Overreacting and Posturing: How Accountability and Ideology Shape Executive Policy Responses

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Abstract

Voters rely on executive politicians to craft effective solutions to difficult problems. Executives are frequently criticized, however, for exaggerating the degree of action required to address issues. In this paper I develop a model of elections in which the officeholder must respond to a crisis. In equilibrium, the executive exaggerates policy in order to appear informed to voter. This exaggeration can be due to well-informed executives *overreacting* to their information, or ill-informed executives *posturing* and acting boldly despite their lack information. I show that limits on executive authority can improve policy responses, but may backfire by limiting discretion and encouraging posturing. Finally, I find that ideological disagreement over how to respond to the crisis can increase overreacting and posturing.

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Voters rely on executive politicians to respond effectively to crises.[1] Although voters cede considerable authority to the executive in these situations, they can use elections to discipline officeholders. In turn, executives can take advantage of a crisis to demonstrate their competence to voters and improve their electoral prospects. To be successful, bold and decisive action is often thought to be important for presidents to win reelection (Cohen, 2015; Howell, 2015). Furthermore, the literature on disproportionate policies argues that governments exaggerate policies in response to a number of crises, such as public health issues (Maor, Tosun and Jordan, 2017), terrorist attacks (Mueller, 2006), and recessions (De Francesco and Maggetti, 2018).

Why do elections encourage exaggerated reactions by executives? Do limits on executive authority improve outcomes? And how does polarization affect policy responses? To address these questions I develop a model of electoral accountability.

Two key features of the policymaking environment drive exaggerated responses. The first is that voters care about the politician's ability to make correct decisions. The second is that voters observe the executive's policy choice, but may not learn whether the policy was effective before the election. As low ability officeholders face greater uncertainty about the correct policy response, they favor moderate policies to offset their uncertainty. By contrast, an high ability politicians are more informed and relatively more willing to choose an extreme policy in the direction of their information. Consequently, in equilibrium, exaggerated policies signal quality and the voter only reelects the incumbent if she chooses a policy far from the ex ante optimum.

These exaggerated responses arise from two types of policymaking behavior.

First, the executive may *overreact* to policy-relevant information. In his first term in office, Ronald Reagan led a massive increase in U.S. defense spending in response to the Soviet Union. CIA estimates of Soviet military spending at the time suggest that, while Soviet military expenditures were significant, the extent of Reagan's response was unnecessary (Holzman, 1989). Second, the executive may be uncertain over the correct course of action, and yet *posture* by acting boldly instead of proceeding cautiously (Gersen and Stephenson, 2014). For example, in 1975 the Khmer Rouge seized the American cargo ship the SS *Mayaguez*. Forgoing more measured options, Gerald Ford quickly decided to "do something" and ordered military action, despite having very little information about the on-going situation (Bohn, 2016).

The equilibrium analysis also yields empirical predictions about executive policy choices. The model implies there should be less variance in the policy choices of term-limited ex-

[1] This rationale underlies the trustee theory of representation, see Mill (1861) and Fox and Shotts (2009).

ecutives, relative to those who can run for reelection. This differs from commonly studied models that analyze pandering or adverse selection over ideology. Consequently, they may be useful for identifying issues or offices for which elections encourage overreacting and posturing. The model also provides predictions on the popularity of executive policy responses and microfoundations for theories of presidential leadership.

Overreacting and posturing suggest that limits on executive power may improve crisis policy responses. While limitations prevent extreme policies, they also make it easier for low ability incumbents to imitate competent officeholders. Additionally, constraints hamper the executive's ability to effectively react when an extreme response is warranted. Under some conditions the executive should be unconstrained. Otherwise, the executive should be relatively constrained but given some leeway. It is never optimal, however, to either place weak constraints on the executive or to completely remove executive discretion.

Finally, I extend the model to include ideological heterogeneity between the incumbent and challenger. I show that ideology plays an important role in overreacting and posturing. If the election is competitive, then greater polarization between the candidates exacerbates the degree of policy exaggeration. Polarization makes the incumbent more motivated to win in order to prevent the challenger from taking office. Symmetric polarization increases the probability the incumbent retains office and decreases voter welfare. On the other hand, increasing only incumbent extremism can have non-monotonic effects on both reelection probabilities and voter welfare.

These results emerge from a two-period model of executive policymaking and accountability. In each period, there is uncertainty over which policy delivers the best outcome. The officeholder is either high quality, and knows the correct action to take, or low quality, and uncertain about how to respond to the crisis. After the incumbent chooses the first period policy, the voter decides to reelect the incumbent or to elect a challenger of unknown quality. The voter's decision is not straightforward, however, as he does not learn the effectiveness of the first-period policy before the election, and must infer the incumbent's quality from only her policy choice.

The predominant accountability failure studied in the literature is pandering. That is, politicians try to improve their electoral prospects by choosing the policy that voters believe is ex ante optimal (Canes-Wrone, Herron and Shotts, 2001; Maskin and Tirole, 2004; Morelli and Van Weelden, 2013).[2] This paper is especially related to Canes-Wrone, Herron and Shotts (2001). They also study an environment with uncertainty over the optimal policy choice and executives who try to signal expertise. Overreacting and posturing are the

[2]For general overviews of the electoral accountability literature see Ashworth (2012) and Duggan and Martinelli (2017).

opposite behaviors of pandering: here the executive chooses policy away from the policy the voter would choose to win reelection. Furthermore, for pandering to explain exaggerated or bold policy responses requires the voter to ex ante believe that the extreme policy is more likely to be correct. By contrast, the necessity of reelecting incumbents who adopt extreme policies in my model is independent of the voter's prior belief that the policy is optimal. Hence, I derive an apparent voter preference for extreme actions that is fully endogenous to equilibrium play. Finally, these models feature binary policy spaces, and this precludes politicians from overreacting to information.[3]

Overreacting and posturing in my model has commonalities with a number of other works. For example, Fox and Stephenson (2011) analyze when judicial review acts to prevent posturing by officeholders. Levy (2004) studies a similar "anti-herding" behavior, and finds conditions under which executives forgo advice from advisors. Judd (2017) shows that executives may take unilateral action, even when this leads to inferior policy. Beyond focusing on a different set of issues, in these papers there is a binary policy space, which precludes overreacting to information. On the other hand, Prendergast and Stole (1996) also find a similar two-sided effect of overreacting to information, in a model of investment decisions where the manager cares about his reputation. However, as the agent is unable to be replaced, they study different issues, such as when the manager is incentivized to stick to a chosen policy. Whereas I study how differences between the incumbent and challenger affect exaggerated polices and voter welfare. Additionally, the electoral setting induces a discontinuity in reelection probabilities. This structure admits equilibria in which the uninformed type sometimes pools with the informed type to win reelection, which has important empirical and welfare implications in my analysis. By contrast, Prendergast and Stole focus on fully separating equilibria. Recent work also studies how elections can induce this type of overreacting (Almasi, Dagher and Prato, 2018). However, they focus on how this affects regulation, rather than the electoral consequences, and do not analyze posturing.

