

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 or small groups during elections in contingent exchange for vote choices (Nichter, 2014).



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- They are not. Starting point: **traditional clientelism research has failed to answer these questions because it has a wrong understanding about the decision-making process of clientelist parties.**

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- **Feedback wanted!**

Argument

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- ✓ **Are probable winners**—risk averse in the domain of gains.
 - ✓ **Have experienced losses in the past (sunk costs)**—risk-seeking in the domain of losses.

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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 *very* important question, yet one that literature has *failed* to answer.

Not Clear The Role of Political Contestation on Vote Buying

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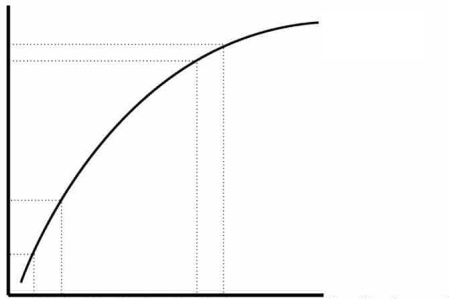
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- Why would a party buy such a massive amount of votes in a safe and uncontested election?

Wrong Understanding of Decision-Making Process under Risk

Change from traditional focus (EUT):

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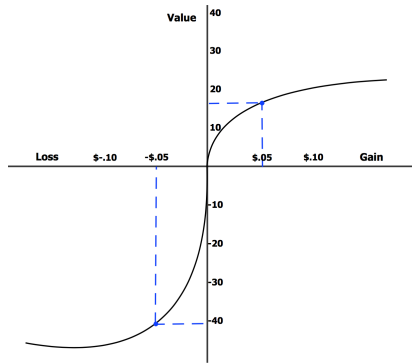
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To one based on Prospect Theory

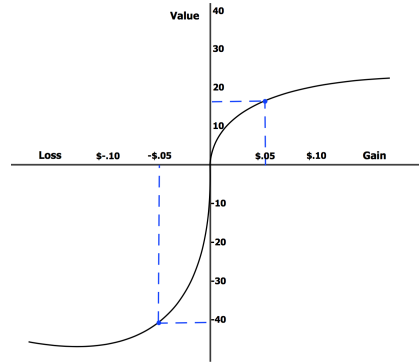
(Kahneman and Tversky, 1979):

1. **Reference dependence.**
2. **Likelihood dependence.**



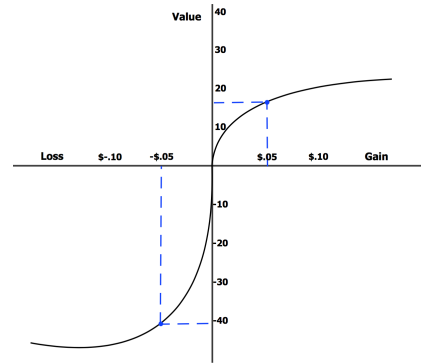
Prospect Theory

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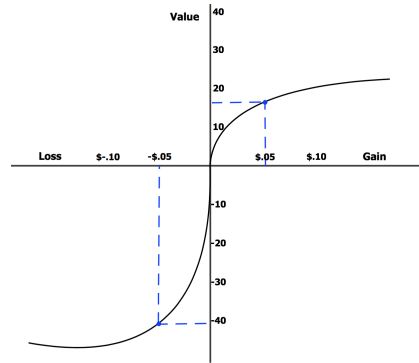
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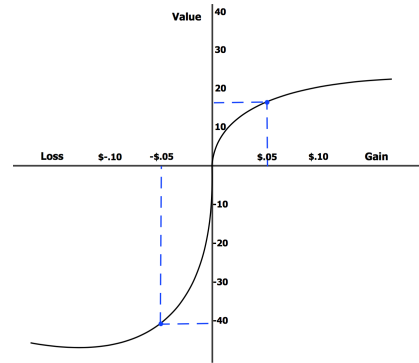
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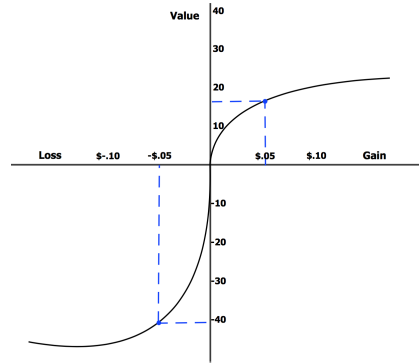
1. Reference dependence. Elements that influence decisions,

- ✓ context in which the decision-making processes take place.
- ✓ changes of wealth, rather than final asset positions.
- ✓ sunk costs do matter.



