Electoral Risk and Vote Buying, Introducing Prospect Theory in the Experimental Study of Clientelism

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Vote buying: distribution of private rewards to individuals during elections in exchange for electoral support (Nichter, 2014).

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  - ? It's not clear why targeting core voters is not a **waste**
  - ? The role of past losses has been completely overlooked ("sunk cost **fallacy**")

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- **Motivate the problem**: vote buying literature is mostly based on the Expected Utility Theory (EUT) (von Neumann and Morgenstern).

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- **Empirics**: we designed an economic lab experiment of vote buying.
- **Results**: Prospect Theory explains better parties' decision-making process in risky contexts.

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  1. Clientelist Targeting.
  2. Political Contestation.

Not Clear Who Clientelist Parties Target

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- We contend that this is a *very* important question, yet one that the literature has failed to clarify.

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- Why would a party buy such a massive amount of votes in a safe and uncontested election?

Wrong Understanding of Decision-Making Process under Risk

Change from EUT:

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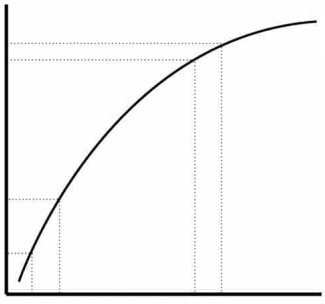

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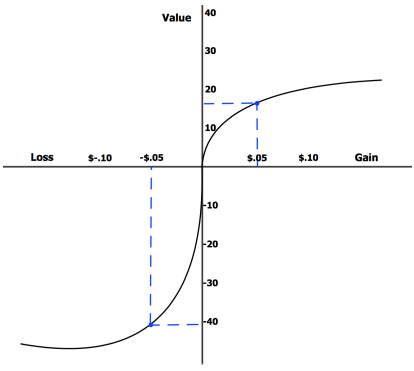
To Prospect Theory (Kahneman and Tversky, 1979):

1. **Reference dependence**.
2. **Value function**.



Prospect Theory

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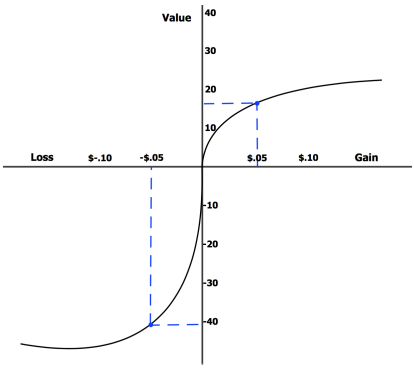

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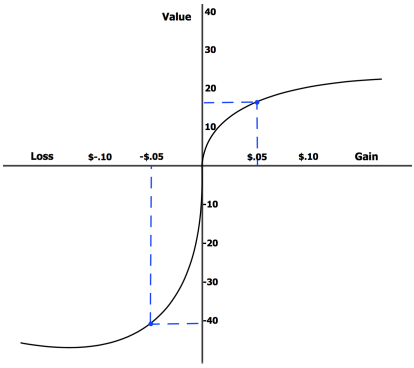

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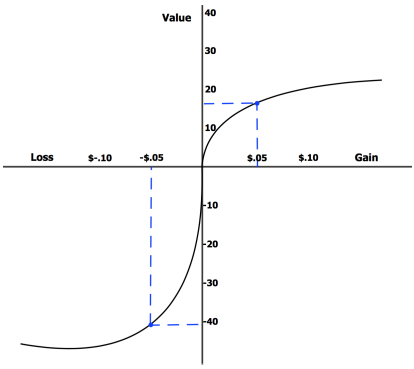

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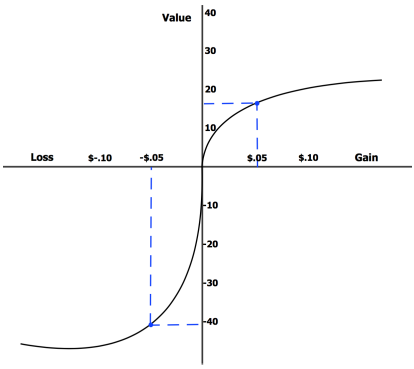
   - ✓ sunk costs do matter: loses are harder to accept.