My model is also linked to work studying policy distortions in Downsian models of electoral competition with uncertainty over optimal policy choices. Honryo (2013) studies equilibria in which an informed politician chooses the left or right policy despite learning that the moderate policy is optimal. As with the my model, this distortion is generated by trying to signal competence. However, there is not a continuous policy space, so politicians cannot overreact. Second, Kartik, Squintani and Tinn (2015) study overreacting away from the voter's prior. In their paper, the mechanism that causes candidates to overreact to their

[3] Acemoglu, Egorov and Sonin (2013) and Duggan and Martinelli (2019) study pandering with a continuous policy space. In these models, politicians choose overly extreme, or populist, policies as a means of signaling congruence. Politicians, however, all choose policies in the same direction. Their models also do not have incomplete information over the optimal policy for the voter.

information is very different from that studied in this paper. In Kartik et al. overreacting is not generated by politicians trying to signal expertise. Instead, the voter aggregates information from both candidates' policies and this updating causes the voter to prefer policies that are more extreme than the unbiased choice of either individual candidate. Additionally, neither paper investigates the effects of polarization and ideological extremism studied here.

Finally, previous theories of elections argue that overreactions arise from differences in the types of available policies rather than information, as in my model. For example, some authors argue that executives overreact to terrorist attacks due to the observability of different actions to the public (De Mesquita, 2007; Dragu, 2017). Others argue that leaders take drastic actions that are risky and hope for a positive turnout (Downs and Rocke, 1994). Still others use psychological theories to explain disproportionate policy responses, such as overconfidence on the part of the politician (Maor, 2012).[4] In contrast to these explanations, I show that accountability alone may be sufficient for politicians to overreact to information. In practice, it may be that the accountability mechanism I find works in tandem with previously studied features to generate further distortions. Moving beyond elections, Patty and Turner (Forthcoming) study how expert policy choices are influenced by a political superior who can veto the agent's policy choice. They show that oversight creates incentives for the agent to propose overly large policy changes in order to convince the overseer that the status quo should be revised.

The Model

There are two periods, $t \in \{1, 2\}$. In each period an executive makes a policy choice $x_t \in X = \mathbb{R}$. At the end of the first period a representative voter decides whether to reelect the incumbent or elect an untried challenger. Thus, there are three actors in the model: an incumbent (I), a challenger (C), and a voter (V).

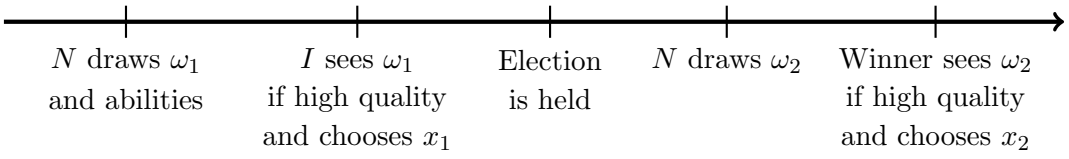
In each period, there is a state of the world that determines the optimal policy response. All players want the chosen policy to match the state of the world, however, the state is unknown. In period t the state is given by ω_t, which is drawn independently from a distribution F with mean 0, finite variance $\sigma^2 > 0$, full support over $\mathbb{R}$, and admits pdf f.[5]

Politicians are either high quality or low quality, representing their competence. If the

[4] In Appendix D I extend the model to allow the low quality type to observe a partially informative signal. This extension can capture overconfidence by assuming the low quality type observes an uninformative signal, but perceives it as informative. I show that as the low quality type's signal becomes perfectly accurate (or is perceived to be accurate) policy choices become arbitrarily distorted. This suggests that the interaction of accountability and overconfidence may produce greater overreaction than either effect on its own.

[5] Similar results hold if ω persists across periods.

Figure 1: Summary of electoral game



politician is high quality, then she knows ω_t in each period. In contrast, low quality politicians are uninformed and have no further information about the realization of ω_t. A politician's competence is her private information. The incumbent is high quality with probability $q_I \in (0,1)$ and low quality with probability $1 - q_I$. Similarly, the challenger is high quality with probability $q_C \in (0,1)$. A high quality type may have greater ability to assemble and manage her advisors and the bureaucracy, or be better informed due to her background and expertise on issues.[6] To start, Nature (N) determines the state of the world, as well as the quality of the incumbent and challenger. Next, the incumbent chooses the first period policy response $x_1 \in \mathbb{R}$.

Following the officeholder's choice, the voter decides to reelect the incumbent or elect the challenger. The outcome of the incumbent politician's policy choice, however, is not revealed. Thus, the voter must decide to reelect the politician having observed the policy choice x_1, but without knowing the quality of the policy choice.

Nature next draws the state of the world for the second period. If the winner of the election is high quality she observes ω_2. Finally, the second period officeholder chooses a policy $x_2 \in \mathbb{R}$, the game ends, and utilities are realized.

In the baseline model, I assume players have the same policy preferences, which are represented by an ideal point at ω_t. Utility is quadratic over policy and given by $u_i(x_t) = -(x_t - \omega_t)^2$. Additionally, a politician gets an office benefit $\beta > 0$ for each period in which she holds office. Dynamic payoffs are given by the sum of utility each period.

Comments on the Model

Although stylized, the set-up of the model captures an incentive problem in which the incumbent must try to appear informed to the voter while also balancing her policy pay-

[6] Given the important role the bureaucracy plays in developing executive crisis plans, quality could also capture some dimension of ideological alignment between the executive and the relevant agency. Greater ideological alignment should make communication easier between the agency and executive, increasing the executive's information. Expanding the model in this direction represents an interesting avenue for future research.

offs. Additionally, the set-up remains comparable to previous work on the subject, such as: Harrington Jr (1993), Canes-Wrone, Herron and Shotts (2001), Levy (2004), and Fox and Stephenson (2011), making it possible to identify the assumptions driving new results.

One important difference with these previous works is that I model a richer policy space. Indeed, many policy areas of interest, particularly those concerned with overreaction, are best characterized by allowing multiple degrees of response, e.g., military spending, economic stimulus. While previous models contain similar ingredients, they incorporate accountability, an unknown optimal policy, and differing politician abilities, they often assume a binary policy space. This rules out overreacting to information and studying the extent to which actions are exaggerated.

The model best captures executive policymaking in crisis situations. The common values aspect of the model assumes there is agreement on what constitutes a "good" policy outcome, e.g., ending a recession, and how the optimal policy changes with the state of the world. For example, in response to the 2008 financial crisis President Bush pushed for a $700 billion to bailout the banks, and this garnered the support of most Republicans and Democrats in the House and Senate. In the model, voters do not observe the effectiveness of the policy choice. Often it may take years for voters to learn whether a crisis response should be considered a success or failure, making it difficult for voters to judge the incumbent based on outcomes. Finally, the executive in the model has authority to act unilaterally in responding to the crisis. In many crisis situations executives are able to exert significant discretion over how to respond. In the United States this is especially true of the president's powers for conducting wars and foreign policy (Howell, 2011; Young, 2013).