Prospect Theory

2. **Likelihood dependence.**
Asymmetrical curvature of the likelihood influences decisions,

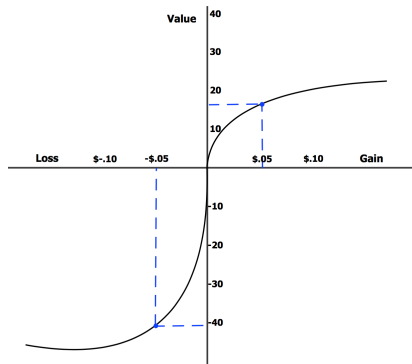


Prospect Theory

2. Likelihood dependence.

Asymmetrical curvature of the likelihood influences decisions,

- ✓ Individuals are risk-averse in the domain of gains.

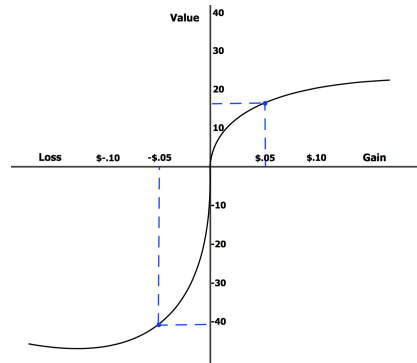


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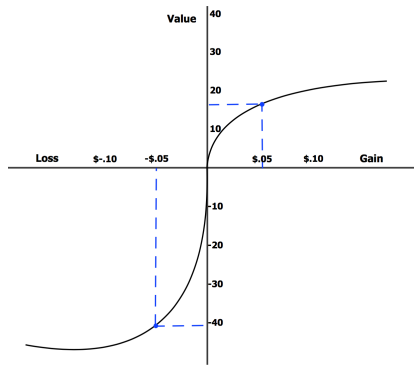
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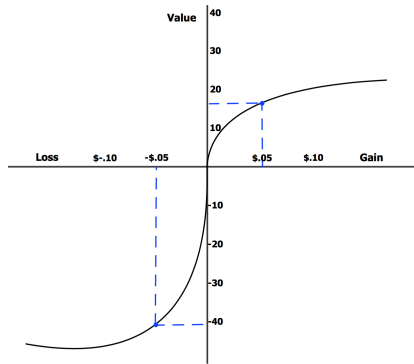
Prospect Theory and Vote-Buying

- **Overweighting:** in the domain of **losses**, the convexity of the function encourages **risk-seeking** behaviors by **exaggerating the probabilities of unlikely losses**.



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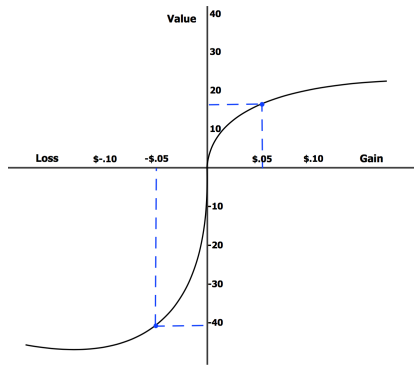
- **Overweighting:** in the domain of **losses**, the convexity of the function encourages **risk-seeking** behaviors by **exaggerating the probabilities of unlikely losses**.
- **Underweighting:** in the domain of **gains**, the concavity of the function encourages **risk aversion** by **undervaluing the probability of success**.



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Vote-buying will be higher when parties,

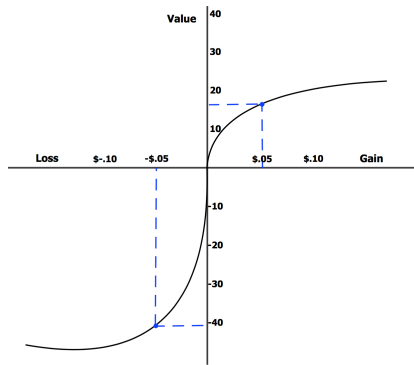
1. **Are probable winners:** parties will exaggerate the small probability of losing the election (**risk aversion**).



