estimated abilities of the candidates. In both cases, the equilibrium may have the opposition vote against all policies the government proposes.

Keywords: Political opposition; reputation; retrospective voting; policy implementation

JEL Classification: D72, D78

1 Introduction

Most research on government looks at the behavior of the government, or of the governing party—they are the organizations that set policy. But surely the government's actions may depend on what it expects the opposition to do, and in turn the opposition's behavior will depend on how it expects the government to respond. In the following, I explore the opposition's incentives. I assume that the opposition cares only about increasing its chances of winning the next election, and I will examine the conditions which induce the opposition to oppose or support policies the incumbent (or government) proposes. Under plausible conditions, the opposition will oppose all governmental policies, both good and bad. The opposition may therefore provide no information either to the government or to the public about the quality of policy. Evaluation of governmental policy will then depend not on politicians, but on other groups, such as on the media or on special interest groups.

2 Literature

In empirical work, McMillan and Zoido (2004) measure the importance of opposition parties, the judiciary, and a free press by looking at the bribes paid by the Peruvian secret-police chief Montesinos. They find that Montesinos paid a television channel owner about 100 times what he paid a judge or a politician, suggesting that the opposition little influences outcomes, or else that the opposition can be bought cheaply.

My approach, which considers two political parties, relates to the analysis of the "Not Invented Here" bias examined by Baliga and Sjostrom (2001). They consider a firm in which one employee suggests a project, another employee can evaluate it, and the manager must decide whether to adopt the project. A successful project raises the inventor's chance of promotion, at his peer's expense, but a failed project ruins the inventor's career. In such a situation, the employee who evaluates the project may be overly critical, and the employee who proposed the project may be overly enthusiastic. This paper in turn builds on Holmstrom (1982), who presented the first analysis of relative performance in a team.

2.1 Reputation

In section 3 below, I suppose that the opposition's electoral success increases with his reputation for correctly evaluating policy. The idea that a leader cares about his reputation is old. Alexander Hamilton, wrote in *Federalist* Number 72 that "the love of fame is the ruling passion of the noblest minds." The desire for fame motivated America's Founding Fathers to look beyond their narrow self interest and to take actions to benefit later generations (see Adair 1974).

How the quest for a favorable reputation affects managerial decisions is studied by Scharfstein and Stein (1990); they show that concern about reputation

induces herd-like behavior. Holmstrom (1999) analyzes how a person's concern for a future career influences his incentives to exert effort. If output is the sum of ability, effort, and a random disturbance, increased effort increases the employer's estimate of the worker's ability, and so increases the employer's willingness to pay a high wage.

Reputational considerations bias a leader's decisions in several ways. A politician may increase his chances of winning election by pandering to the public, taking actions the public may incorrectly believe are the better ones (Tirole and Maskin (2001) and Smart and Sturm (2003)). If a project will likely fail even under a skilled leader, a leader (whether skilled or not) may prefer projects likely to fail over projects likely to succeed (Harbaugh (2002) and Majumdar and Mukand (2004)). Indeed, a politician with a bad reputation may favor a highly risky policy—if the policy fails, he would have lost the next election anyway, but if the policy succeeds, his reputation and so his chances of re-election improve. Hess and Orphanides (1995) apply this idea to claim that a president with a bad reputation may risk war to give him an opportunity to improve his reputation.

Reputational concerns can also lead an incumbent to take immediate action when social welfare requires that he wait for further information (Gersbach (2004)). And whether the results of a policy will become known before rather than after the next election can affect a leader's incentives to innovate (Rose Ackerman (1980)). A leader may avoid reversing a failed policy, because reversing a policy signals that the policy was bad in the first place.[1] Applying the idea to politics, Beniers and Dur (2004) consider politicians who care about reputation, and therefore will not reverse a policy that they, but not the voters, know has failed. In Morris (2001), reputational concerns give rise to political correctness: an adviser who does not wish to be thought of as biased (e.g., as a racist), may not truthfully reveal his information.