For the results on polarization it is important that the incumbent cares about the second period policy. This assumption is a cornerstone of citizen-candidate models of electoral accountability (e.g., Osborne and Slivinski, 1996; Besley and Coate, 1997). Additionally, it is consistent with the casual observation that officeholders in high level executive positions often continue caring about policy outcomes after leaving office. For example, John Adams is said to have worked until midnight on his last day in office, approving judicial appointments in order to curb the influence of the incoming Thomas Jefferson. More recently, after leaving office Barack Obama criticized later attempts to repeal the Affordable Care Act, Donald Trump's decisions to withdraw from the Paris Accord, and the decision to withdraw from the Iran nuclear deal.

I model ideological disagreement over responses to the crisis. That is, while players may agree that government spending should be increased during a recession, they disagree on the extent of the increase. Alternatively, ideological disagreement could occur on issues orthogonal to the crisis. For example, while voters may care about how well the incumbent

manages a public health crisis, they also vote based on her positions on social issues. Specifically, player i's utility is $-(x-\omega)^2-(\hat{y}_O-\hat{y}_i)^2$, where $\hat{y}_i$ is i's ideal point and $\hat{y}_O$ is the officeholder's. While some differences arise, in Appendix D I show that qualitatively similar results in terms of the equilibrium characterization and the effects of polarization obtain under this alternative specification.

The main mechanism is robust to extending the baseline model in a number of directions. In Appendix D I show that the core characterization holds if: (i) the low quality incumbent observes a partially informative signal; (ii) there is some probability that the voter observes the effectiveness of the policy before the election; or (iii) the incumbent only partially weights policy made when out of office.

In this paper I focus on competence in responding to a crisis, however, the framework can be easily modified to study issues beyond this case. For example, assume party i has ideal policy $\hat{y}_i$ and the voter's ideal policy is given by the state of the world. In this case, types could differ in their degree of partisanship, i.e., the weight they place on the party's platform versus voter welfare. Such a model would have a similar characterization that involves choosing extreme policies away from $\hat{y}$. However, the interpretation, as well as empirical and welfare implications would be different. As such, the model provides a flexible and tractable framework for studying a number of issues related to electoral accountability.

Results

As there is incomplete information over ability and the state of the world, I study perfect Bayesian equilibrium of the model. Given the continuous action space, many behaviors can potentially be supported as equilibrium. As such, I focus my analysis on equilibria that survive the D1 refinement (Cho and Kreps, 1987). For the voter a mixed strategy is a mapping $\rho : X \to [0,1]$, where $\rho(x)$ indicates the probability of reelection following policy choice x. A mixed strategy for the officeholder in period t is given by the mapping $\pi_t : \mathbb{R} \cup \{\phi\} \to \Delta(X)$, where $\Delta(X)$ denotes the space of probability measures on X and ϕ indicates the politician is uninformed.

To start, consider the optimal policy choice for each politician based only on her policy preferences. If the politician is informed, then the action that maximizes her policy utility is the policy that matches the state of the world, $x_t = \omega_t$. On the other hand, if the politician is uninformed then, by quadratic utility, her optimal policy choice is the expectation of the distribution of the state, $x_t = 0$. In the last period the politician does not face any reelection constraints. Thus, the winner of the election chooses $x_2 = \omega_2$, when she is high quality, and chooses $x_2 = 0$, when she is low quality.

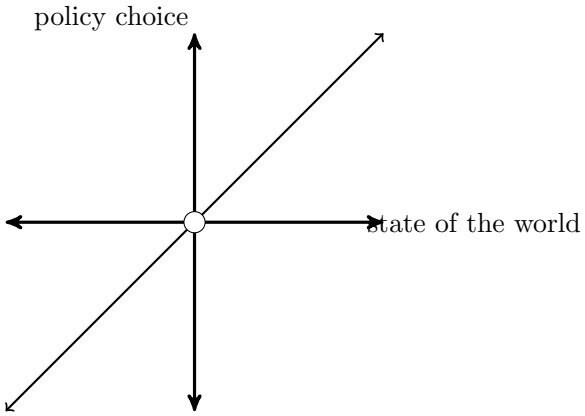
Given second period policymaking, the voter's expected utility for electing a high quality incumbent is $-(\omega_t - \omega_t)^2 = 0$, and his expected utility for a low quality incumbent is $\int_{\mathbb{R}} -\omega^2 dF(\omega) = -\sigma^2$. Therefore, the voter's decision is based on his belief about the incumbent officeholder's ability. Let $\tilde{q}(x_1)$ be the voter's belief that the incumbent is high quality, following policy choice x_1, and this belief is updated according to Bayes' rule whenever possible. In equilibrium, if $\tilde{q}(x_1) > q_C$, then the voter must reelect the incumbent. If $\tilde{q}(x_1) < q_C$, then he must elect the challenger. Finally, if $\tilde{q}(x_1) = q_C$, then the voter is indifferent and, as such, he can reelect the incumbent with any probability $\rho(x_1) \in [0, 1]$.

For the remainder of the section I study first-period policy choices.

First-best Outcomes

I begin by characterizing the first-best outcome for the voter. That is, given the officeholder's information, what is the best policy choice for the voter? As the voter only cares about policy outcomes, this is equivalent to the incumbent making the myopically optimal policy choice given her information. Consequently, the first-best outcome is for an informed incumbent to choose $x_t = \omega_t$ and an uninformed incumbent to choose $x_t = 0$. Figure 2 illustrates these policy choices.

Figure 2: First-best policy choices.

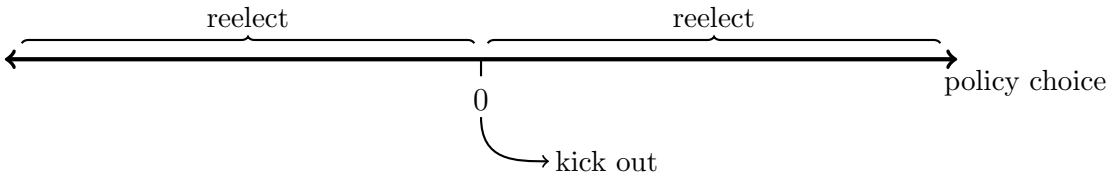


Note: Figure 2 depicts the policy choices for the incumbent in a first-best strategy profile. The line gives the policy choices for an informed incumbent as a function of her information. The circle represents the policy choice of an uninformed incumbent. As shown, in the first-best outcome for the voter policy choices for informed types lie on the 45 degree line and the uninformed type chooses the expectation of the state.

In this case, there is no distortion in policy outcomes. The only loss in voter welfare is from an uninformed type being unable to match the state. Furthermore, under such a

configuration the voter always reelects the incumbent after seeing any $x_1 \neq 0$, as this indicates the incumbent is high quality. The voter always removes the incumbent after seeing $x_1 = 0$, as with probability 1 the policy was chosen by the uninformed type. This reelection decision is depicted in Figure 3. Thus, this configuration of policy choices provides the voter with his highest static and dynamic payoffs. While this profile of actions is optimal for the voter, is it possible to support such behavior as an equilibrium?

Figure 3: Voting with first-best outcomes



Note: Figure 3 shows which policy choices lead to reelection for the incumbent under the first-best outcome.