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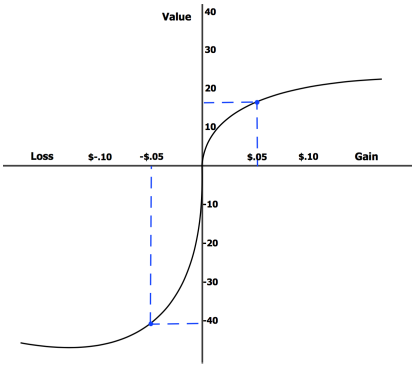

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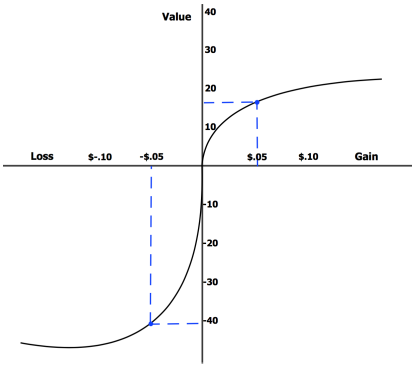

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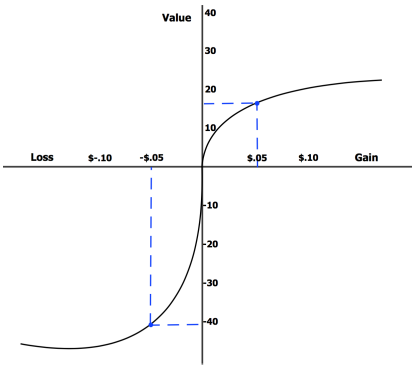

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2. **Value function**. The asymmetrical curvature of the value function does influence decisions,
   - ✓ Individuals are risk-averse in the domain of gains.
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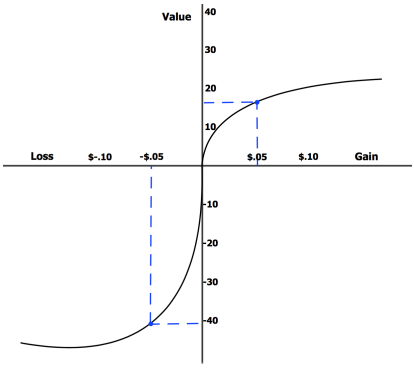
   - ✓ In simple, **loses loom larger than gains**.



Prospect Theory: Implications for Vote-Buying

Vote-buying will be higher when parties,

1. **Are probable winners**: due to **loss aversion**, parties will find **intolerable** the idea of **losing the supporter base they already have** (decision-makers are more concerned with preventing a decline than increasing gains; risk-aversion).

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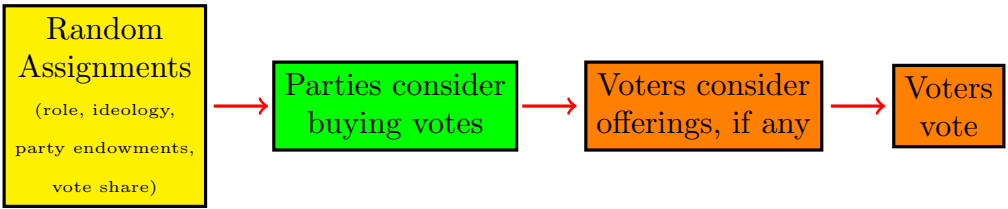
2. **Have experienced losses in the past** (sunk costs): alter the reference point, making vote-buying an attractive strategy (risk-seeking).

- The experiment was conducted in Chile (April/May 2021).
- `O-tree` (`Z-tree`). Fischbacher 2007.
- All participants were required to successfully complete two practice rounds.
- Show-up fee of $2,000 CLP ($\approx$ 2.1€).
- Every game was played between three people: two parties and one voter.
- All transactions were performed exchanging experimental "points."
  (1 point = $0.42).
- 102 subjects were recruited.
- Each subject played the game three times (N = 306).
- In-between subjects experimental design.

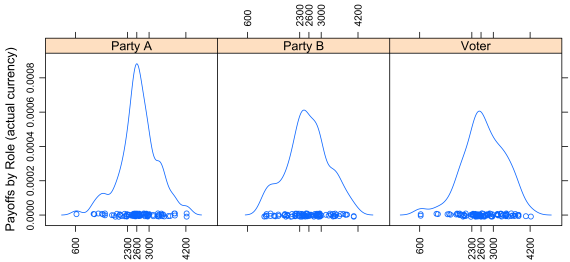
1. Role: *party A*, *party B* or *voter*.
2. **Voters**: "ideological position" (points depending on whether party A or B wins the election). Points reflect "spatial" distance between the voter and both parties (continuum 1-100).
3. **Parties**: endowments (points to buy votes, if any).