I too consider how reputational considerations affect the behavior of politicians; like many of the papers mentioned above, I too suppose that officials are uncertain about which policy is best. But I differ in focusing on the opposition rather than on the incumbent. In that focus, my approach relates to Groseclose and McCarty (2001), who study how Congress may pass bills it expects the president of the opposing party to veto, because a veto would reveal to voters that the president's ideology is extreme. That is, like me, Groseclose and McCarty consider two parties with opposing interests, and consider how their actions can reveal information to voters about the parties. But I differ in three ways: (1) I consider retrospective voting rather than only reputation; (2) I consider competence rather than ideology; (3) I consider strategies when the opposition can veto a policy the incumbent proposes.

[1] See Kanodia, Bushman, and Dickhaut (1989), Boot (1992), Prendergast and Stole (1996), Brandenburgem and Polak (1996), and Dur (1999).

2.2 Partisan divides over time

One phenomenon the paper addresses is the partisan divide in Congress—members of different parties vote differently. Roberts and Smirth (2003) find that since the 100th Congress, Democratic party cohesion was about 75 percent. Republican cohesion reached 90 percent by the 106th Congress.[2] Note, however, that cohesion can arise when members of both parties vote the same way. A more interesting pattern arises when one party's support for a policy induces the other party to oppose it. Fett (1994) indeed finds that the stronger was President Carter's support for a bill, the greater the opposition to it by congressmen outside his core partisans.[3]

An additional measure that shows party polarization is developed by Theriault (2005). He uses the 12,756 roll call votes on the 742 most important pieces of legislation from 1967 to 2004 to compute a party disparity value; this value is the absolute difference between the percentage of Republicans and the percentage of Democrats who vote the same way on a particular roll call vote. In the late 1960s and early 1970s, the measure hovered around 33 percent. By the congresses in the early 2000s, it had more than doubled.

Sharp differences between the government and the opposition parties are also found in France. Wilson and Wiste (1976) analyze 357 roll calls in the National Assembly between 1958 and 1973. Party cohesion was stronger during the Fifth Republic than during earlier periods. An examination of the pattern of dissent in each party suggests that this higher cohesion was based not on ideological homogeneity, but largely on the importance of governmental-opposition considerations. The emergence of a stable and durable majority led deputies to follow systematic voting patterns: the majority voting with the government and the minority against it.

2.3 Politics

Though much academic work considers the behavior of the incumbent, and of the strategies of two candidates vying for office, little work considers the losing candidate's behavior once he serves as the opposition. Some work, however, models the effort involved in designing good policies. Caillaud and Tirole (2002) study intraparty and interparty competition among candidates who can invest in designing good policy platforms. They show that a party's gain from adopting a good platform declines with the probability that the other party adopts a good platform. In contrast, within a party, agreement by different members signals to the voters in the general elections high quality of the policy platform.

Dellis (2007) shows that a coalition member favoring a reform may nonetheless veto it (thus delaying the reform until after the next election) and let his coalition partners share the blame for the non-adoption. Such "blame-game

[2] Party cohesion is calculated for each party as the mean absolute value of difference between the percentage voting yea and the percentage voting nay.

[3] But the effect is not universal. President Reagan experienced a positive effect outside his core opponents.

politics" can be attractive for three reasons: (1) to make an issue salient in the next election; (2) to hide a candidate's stance on an issue, and (3) to enhance bargaining power during the formation of the next government.

3 Reputational voting

I shall look at two ways voters may behave. First, voters may estimate the ability of the candidates and prefer the candidate who is likely of higher ability. In particular, under this view, voters consider the outcome of policy only to the extent that it affects estimates of a candidate's ability to evaluate policies. The other view I shall consider, in section 4 below, is that citizens vote retrospectively, with support for the incumbent increasing with the success of his policies.

I begin with reputational considerations. A rational voter would compare the estimated ability of the incumbent to the estimated ability of the opposition. For analytical simplicity, I shall suppose that the ability of the incumbent is known, and focus on how the behavior of the opposition affects a voter's estimate of the opposition's ability.