Under the first-best strategy profile a high quality incumbent never deviates, as she obtains her best policy outcome and gets the office benefit in each period. Therefore, all that remains is to verify that the low quality type of the incumbent does not want to choose a different policy. In particular, the low quality incumbent must prefer choosing her ideal policy and getting removed from office over choosing any other policy and getting reelected. Formally, this holds if

$$\begin{aligned} &-\sigma^2 + \beta - (1 - q_C)\sigma^2 \geqslant -2\sigma^2 + 2\beta, \\ &\Leftrightarrow q_C\sigma^2 \geqslant \beta. \end{aligned} \tag{1}$$

Equation (1) reveals that the first-best outcome can be supported as an equilibrium when office benefits are not too high.[7] This is possible because the incumbent cares about policy outcomes.

[7]Note, the voter removes from office the $\omega_1 = 0$ type of informed incumbent — meaning he does not actually perfectly screen the types. Additionally, in analyzing when the low quality type would not deviate from the first-best strategy, this is technically not an equilibrium, as the $\omega_1 = 0$ type has a best-response problem. I ignore the issue, as this type has measure zero and, hence, does not affect the voter's welfare. Furthermore, if there was a messaging stage where the incumbent could state if she was high or low quality, then a separating equilibrium exists, which is sufficient for the discrepancy to disappear. Finally, this issue does not arise in the main equilibrium analysis.

Overreacting and Posturing

I now precisely define overreacting and posturing policy responses. If the incumbent learns that $\omega > 0$ and chooses a policy $x > \omega$, or if $\omega < 0$ and she chooses a policy $x < \omega$, then I say the incumbent overreacts to her information. This definition is akin to the definitions used in Prendergast and Stole (1996) and Kartik, Squintani and Tinn (2015).

When the executive is uninformed, she should choose the policy that is ex ante expected to be correct, i.e., $x = 0$. If the uninformed type instead chooses a different policy, $x \neq 0$, I say that the incumbent postures. Put differently, an incumbent postures if she adopts an overly bold or extreme action in order to appear informed and capable to the electorate, despite being uncertain about the correct course of action. This definition of posturing extends the behavior studied in Fox and Stephenson (2011) to a continuous policy space.

Given this definition, politicians may choose policies that overreact to the left or right, or posture in either direction. Consider the stylized example of a policymaker deciding how to respond to an economic crisis. Assume the public believes government spending should be moderately increased in order to combat the crisis. The executive, however, has information suggesting that a somewhat larger increase in spending is optimal. The incumbent overreacts to this information if she implements a much larger stimulus plan than both what the public expects and what her information suggests. If the policymaker instead learns that the best method for navigating the crisis is a small increase in government spending, then she can overreact to this information by adopting severe austerity measures.[8] Alternatively, exaggerating to the left could interpreted as underreacting and to the right as overreacting.

Equilibrium Behavior

What if office benefits are not low? For many positions in which the executive has significant decision-making power it is natural to think that office benefits are quite high and, all else equal, that the incumbent prefers to get reelected even if she is low quality. The remainder of the section is devoted to studying policymaking distortions that arise in this case. Moving forward, assume $\beta > q_C\sigma^2$.

For characterizing behavior, it is convenient to define $\overline{x}$ and $\underline{x}$ as the positive and negative solutions, respectively, to

$$-\sigma^2 + \beta - (1 - q_C)\sigma^2 = -x^2 - 2\sigma^2 + 2\beta. \tag{2}$$

[8] On some issues, the bidirectional nature of this definition may seem at odds with what is observed empirically. However, if F is not symmetric around the mean, then the probability of overreaction to the right will differ from the probability of overreaction to the left. Such asymmetries can also arise in a number straightforward extensions of the baseline model.

The left-hand side of equation (2) gives the expected utility to a low quality incumbent for choosing $x = 0$ and being removed from office. The right-hand side gives the low quality type's expected utility for choosing policy x and being reelected. Thus, $\underline{x}$ and $\overline{x}$ make the uninformed type indifferent between choosing her ideal policy and getting kicked out, or choosing one of these cut-points and being retained in office. Similarly, it useful to separately define a cut-point ω^* in the state space as

$$\omega^* = \sqrt{\beta - q_C\sigma^2}.$$

Finally, define $\overline{\Pi}(\omega^*)$ and $\underline{\Pi}(\omega^*)$ as

$$\overline{\Pi}(\overline{x}) = \frac{q_I(1-q_C)}{(1-q_I)q_C}\Big(F(\omega^*) - F(0)\Big)$$
$$\underline{\Pi}(\underline{x}) = \frac{q_I(1-q_C)}{(1-q_I)q_C}\Big(F(0) - F(-\omega^*)\Big).$$

With these cut-points in hand, the first proposition characterizes equilibrium behavior for the voter and incumbent.

Proposition 1. *Every perfect Bayesian equilibrium of the model that survives D1 is characterized as follows:*

1. *Voting Behavior:*
   - (a) *If $x_1 \leqslant \underline{x}$ or $x_1 \geqslant \overline{x}$, then the voter reelects the incumbent.*
   - (b) *If $x_1 \in (\underline{x}, \overline{x})$, then the voter kicks out the incumbent.*
2. *Informed Incumbent:*
   - (a) *If $\omega_1 \in [0, \omega^*)$, then I **overreacts to the right** and chooses $x_1 = \overline{x}$.*
   - (b) *If $\omega_1 \in [-\omega^*, 0)$, then I **overreacts to the left** and chooses $x_1 = \underline{x}$.*
   - (c) *If $\omega_1 \leqslant -\omega^*$ or $\omega_1 \geqslant \omega^*$, then I chooses the **first-best** policy $x_1 = \omega_1$*
3. *Uninformed Incumbent:*
   - (a) *With any probability $\overline{\pi} \in [0, \overline{\Pi}]$, I **postures to the right** and chooses $x_1 = \overline{x}$.*
   - (b) *With any probability $\underline{\pi} \in [0, \underline{\Pi}]$, I **postures to the left** and chooses $x_1 = \underline{x}$.*
   - (c) *With probability $1 - \underline{\pi} - \overline{\pi}$, I chooses the **first-best** policy $x = 0$.*

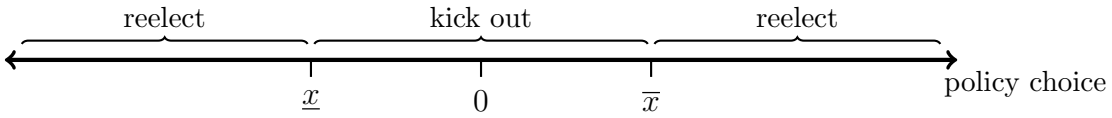
Off the path of play assume the voter believes the incumbent is uninformed with probability 1.

Proposition 1 demonstrates that policy choices are distorted compared to the first-best outcome, when $\beta > q_C\sigma^2$.

If the first-period policy is in the interval $(\underline{x}, \overline{x})$, then the voter chooses to elect the challenger rather than the incumbent. In equilibrium, the voter cannot reelect the incumbent following policies that are too moderate, as the low quality type would deviate and always choose this policy. For this reason, the voter reelects the incumbent when the policy is sufficiently extreme, $x_1 > \overline{x}$ or $x_1 < \underline{x}$, because the low quality type is unwilling to choose such extreme policies. Furthermore, the voter is willing to reelect when $x_1 = \overline{x}$ or $x_1 = \underline{x}$, as the uninformed type chooses these boundaries with low enough frequency. Figure 4 illustrates electable policies.