   But both parties receive the same endowment in the same game.
4. **Parties**: vote shares (number of votes each party *will* receive—excluding the "voter" participant.

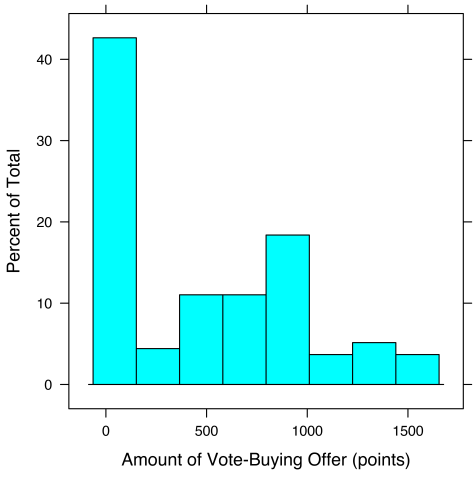
- Every randomization was common knowledge.


Random Assignments
(role, ideology, party endowments, vote share)
Parties consider buying votes
Voters consider offerings, if any
Voters vote

- **Parties**: payoffs depend on whether they are elected. If they spend points buying votes, that amount is discounted.
- **Voters**: payoffs depend on whether their party is elected, and on whether they sell their vote.



- EUT: offers go up when parties are **losing the election** (parties focus on **wins**).
- PT: parties focus on **loses** (hold on to what they "own").
  1. Buy more votes when the parties are **wining** the election.
  2. Buy more votes from **core** supporters (hurts more to lose **closest** voters).
  3. Buy more votes when yesterday's costs are high (need to spend more to "*break even*").



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- Change in points respect to $t-1$ (prior round).

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- Party's budget (points).

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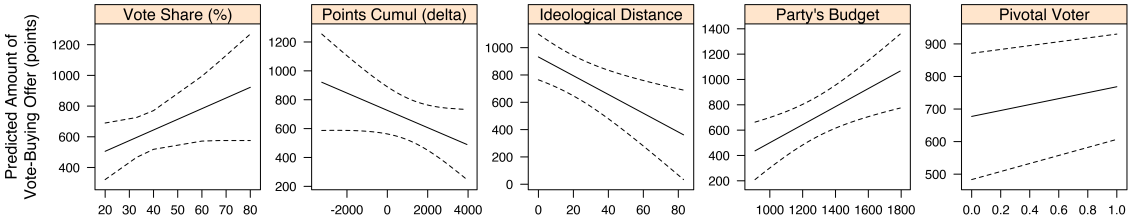
- Participant fixed effects.



Overall, results conform with Prospect Theory.

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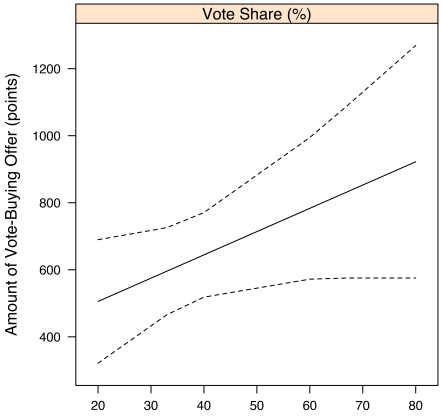
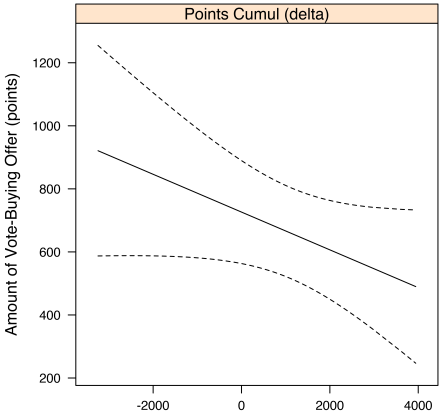
  Incumbents buy more votes to prevent a decline than to increasing gains.



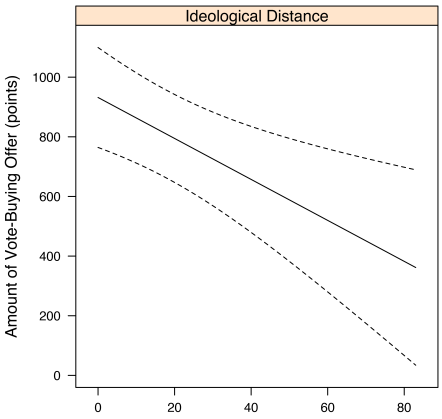
- **Parties are risk-seeking in the domain of losses**: unlike EUT, parties do consider sunk costs, buying more votes to compensate for past losses.