3.1 Assumptions

A government must choose between two policies, with one good and the other bad. The prior probability has each equally likely to be the better policy. With probability s_I the government, or the incumbent, gets perfect information about which policy is better. The value of s_I, is exogenously given and is common knowledge. I suppose that the incumbent always chooses the policy it believes is better. One might think that an incumbent who wants to make it difficult for the opposition to reveal its ability would adopt some other strategy. But we shall see that in equilibrium the opposition may always oppose the government's policy, thereby revealing nothing about the opposition's ability. The incumbent would then gain nothing from deviating from a strategy in which he always chooses the policy he thinks best. Truthful behavior by the incumbent would thus be consistent with utility-maximizing behavior in an equilibrium.

The ability of the opposition, s_O, is either High (s_O^H) or Low (s_O^L) with $s_O^H > s_O^L$. The value of s_O gives the probability that the opposition correctly evaluates whether the incumbent's policy is good or bad. The opposition knows its own ability. In estimating the opposition's ability, a voter takes into account the prior probability that the opposition has high ability, the strategy the opposition will choose in equilibrium, and the outcome of the policy: an opposition which supported a successful policy will be viewed as having at least as high ability as an opposition which opposed a successful policy.

The timing of events is as follows

1. Nature determines whether the incumbent will choose correctly.

2. The incumbent chooses the policy he thinks is best.

3. The opposition observes the policy the incumbent chose.

4. Nature determines whether the opposition observes which policy is better.

5. The opposition can either support or oppose the incumbent's policy. The public observes that position.

6. The outcome of the policy is realized.

7. The public forms a posterior estimate of the opposition's ability. The probability that the opposition wins the forthcoming election increases with the posterior probability that the opposition has High ability.

3.2 Opposition will not vote sincerely

I shall first show that in equilibrium the opposition will not vote sincerely. That is, the opposition will not always vote for the policy it believes is most likely to succeed. For suppose that the opposition did. Note that if $s_O = s_O^L < s_I$, then the opposition should expect that the policy the incumbent chose is the better policy. An opposition of low ability should therefore always vote with the incumbent. But if $s_O^H > s_I$, then a high-ability opposition may sometimes believe that the incumbent chose the wrong policy, and sincere voting would make it vote against the incumbent. Thus, if the opposition votes sincerely, then only when the opposition has high ability will the opposition vote against the incumbent. Voting against the incumbent would then perfectly signal the opposition's high ability. The opposition would therefore gain in deviating from a putative equilibrium with sincere voting, by voting against the incumbent. Thus, sincere voting cannot be an equilibrium.

3.3 Opposition always opposes the incumbent

But in equilibrium the opposition may always against the incumbent's proposed policy. The opposition's gain from voting with the incumbent depends on the public's beliefs about out-of-equilibrium behavior. It is trivial to show that some beliefs can support an equilibrium with the opposition always opposing the government—suppose that the public initially believes that an opposition which votes with the government has low ability.

More interesting is to show that such an equilibrium can be supported by other than arbitrary beliefs of the public. To that end, here I adopt a weak form of the Intuitive Criterion.[4] Alternatively, the solution can be viewed as arising from a trembling hand—with positive probability the opposition supports the policy it estimates is better regardless of how that affects its reputation. In particular, I shall show that a low-ability opposition has a greater incentive to deviate from always opposing the incumbent than does a high-ability opposition. The public may therefore reasonably suppose that a deviation is more likely made by a low-ability opposition than by a high-ability opposition, and therefore

[4]The standard Intuitive Criterion is by Cho and Kreps (1987).

thinks that an opposition which votes with the government is more likely of low ability than is an opposition which votes against the government.

Suppose the incumbent always proposes whichever policy he thinks is better, and suppose that $s_O^L < s_I < s_O^H$. Then a low-ability opposition thinks it more likely that the incumbent knows which policy is better than that the opposition itself knows. A low-ability opposition can therefore increase the probability of choosing correctly by voting with the government than by opposing it. In contrast, a high-ability opposition knows that its judgment is more likely correct than is the incumbent's; therefore only when the opposition believes that the incumbent chose correctly would it support the government. Since this event occurs with probability less than 1, a high-ability opposition is less likely to support the incumbent than is a low-ability opposition. Supporting the incumbent is then a signal of low ability, which the opposition will avoid.