If the incumbent learns that the state of the world is extreme relative to the expected state, $\omega_1 \leqslant -\omega^*$ or $\omega_1 \geqslant \omega^*$, then she chooses the optimal policy and is reelected. Hence, there is no distortion in policymaking by these types.

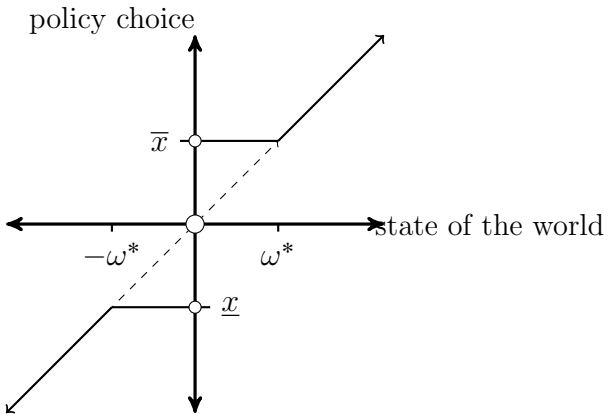
Figure 4: Equilibrium voting



On the other hand, if the incumbent knows that the correct policy choice is a moderate action near 0, then she overreacts to this information. Specifically, if the incumbent learns $\omega_1 \in [0, \omega^*)$, then she exaggerates policy in the direction of this information, and chooses $x_1 = \overline{x}$. As $\overline{x}$ makes a low quality incumbent indifferent between choosing $x_1 = \overline{x}$ and choosing $x_1 = 0$, the high quality incumbent strictly prefers choosing $x_1 = \overline{x}$ and being reelected over choosing $x = \omega_1$ and being kicked out. This is because $\overline{x}$ is closer to ω_1 than it is to 0, and so a high quality incumbent is more willing to choose $\overline{x}$ than the low quality incumbent. Furthermore, an informed incumbent is more motivated to get reelected relative to a low quality type, because her reelection ensures that the second period policy choice is made by a high quality type. Analogous reasoning explains why the officeholder chooses $x_1 = \underline{x}$, when $\omega_1 \in (-\omega^*, 0)$. Figure 5 summarizes policy choices as a function of the incumbent politician's information.

Finally, consider policymaking by a low quality incumbent. An uninformed incumbent would never choose a policy more extreme than $\overline{x}$ or $\underline{x}$, as this yields strictly worse policy utility and does not change her probability of reelection. Similarly, she would never choose a policy in the interval $(\underline{x}, \overline{x})$ that is different from 0. When the uninformed type chooses $\overline{x}$ or

Figure 5: Equilibrium policy choices



Note: The black arrows represent policy choices by an informed incumbent. The circles depict the policies over which an uninformed incumbent mixes. The dashed line shows the first-best policy choice, given the officeholder's information.

$\underline{x}$, she postures by adopting an extreme policy, despite having no information that suggests the correct policy lies in that direction. Alternatively, choosing $x = 0$ signals that she is uninformed and, thus, she is removed from office for certain. The incumbent is willing to forgo reelection in this case, as she obtains her highest expected policy payoff.

In equilibrium, the uninformed incumbent is indifferent over $\underline{x}$, 0, and $\overline{x}$, hence, she is willing to mix with any probability over these policies. However, the probability she can place on choosing a reelectable policy is bounded above by the probability that the policy is chosen by a high quality incumbent. The low quality incumbent cannot choose $\underline{x}$ or $\overline{x}$ too often because doing so causes the voter's belief that the incumbent is high quality to fall below q. As a result, the voter would no longer be willing to reelect after seeing $\underline{x}$ or $\overline{x}$.

Empirical Implications

It is challenging to empirically assess whether a policy is exaggerated. Determining whether a particular policy response is an overreaction requires comparing the decision to some benchmark of what the politician should have done. Correspondingly, the literature on disproportionate responses has focused on case studies (e.g., Maor, 2012; Maor, Tosun and Jordan, 2017; Peters, Jordan and Tosun, 2017; see De Francesco and Maggetti, 2018 for an exception). Given this problem, it may be productive to derive more indirect implications of overreacting and posturing to bring to data.

Consider the following observation about policymaking in the model: In the second

period, the politician tries to match the state. As such, if policies are sufficiently exaggerated in the first period, then, in expectation, policy should be closer to the ex ante optimal policy in the second period. This has the following empirical implication in terms of different behavior by term-limited executives.

Implication 1. If office benefit is sufficiently high, then the variance in policy choices of term-limited executives is less than the variance in policy choices for executives who can run for reelection.

In the second period, the politician tries to match the state. As such, if policy is initially exaggerated, then there is an overall reversion to the mean effect. Thus, the model predicts that the variance in the distribution of second period policy choices is less than the variance in the distribution of first period policies.

The next implication is similar, but considers the preferences of voters as it relates to policy choice.

Implication 2. In expectation, the executive chooses a policy that is ex ante more popular in her final term.

Both implications stand in contrast to Canes-Wrone, Herron and Shotts (2001), in which there is uncertainty over expertise but pandering is the accountability failure of interest. Specifically, with pandering, in the first period politicians are more often picking the popular policy. Then, in the second period, the politician follows her signal. Thus, there is less variance in the first period of policymaking. Similarly, if the incumbent panders in the first period, then she is choosing the most popular policy and, thus, the officeholder becomes more likely to choose the policy not ex ante preferred by the voters when not facing reelection.

Implications 1 and 2 also contrast with models with uncertainty over ideology (e.g., Duggan, 2000; Bernhardt, Dubey and Hughson, 2004). In these models, the incumbent is incentivized to choose policies closer to the median to get reelected. For example, if office benefit is high, then all incumbents converge to the median in the first period. Thus, there is no variance in the policy choice and all incumbents choose the median's ideal point. However, the officeholder chooses her ideal policy during her final term, which creates variation in the policy choices, and is less popular than the median's ideal.

The voter's prior belief that the incumbent is informed, q_I, is a measure of the incumbent's ex ante popularity. If q_I increases, then the uninformed type is able to posture more often and win reelection. Additionally, the incumbent is more likely to be informed and overreact. This decreases the probability that $x_1 = 0$, which yields the following implication:

Implication 3. Increasing the popularity of the incumbent decreases the expected ex ante popularity of her crisis response.

The literature on executive politics also debates whether presidents are responsive to public opinion.[9] Some research finds that presidents choose policies that follow public opinion (Page and Shapiro, 1983; Erikson, MacKuen and Stimson, 2002; Edwards III, 2012). Other research argues that presidents lead public opinion (Jacobs and Shapiro, 2000; Rottinghaus, 2010). Still other scholars find that responsiveness is conditional on the prevailing political environment (Canes-Wrone and Shotts, 2004; Canes-Wrone, 2010). The theory developed here is relevant for this debate as well.

Implication 4. After observing x_1, the voter believes the expected correct policy is in the direction of incumbent's choice.