Prospect Theory and Vote-Buying

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1. **Are probable winners:** parties will exaggerate the small probability of losing the election (**risk aversion**).
2. **Have experienced losses in the past** (sunk costs): alter the decision-makers' reference point, making vote-buying an attractive strategy (**risk-seeking**).



A Formal Model of Vote-Buying

- Formal models can help experimentalists determine which theoretical settings and equilibria are most relevant to a particular causal hypothesis.

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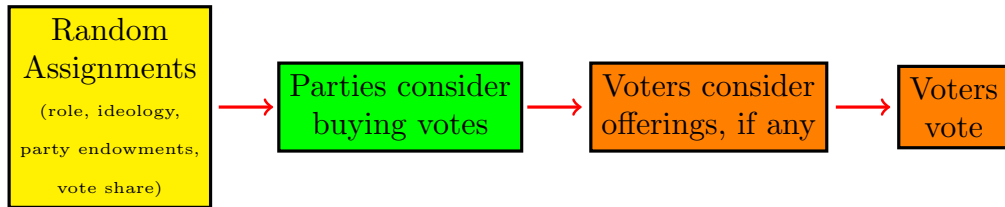
Downs (1957), Enelow and Hinich (1990), Plott (1991).

- The idea is to test the descriptive accuracy of the game-theory model in an experimental setting.

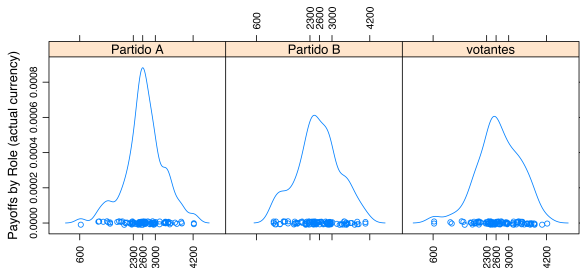
Lupia and McCubbins (1998), Bassi, Morton, and Williams (2011), Dickson (2011), Tyszler and Schram (2016), Vieider and Vis (2019).

- The experiment was conducted in Chile (April/May 2021).
- 0-tree (Z-tree). Fischbacher 2007.
- All participants were required to successfully complete two practice rounds.
- Show-up fee of \$2,000 CLP ($\approx 2.1\text{€}$).
- 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 ($N = 306$).

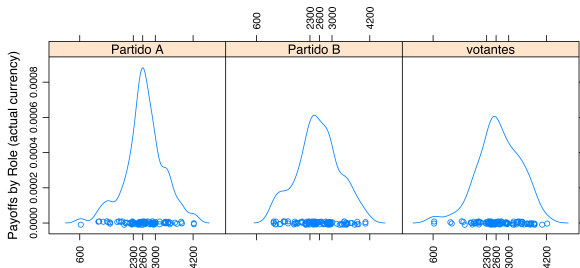
1. **Role:** *party A, party B* or *voter*.
2. **Voters:** “**ideological position**” (points depending on whether party A or B won election). Points reflect “spatial” distance between the voter and both parties (continuum 1–100).
3. **Parties:** **endowments** (points to buy votes, if any).
But both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



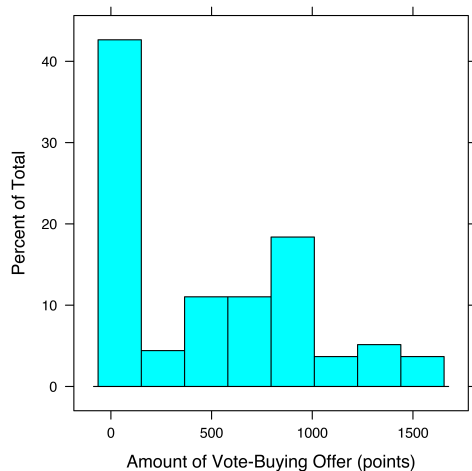
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- **Voters:** payoffs depend on whether their party is elected, and on whether they sell their vote. **Can't defect:** if they accept an offer, they vote for that party.



- Focus is vote buying (parties).
Voter data discarded.
- **Dependent variable:** the amount of the vote-buying offer made by parties (if any).
- If predictions of formal model and traditional vote-buying theories are accurate, we should see that offers go up when facing probable electoral losses.