Nor can it be a Nash equilibrium for both a high-ability and a low-ability opposition always to vote with the incumbent—for then a high-ability opposition could gain from deviating, voting against the incumbent when the opposition believes that the incumbent was wrong..

But in equilibrium the opposition may always vote against the government's proposals. This equilibrium can appear if the public believes, for example, that an opposition which votes with the incumbent is more likely of low ability than of high ability. For that belief is consistent with the relative incentives of the two types of opposition. A low-ability opposition has a greater incentive to vote with the incumbent—it thereby votes for the right policy with the probability that the incumbent proposed the right policy. In contrast, a high-ability opposition which voted with the incumbent would expect to vote for the right policy only when its information matched the incumbent's. Thus, a low-ability opposition would gain more than a high-ability opposition from voting with the incumbent, and so voting with the incumbent would signal a low-ability opposition.

4 Retrospective voting

4.1 Assumptions

The previous section considered reputation, with voters rationally estimating the opposition's ability. Here I take another, though related, approach, examining retrospective voting—the incumbent is more likely to win re-election if he adopted a good policy. Voters do not estimate the abilities of the incumbent or of the opposition, and reputation is irrelevant; the opposition can affect an election only by affecting policy. This section therefore modifies the assumptions, allowing the opposition to affect policy, by giving the opposition a positive probability of stopping a policy, or by conveying information to the incumbent about the quality of the policy.

I consider a three-stage process of policymaking— the incumbent proposes a policy, the opposition can vote against it (thereby perhaps stopping it), and the incumbent can then decide whether to implement the policy. (We can

interpret implementation as binary effort. If the incumbent exerts no effort, then the program is not implemented.) The last stage is important because it allows the opposition's behavior to inform the incumbent about the quality of policy; without such information transmission, the opposition's strategy would be trivial—oppose policies that hurt it, and support policies that benefit it.

The non-implementation of a policy is common. Sometimes it occurs under divided government, where the president refuses to adopt a program a Congress controlled by the other party had passed; Nixon's impoundment of funds offers an important example. But sometimes a president announces a policy which he later does not implement; we can think of the weak efforts to rebuild New Orleans after hurricane Katrina. Pressman and Wildavsky (1973) offer a classic description of implementation problems.

The assumptions in this section closely relate to the idea used in the previous sections in which one policy was allowed to be better than another. A difference here is that I allow for a status quo, or a reversion level, if no policy is implemented.

I suppose the opposition aims to minimize the incumbent's chances of re-election. I view the quality of policy from the incumbent's perspective. A Good policy increases his chances of re-election; a Bad policy reduces it. The opposition prefers that a Bad policy is adopted, and that a Good policy is not.

The incumbent correctly evaluates policy with probability s_I; the opposition correctly evaluates policy with probability s_O. Let s_I and s_O be common knowledge, and let $s_I \geq s_O$. The policy, if enacted and implemented, will give the incumbent either a gain or a loss; the implemented policy will benefit the incumbent if the state of nature is favorable (which it is with probability γ) and will hurt him otherwise. Suppose the incumbent believes the state of nature is favorable; I say for short that he saw a Good signal. Then an opposition which also saw a Good signal will veto the bill: because of retrospective voting, the opposition suffers when a Good policy is implemented. The incumbent's utility when he implements a Good policy is $U_G > 0$; his utility when he implements a Bad policy is $U_B < 0$. The incumbent's utility is 0 if no policy is implemented. I view this as a zero-sum game, so that the opposition aims to minimize the incumbent's expected utility.

The timing of events is as follows

1. Nature determines whether the state of nature is favorable or unfavorable.
2. The incumbent and the opposition each see a signal of the state of nature.
3. An incumbent who believes the state of nature is favorable proposes the policy.
4. The opposition supports or opposes the incumbent's policy.
5. The policy is enacted or not, with enactment less likely if the opposition opposes the policy.