In the model, policy choices are informative about the correct course of action. The incumbent chooses policies away from what the voter believes to be optimal, yet the voter's beliefs change to follow the politician's choice. Consequently, the model provides a micro-foundation for how presidents can actually lead public opinion and still win reelection.[10]

Given the mixed evidence on presidential responsiveness, scholars have concluded that policy is broadly responsive to the direction of public opinion but not highly congruent to specific policies (Canes-Wrone, 2015). The model is consistent with this conclusion. If the voter's belief about the expected correct policy choice shifts, then executive policy choices shift with it. However, there continues to be significant deviation away from the policy the voter himself would choose.

Presidents are also often viewed unfavorably if they fail to demonstrate leadership (Cohen, 2015). Indeed, Howell (2015) argues that presidents must take "decisive" action. Interpreting the expected correct action as the status quo policy, the model provide a logic for why inaction may be viewed unfavorably by the public. For example, when Ford discussed taking military action against Cambodia with his advisors, he worried that voters would view him as incompetent if he took a more measured approach (Bohn, 2016).

Executive Constraints

Overreacting and posturing distort outcomes away from the first-best. These behaviors can increase in two ways. First, the probability the executive exaggerates policy can increase. Second, the degree to which policy is exaggerated can increase.

[9] See Druckman and Jacobs (2010) and Canes-Wrone (2015) for overviews.

[10] If the incumbent is allowed to send a cheap talk message before policymaking she can also influence beliefs about ω (but not about ability). Thus, the model is consistent with the use of presidential rhetoric to lead on issues as well.

As the bounds of the non-reelection interval make the uninformed type indifferent between choosing the bound and getting reelected, or choosing $x_1 = 0$ and getting kicked out, these end-points are affected by her incentives for reelection. The next result summarizes this effect.

Proposition 2. *Increasing office benefit increases* $\overline{x}$, $\frac{\partial \overline{x}}{\partial \beta} > 0$, *and decreases* $\underline{x}$, $\frac{\partial \underline{x}}{\partial \beta} < 0$. *Furthermore, if* $\beta \to \infty$, *then* $\underline{x} \to -\infty$ *and* $\overline{x} \to \infty$.

If $\overline{x}$ increases and $\underline{x}$ decreases, then policy distortions are more extreme. Additionally, the probability of overreacting and posturing increase, as more high quality types overreact and low quality types can posture more often. Proposition 2 also implies that increasing office benefit decreases voter welfare.

Executives are often given significant policymaking discretion when responding to crisis. Given that accountability encourages exaggerated responses to crises it may be that limiting executive discretion improves voter welfare. Constraints can be implemented through a number of sources, such as constitutional restrictions, legislative oversight, or judicial review. To address this possibility, modify the model so that the executive is constrained to choosing policies from the interval $[-\Psi, \Psi]$. While I take a reduced form approach, modeling the details of specific institutions could uncover important new behaviors.[11]

To start, note that if $\Psi \geqslant \overline{x}$, then constraints have no effect on incumbents who are overreacting or posturing, their behavior is still characterized by $\overline{x}$ and $\underline{x}$. However, types for whom $|\omega| > |\Psi|$ now must choose Ψ or $-\Psi$ instead of $x = \omega$. Additionally, such constraints dampen voter welfare in the second period of policymaking. Consequently, *weak* constraints create new distortions, while doing nothing to mitigate the original problem.

Implication 5. Weak constraints yield strictly lower voter welfare than having no constraints.

Having established the inferiority of weak constraints, I now characterize equilibrium behavior when executive constraints are strong. Let $V_C(\Psi)$ be the expected policy utility from electing the challenger given constraint Ψ.

Proposition 3. *Assume constraints are strong,* $\Psi < \overline{x}$.

1. *Suppose the incumbent is popular,* $q_I > q_C$.

   - *Informed Incumbent: If* $\omega \geqslant 0$ *then* I *chooses* $x_1 = \Psi$. *If* $\omega < 0$ *then* I *chooses* $x_1 = -\Psi$.

[11] Fox and Stephenson (2011) consider judicial review and also find that constraints can incentivize an uninformed type to posture. However, as noted earlier, their model has a binary policy and thus does not account for overreacting by informed politicians.

- *Uninformed Incumbent: I chooses $x = \Psi$ with probability $1 - F(0)$ and $x = -\Psi$ with probability $F(0)$.*
- *The voter always reelects the incumbent on the path of play.*

2. *Suppose the incumbent is unpopular, $q_I < q_C$.*

- *Informed Incumbent: If $\omega \geqslant 0$ then I chooses $x_1 = \Psi$. If $\omega < 0$ then I chooses $x_1 = -\Psi$.*
- *Uninformed Incumbent: I chooses $x = \Psi$ with probability $\frac{q_I(1-q_C)}{q_C(1-q_I)}\Big(1 - F(0)\Big)$ and $x = -\Psi$ with probability $\frac{q_I(1-q_C)}{q_C(1-q_I)}F(0)$.*
- *Following $x_1 = \Psi$ or $x_1 = -\Psi$ the voter reelects the incumbent with probability $\rho(\Psi) = \rho(-\Psi) = \frac{\Psi^2}{\beta - \sigma^2 - V_C(\Psi)}$.*

By removing the incumbent's freedom to choose increasingly extreme policies strong constraints make it impossible to fully separate the types. A fully separating equilibrium with no posturing always exists in the baseline model without constraints However, posturing is an integral component of policy responses when the executive does not have unlimited discretion to react to the crisis. Thus, constraints mute the selection benefits of accountability. When the incumbent is popular both the high and low quality types always win reelection. When the incumbent is unpopular the voter cannot always reelect following $x_1 \in \{-C, C\}$, as the challenger is ex ante more likely to be high quality. Thus, the voter must mix over reelecting the incumbent or electing the challenger in order to make the uninformed type indifferent. In turn, this requires the uninformed type to choose the the bounds of the constraint set with high enough probability to make the voter indifferent.

I now study the choice of constraints Ψ that maximize voter welfare. From the first implication it is clear that $\Psi \in (\overline{x}, \infty)$ cannot be optimal. Thus, I compare welfare under the optimal $\Psi \in [0, \overline{x}]$ to welfare under no constraints. Given the interest in maximizing voter welfare, I select the fully separating equilibrium in the no constraints case.

Proposition 4. *Assume f is symmetric about 0. If office benefit is sufficiently high, then voter welfare is maximized by $\Psi^* \in (0, \overline{x})$. Otherwise, it is optimal to place no constraints on the executive.*

As office benefit becomes large, Proposition 2 implies that policy responses become arbitrarily distorted if the officeholder is unconstrained. Consequently, despite their downsides, constraints are optimal if office benefit is large. Otherwise, no constraints are optimal. No constraints reap the benefits of electoral selection and officeholder ability.

If constraints are optimal,then Ψ^* is bounded away from $\overline{x}$. Setting $\Psi^* = \overline{x}$ has the same problem as weak constraints. Thus, constraints should be fairly limiting when they are placed on the executive. However, Ψ^* is also always strictly positive. Fully constraining the executive is never optimal because there are large gains from giving a small amount of discretion in the event of an extreme realization of ω, relative to the loss from allowing small degree and probability of overreacting and posturing.