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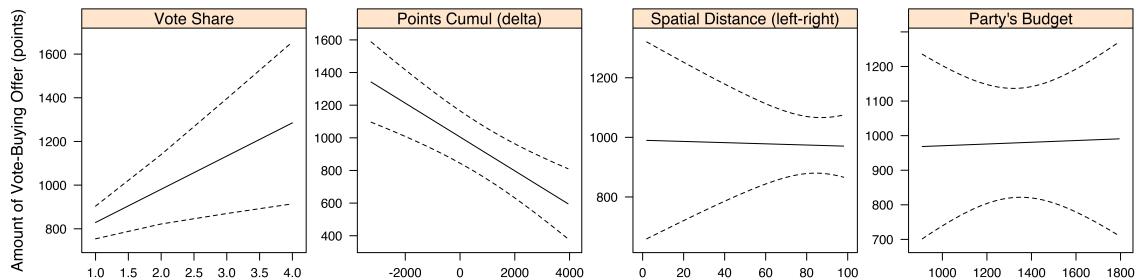
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- Party's budget (points).

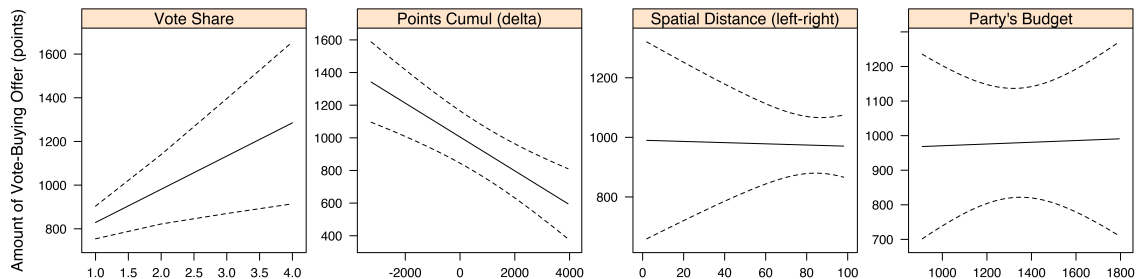
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- Participant fixed effects.

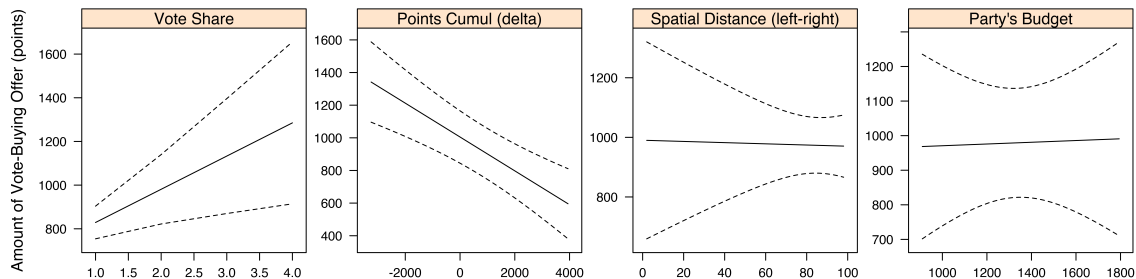


Overall, results conform with Prospect Theory's predictions.

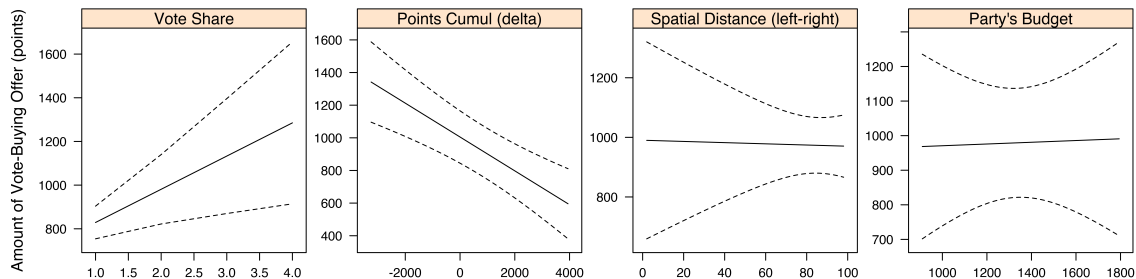
Robust std. errors used to construct confidence intervals.