6. If the policy is enacted the incumbent chooses whether to implement it or not.

7. The outcome of the policy, if implemented, is realized.

8. The utility of the incumbent is realized

Call π_{GG} the probability that the policy is Good given that the incumbent and the opposition saw a Good signal, let π_{BG} be the probability that policy is Good given that the incumbent saw a Bad signal and the opposition saw a signal of Good, and so on.

The incumbent's signal is correct with probability s_I; the opposition's signal is correct with probability s_O. The probability that the incumbent sees a Good signal is $\gamma s_I + (1-\gamma)(1-s_I)$. The posterior probability that the policy is Good given that the incumbent saw a Good signal is

$$\pi_G \equiv \frac{\gamma s_I}{\gamma s_I + (1-\gamma)(1-s_I)}. \tag{1}$$

The probability that the policy is Good given that the incumbent saw a Good signal and the opposition saw a Bad signal is

$$\pi_{GB} \equiv \frac{\gamma s_I(1-s_O)}{\gamma s_I(1-s_O) + (1-\gamma)(1-s_I)(s_O)}. \tag{2}$$

Similar expressions define π_B and π_{BB}.

4.2 Informational value of the opposition's vote

How can sincere voting by the opposition yield valuable information to the incumbent? There are several cases to consider. Either the incumbent saw a Good signal, or else he saw a Bad signal. The opposition can vote only if the incumbent proposed the policy.

Suppose that $\pi_G U_G + (1-\pi_G)U_B > 0$ but that $\pi_{GB} U_G + (1-\pi_{GB})U_B < 0$. Then an incumbent who knew nothing about the opposition's signal would implement the policy; but an incumbent who thought the opposition saw a Bad signal would not implement the policy.

Suppose next that $\pi_G U_G + (1-\pi_G)U_B < 0$ but that $\pi_{GG} U_G + (1-\pi_{GG})U_B > 0$. Then the incumbent will switch from not implementing the policy to implementing it if he learns that the opposition saw a Good signal.

Similar analysis applies if the incumbent saw a Bad signal. The incumbent would learn valuable information from the opposition if $\pi_B U_G + (1-\pi_B)U_B > 0$ but $\pi_{BB} U_G + (1-\pi_{BB})U_B < 0$: an incumbent who knew the opposition had seen a Bad signal would not implement the policy. And the information would also be valuable if $\pi_B U_G + (1-\pi_B)U_B < 0$ but $\pi_{BG} U_G + (1-\pi_{BG})U_B > 0$: an incumbent who learned that the opposition saw a Good signal would implement the policy.

4.3 Equilibria

4.3.1 Opposition cannot veto policy

Consider first the situation where the opposition is powerless to veto or enact policy; the incumbent enacts and implements whatever policy he desires. The only possible effect of the opposition's vote is to inform the incumbent. Since whatever benefits the opposition hurts the incumbent, in equilibrium the opposition would not behave in a way which informs the incumbent of the quality of policy. And if the opposition's vote affects the incumbent's decision on implementation, then the opposition will manipulate its vote to hurt the incumbent. In equilibrium, therefore, the incumbent ignores the opposition's vote. The opposition can do no better than always to oppose the incumbent's policy, or for that matter always to support it, or to choose randomly how to vote. No equilibrium can have the opposition vote sincerely, supporting a policy that hurts the incumbent and opposing a policy that helps the incumbent.

4.3.2 Opposition can veto policy

Suppose the opposition can veto any policy. Then it is an equilibrium for the opposition always to veto the incumbent's proposal. Suppose it does so, and using the Intuitive Criterion, consider the beliefs of the incumbent for out-of-equilibrium behavior. Suppose that if the opposition does not veto the policy, then with some small exogenous probability the policy will be implemented. The opposition would gain from a policy that hurts the incumbent (what I called a Bad policy), and the opposition would suffer from the implementation of a Good policy. Therefore, the opposition has greater incentive to veto a Good policy than to veto a Bad policy. In turn, the incumbent would rationally believe that a policy that the opposition did not veto is more likely Bad than Good. That in turn means that the incumbent would not implement a policy that the opposition had not vetoed. That in turn means, that the opposition loses nothing by vetoing a Bad policy. Combined with the benefit to the opposition of vetoing a Good policy, we conclude that it is an equilibrium for the opposition to veto all policies.