The Effects of Ideology

I now incorporate ideological differences into the model. The players may disagree over the extent of action that is warranted, even if the state of the world is known. Assume the incumbent has bias R, the challenger bias L, and $L < 0 < R$. In state ω_t, the payoff for policy x is $-(x - \omega_t - R)^2$ to the incumbent, and is $-(x - \omega_t - L)^2$ to the challenger. The voter's payoff remains $-(x - \omega_t)^2$. To focus on differences due to ideology, assume $q_I = q_C = q$. Define *polarization* in the model as the difference between the incumbent and the challenger's bias. In order to further simplify expressions, define $\underline{R}$, $\overline{R}$, and ω^* as

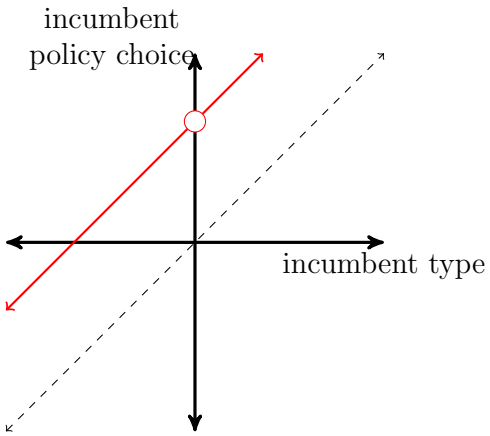
$$\begin{aligned}
\underline{R} &= \sqrt{\max\{0, L^2 - q\sigma^2\}}, \\
\overline{R} &= \sqrt{L^2 + (1-q)\sigma^2}, \\
\omega_R^* &= \sqrt{\beta - q\sigma^2 + (R-L)^2}.
\end{aligned}$$

The voter may always prefer a politician from the ideologically closer party. If $R \in (0, \underline{R})$, then the voter prefers to reelect a low quality incumbent over the challenger. Alternatively, if $R > \overline{R}$, then the voter prefers the challenger, even if the incumbent is high quality. In either case, I say the election is *lopsided*. Otherwise, if $\underline{R} \leqslant R \leqslant \overline{R}$, then the election is *competitive*. Proposition 5 summarizes lopsided elections.

Proposition 5. *Assume the election is lopsided. If the incumbent is high quality, then $x_1 = R + \omega$. If the incumbent is low quality, then $x_1 = R$. The voter always reelects the incumbent when she is advantaged. By contrast, the voter always elects the challenger when the incumbent is disadvantaged.*

Overreacting and posturing disappear when the incumbent has a strong electoral advantage due to ideology. As the voter always reelects the incumbent, the latter's incentives to distort policy disappear, and she chooses her myopically optimal policy. Figure plots a biased incumbent's policy choice in a lopsided election against the first-best choice. A similar conclusion holds if the incumbent is ideologically disadvantaged.

Figure 6: Lopsided election policy choices



Note: The red arrow gives policy choices by an incumbent with bias R in a lopsided election, while the red circle represents the policy chosen by an uninformed incumbent. The dashed line illustrates the optimal policy choice for the voter.

In a competitive election, however, the incumbent can still win or lose the election. To characterize equilibrium, let $\overline{x}_R = R + \omega_R^*$ and $\underline{x}_R = R - \omega_R^*$. Additionally, define $\overline{\Pi}_R(\omega_R^*)$ and $\underline{\Pi}_R(\omega_R^*)$ as

$$\overline{\Pi}_R(\omega_R^*) = \left(\frac{q}{1-q}\frac{1-q-\frac{R^2-L^2}{\sigma^2}}{q+\frac{R^2-L^2}{\sigma^2}}\right)\Big(F(\omega_R^*) - F(0)\Big)$$
$$\underline{\Pi}_R(\omega_R^*) = \left(\frac{q}{1-q}\frac{1-q-\frac{R^2-L^2}{\sigma^2}}{q+\frac{R^2-L^2}{\sigma^2}}\right)\Big(F(0) - F(-\omega_R^*)\Big).$$

The next proposition summarizes equilibrium behavior in competitive elections, and explores how changes in polarization between the candidates affects policymaking.

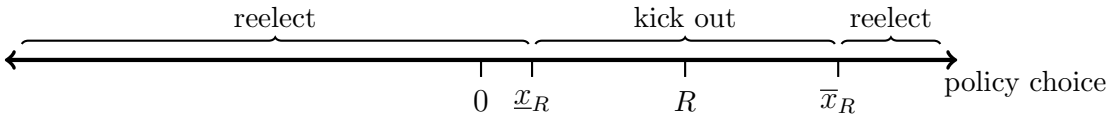
Proposition 6. *Assume the election is competitive.*

1. *Substituting in $\omega_R^*, \overline{x}_R, \underline{x}_R, \overline{\Pi}_R$, and $\underline{\Pi}_R$, equilibrium behavior is characterized analogously to Proposition 1.*

2. *The cutoff ω_R^* is increasing in polarization.*

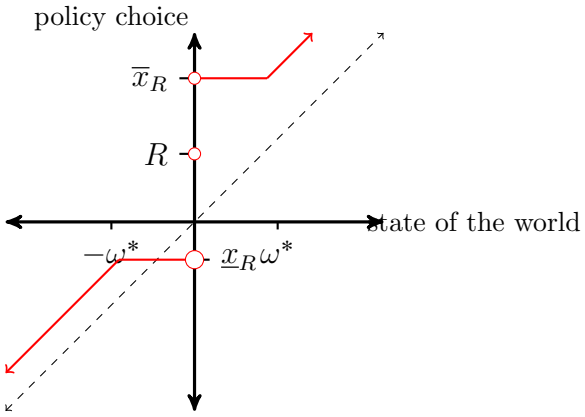
Behavior is again characterized by an interval of policies, where $\underline{x}_R$ and $\overline{x}_R$ are given by an indifference condition for the low quality type. In this case, the non-reelection interval is shifted to center around R. Figure 7 illustrates voting behavior, while Figure 8 shows policy choices by an ideologically biased incumbent.

Figure 7: Voting in competitive elections



Part 2 of Proposition 6 analyzes the effects of increasing polarization between the candidates. It implies that greater polarization increases the degree to which the incumbent overreacts and postures in competitive elections. This effect exists because increasing polarization makes losing the election worse for the incumbent, as the challenger implements an ideologically more distant policy in the second period. This increases the incumbent officeholder's incentive to get reelected.[12] As a consequence, the cut-points $\underline{x}_R$ and $\overline{x}_R$ push further apart, increasing the frequency and extent of overreaction. This also implies that the incumbent chooses more extreme policies when posturing. However, the probability of posturing may increase or decrease. This depends on whether polarization is due to the incumbent or challenger becoming more extreme.

Figure 8: Policy choices in competitive elections



Note: The red arrows depict the policy choices of a high quality incumbent with bias R in a competitive election. If $\omega \in (-\omega^*, \omega^*)$, then the incumbent overreacts to her information. The circles represent mixing over $\underline{x}_R$, R, and $\overline{x}_R$ by an uninformed incumbent.