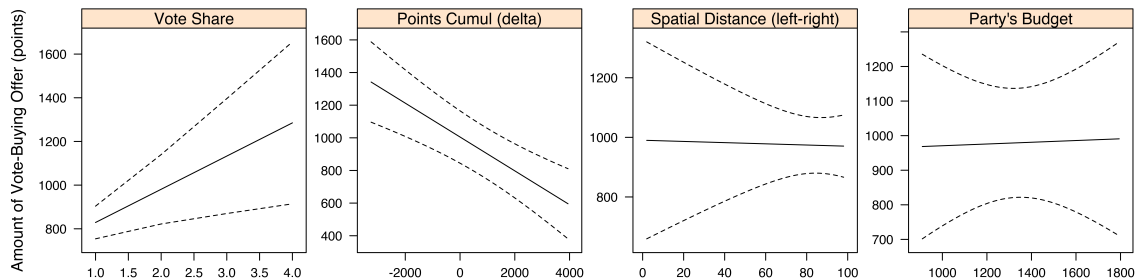
1. Parties buy more votes when are likely winners (not losers).



2. Decision-makers buy more votes when sunk costs are higher.



3. Spatial distances (core/swing) do not matter.



4. Party budget does not matter.

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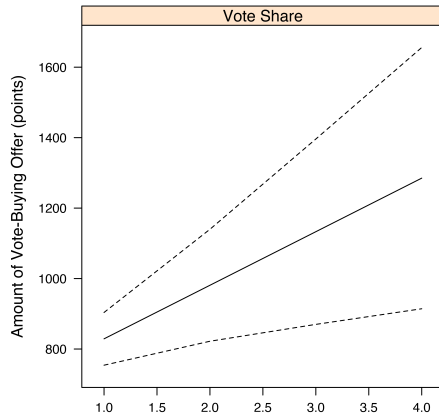
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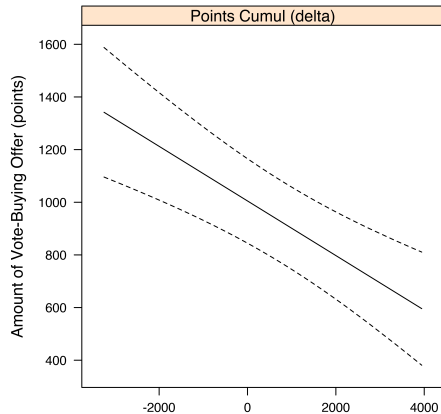
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- Results widely conform with Prospect Theory.

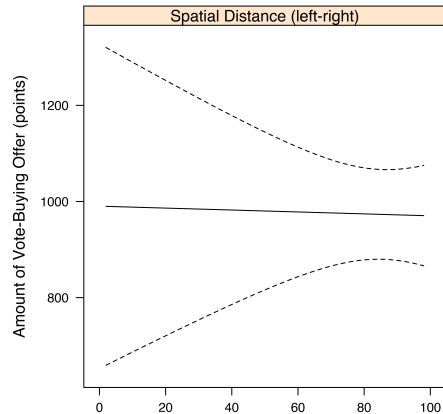
- Parties are risk-averse in the **domain of gains**: decision-makers exaggerate the probability of unlikely losses, so they buy more votes when are likely winners (not losers).



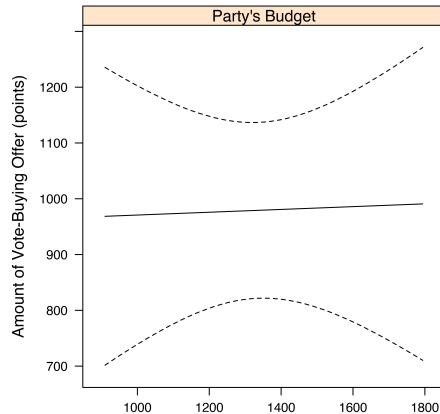
- **Parties are risk-seeking in the domain of losses:** unlike EUT theories predict, parties do consider sunk costs, buying more votes to compensate for past losses.



- **Core/swing voters:** voter types are not relevant for vote buying.



- **Party budgets:** unlike traditional theories, wealthier parties don't necessarily buy more votes.



Thank you



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