  Decision-makers try to break-even.

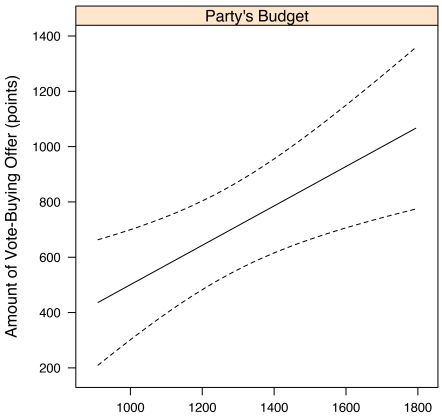


- **Core/swing voters**: Parties buy more votes at higher (not lower) prices from closest supporters.

  Unlike spatial theories of voting, core voters cost more (not less).

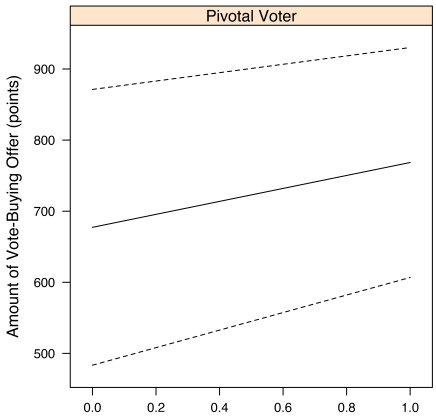


- **Party budgets**: Parties with larger budgets spend more on vote buying.



- **Pivotal voters**: don't cost more (against most of spatial theories of voting).

  This implies that parties don't see vote buying in the typical "insurance" sense: they don't buy more votes in tighter electoral races.



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- We **attribute this confusion** to the the fact that the literature takes the **EUT as a starting point**.

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- PT explains better the gaps in the literature.

Thank you

- Paper (draft) available at www.HectorBahamonde.com.
- All feedback is welcomed!

	role	variable	n	min	max	median	iqr	mean	sd	se	ci
1	Party A	left.right	66	1	10	3	4	4	2	0	1
2	Party B	left.right	66	1	10	4	3	4	2	0	1
3	Voter	left.right	68	1	10	3	3	4	2	0	1
4	Party A	male	66	0	1	0	1	0	0	0	0
5	Party B	male	66	0	1	0	1	0	0	0	0
6	Voter	male	68	0	1	0	1	0	0	0	0
7	Party A	party.id	66	2	9	9	0	8	2	0	0
8	Party B	party.id	66	1	9	9	0	9	1	0	0
9	Voter	party.id	68	1	9	9	0	8	2	0	0
10	Party A	party.like	66	0	1	0	1	0	0	0	0
11	Party B	party.like	66	0	1	0	0	0	0	0	0
12	Voter	party.like	68	0	1	0	0	0	0	0	0
13	Party A	payoff	73	633	4224	2630	674	2621	670	78	156
14	Party B	payoff	72	1148	4062	2592	710	2607	665	78	156
15	Voter	payoff	75	633	4224	2674	836	2664	697	80	160
16	Party A	salary.enough	66	1	4	2	0	2	1	0	0
17	Party B	salary.enough	66	1	4	2	1	2	1	0	0
18	Voter	salary.enough	68	1	3	2	0	2	1	0	0
19	Party A	vote.last.election	66	0	1	1	0	1	0	0	0
20	Party B	vote.last.election	66	0	1	1	0	1	0	0	0
21	Voter	vote.last.election	68	0	1	1	0	1	0	0	0
22	Party A	vote.next.election	66	0	1	1	0	1	0	0	0
23	Party B	vote.next.election	66	0	1	1	0	1	0	0	0
24	Voter	vote.next.election	68	0	1	1	0	1	0	0	0

Table: Summary Statistics.

	OLS
	Amount of Vote-Buying Offer
Intercept	−380.54
	(568.66)
Vote Share (%)	6.95
	(5.55)
Points Accumulated (delta)	−0.06
	(0.05)
Ideological Distance	−6.87*
	(3.26)
Party Budget	0.71*
	(0.34)
Pivotal Voter	91.16
	(124.46)
R^2	0.66
Num. obs.	142

$^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$; $^{cdot}p < 0.1$.
Robust standard errors in parentheses.
Fixed effects parameteres omitted in table.