Notice that under retrospective voting an equilibrium cannot have mixed strategies. For the opposition would veto a policy it thinks is Good. And therefore a non-veto would inform the incumbent.

4.3.3 Opposition has incomplete veto power

I so far looked at two extreme cases—the opposition is powerless to stop the enactment of a policy, and the opposition has full power to block enactment of a policy. We can think of intermediate possibilities, indicated by the probability, v, that the opposition can block the enactment of a policy the incumbent proposed. We saw that at the extreme solutions (no veto power and full veto power) an equilibrium has the opposition always opposing the incumbent's proposal. We would expect that the same would hold under intermediate values. Indeed,

we can think that a coin flip determines whether the opposition can block a proposal, and that following the coin flip the opposition determines whether to support or oppose a policy. We are then back to the problem we discussed above, with the same equilibrium.

When the opposition has veto power, I showed that an equilibrium has the opposition veto all proposals the incumbent makes. There might exist other equilibria, but they must have the same payoffs as the equilibrium in which the opposition vetoes all proposals. For notice that the opposition can guarantee to itself a payoff no worse than zero—it can do so by vetoing all proposals. Moreover, the incumbent can guarantee to itself a payoff of at least zero—it can get that by proposing or implementing no policy. Therefore the equilibrium payoff must be zero—the opposition can ensure that the incumbent gets no more than zero, and the incumbent can ensure getting at least zero. Therefore, any equilibrium must have a payoff of zero to the incumbent and to the opposition.

5 Extensions

5.1 Migration

When people can migrate, the opposition will be especially reluctant to point out bad policies that will hurt its supporters; the opposition may instead prefer to inform the public of the incumbent's policies that hurt the incumbent's supporters. These biases can explain why Republican voters are disenchanted with Republicans—the Republicans do not protect the interests of Republican voters. The problem is more severe when migration is possible (as in local government) than when migration is not (as in national government). For related literature, refer to Brueckner and Glazer (forthcoming) and references therein.

5.2 Timing of opposition

The opposition will be especially reluctant to point out mistakes the incumbent made early in the incumbent's term, because that information would give the incumbent opportunity to correct the problem before the next election. In contrast, at the end of the term, the incumbent has little opportunity to take corrective action, and so the opposition gains from showing that the incumbent did bad. Such behavior by the opposition would create a honeymoon effect. Consistent with this reasoning, empirical work finds that presidents are at the height of their congressional influence in the first year of their tenure (for supporting evidence, see Light (1983, pp. 40-46), and Peterson (1990, pp. 120-122).)

6 Conclusion

In *Federalist* Number 70 Alexander Hamilton wrote that "Men often oppose a thing, merely because they have had no agency in planning it, or because it

may have been planned by those whom they dislike. But if they have been consulted, and have happened to disapprove, opposition then becomes, in their estimation, an indispensable duty of self-love. They seem to think themselves bound in honor, and by all the motives of personal infallibility, to defeat the success of what has been resolved upon contrary to their sentiments. Men of upright, benevolent tempers have too many opportunities of remarking, with horror, to what desperate lengths this disposition is sometimes carried ..."

Hamilton thus described in the eighteenth century the tendency of the opposition to oppose even good proposals. I showed how this bias need arise not only from personal failings, but from a rational calculus by vote-seeking politicians. We should therefore not rely on the opposition to guard against errors made by government, but may have to rely on elections and change of personnel to correct policy.

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8 Notation

s_I Probability the incumbent correctly evaluates policy

s_O Probability the opposition correctly evaluates policy

p Probability policy succeeds

U_G Incumbent's utility from implementation of Good policy

U_B Incumbent's utility from implementation of Bad policy

π_{GG} Probability policy is Good given that both the opposition and the incumbent saw a signal that it is good

π_{GB} Probability policy is Good given that the incumbent saw a signal that it is Good, and the opposition saw a signal that it is Bad

π_1^i Prior probability that $s_O = s_O^i$ with $i = H$ or L).

γ Prior probability that policy is Good