Implication 6 pulls together Propositions 5 and 6 to study the overall effect of incumbent extremism on policymaking.

[12] Bernhardt et al. (2009) and Van Weelden (2013) also find that party competition can make officeholders more responsive to voters. In these papers, however, this effect leads to beneficial moderation or higher effort by officeholders, whereas here it incentivizes detrimental extremism.

Implication 6. If $R < \underline{R}$ there are no policy distortions. If $\underline{R} \leqslant R \leqslant \overline{R}$, then increasing R increases overreacting. Finally, for $R > \overline{R}$ there is again no policy distortions.

The logic for why exaggerated responses are non-monotonic in the ideological extremism of the incumbent follows from Propositions 5 and 6. When the incumbent is much further from the voter than the challenger, there is no distortion. As R moves in towards 0, the incumbent gets closer to the voter ideologically, eventually the election becomes competitive, and this creates exaggerated policy choices. Finally, as R approaches 0 either $\overline{x}_R - \underline{x}_R$ reaches its minimum value, or the incumbent becomes much closer to the voter than the challenger and the election becomes lopsided.

Letting $\sigma^2 \to 0$ reflects the case where there is no crisis. As there is no uncertainty over the optimal policy, the election is lopsided and the voter always elects the ideologically closer candidate. As such, a significant crisis (σ^2 sufficiently large) provides an ideologically disadvantaged incumbent the opportunity to win reelection. This implies there is also an incentive for ideologically unpopular incumbents to exaggerate the extent of the crisis, and popular incumbents to downplay the size crisis. Future work could build on this model to explore these dynamics further.[13]

Reelection Rates

I now analyze how the incumbent's reelection probability changes as polarization increases.

Proposition 7. *Polarization and reelection.*

1. *Suppose the challenger and incumbent have biases that are equally distant from the median voter. Symmetrically increasing polarization weakly increases the probability that the incumbent wins reelection.*

2. *Increasing the challenger's ideological bias weakly increases the probability that the incumbent wins reelection.*

3. *Assume F is log-concave, twice differentiable, and symmetric about 0. Suppose the incumbent and challenger are initially unbiased. There exists a threshold on office benefit, $\beta^* > q\sigma^2$, such that if $\beta \in (q\sigma^2, \beta^*)$, then increasing the incumbent's ideological bias weakly increases the probability the incumbent wins reelection.*

High quality politicians are always reelected in equilibrium. Thus, any changes in the probability of retaining the incumbent are due to changes in how often the low quality type

[13] Similarly, crises may provide the incumbent an opportunity to move policy on other dimensions.

is reelected in the equilibrium with maximum posturing. There are two channels through which ideology affects this probability. First, the extremism of the incumbent relative to the challenger affects the voter's reelection standard. Specifically, it alters how certain the voter must be that the incumbent is the high type in order to reelect. If the incumbent is more extreme, the voter must be more certain that she is high quality, in order to mitigate the downside of the known bias. The second channel is that the extremism of the incumbent relative to the challenger impacts the incumbent's desire to get reelected. If the incumbent is more incentivized to hold onto office, then the high quality type overreacts for a larger set of states, and this allows the low type to posture more often. Depending on how polarization increases, it may have different effects through these two channels.

If the challenger and incumbent are relatively similar distances from the voter, then increasing the extremism of both candidates increases the incumbent's probability of victory. The first channel is mitigated because the candidates have similar degrees of bias and, thus, the second channel determines the probability of victory. Because greater polarization increases the incumbent's desire to win re-election, high types are more likely to overreact. Consequently, the low type can posture more frequently in equilibrium, resulting in a higher observed re-election rate.

On the other hand, large asymmetries in the extremism of the candidates force us to account for both effects. Additionally, polarization's effect depends on whether it is primarily driven by the incumbent becoming more extreme, or if it is due to the challenger. If increased polarization polarization increases because of the challenger, then both effects work in the same direction and the incumbent's probability of winning increases. In contrast, incumbent-driven polarization may increase the incumbent's probability of victory. In this case, the two channels work in opposite directions, small increases in incumbent extremism can increase the observed incumbent probability of victory. Increased incumbent bias increases the reelection rate if office benefits are not too large. With low office benefit, the incumbent's increased motivation to prevent the challenger holding office outweighs the voter's more stringent reelection standards. Of course, the incumbent always loses reelection if she is too extreme. Thus, overall, incumbent driven polarization has a non-monotonic effect on the incumbent's probability of victory, under these conditions.

Finally, Implication 7 provides insight into how the candidates' relative extremism affects the type of politicians who are likely to be reelected.

Implication 7. Conditional on being reelected, an incumbent who is more biased than the challenger is more likely to be high quality than an incumbent who is less biased than the challenger.

If the incumbent is ideologically closer to the voter than the challenger, $|R| < |L|$, then

the voter is willing to reelect the incumbent, even if she is less likely to be high quality than the challenger. As such, the uninformed type is able to posture more frequently and still get reelected. By contrast, consider when the incumbent favors more extreme interventions relative to the challenger, $|R| > |L|$. In this case, the voter is more inclined to elect the challenger, which means the uninformed type cannot posture as frequently. Therefore, there is better selection of high quality types from an incumbent more biased than the challenger, relative to the voter's preference.

Ideology and Voter Welfare

The next two propositions consider the effects of ideological extremism on voter welfare.

Proposition 8. *Assume F is symmetric about 0. Suppose the incumbent and challenger have ideological biases equally distant from the voter. Symmetrically increasing polarization decreases voter welfare.*

Proposition 8 shows that if the incumbent and challenger are similarly extreme, then symmetrically increasing polarization decreases voter welfare. There is both the direct effect of making the incumbent more biased, and the indirect effect where the incumbent becomes more incentivized to distort policy in order to prevent the challenger from winning. Additionally, because the incumbent and challenger are relatively similar distances from the voter, the incumbent does not change how often she postures.

The previous result only considers competitive elections. If the election can become lopsided, then the non-monotonicity of overreacting and posturing in ideology indicates that voter welfare may also be non-monotonic.

Proposition 9. *Assume office benefit is sufficiently large. If $L^2 < q\sigma^2$, then voter welfare is maximized at $R = \overline{R} > 0$. Otherwise, if $L^2 > q\sigma^2$, then voter welfare is maximized when the incumbent has a matching ideology, $R = 0$.*

Voter welfare can be higher when the incumbent has an ideological bias different from the voter. This is the case if office benefits are high and the challenger is not overly extreme. A lopsided election removes disproportionate policy responses and, consequently, the voter does better enduring more ideologically extreme policies in order to eliminate distortions. If office benefits are instead relatively low, then the distortions from accountability are less severe. Hence, under this scenario, the voter prefers the incumbent be ideologically congruent.

Conclusion

In this paper I have shown how electoral accountability incentivizes politicians to react to crises with policies that exaggerate their information. The key driver of this behavior is that low quality politicians have the most motivation to choose "cautious" responses. As a consequence, politicians implement extreme policy responses to signal their competence. In some cases, limiting the executive's discretion to respond to the crisis can improve voter welfare. These distortions are further exacerbated in competitive elections where the officeholder and the challenger have strong ideological disagreements.

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