

**The Watchful Eye:
Information Transmission and Political Failure**

Branislav L. Slantchev
Department of Political Science
University of California, San Diego

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Signaling in International Crises

- Why do countries end up fighting?
 - dynamic commitment problems
 - **asymmetric information problems**
- How can a country reveal private info credibly?
 - pre-commitment tactics (burn bridges)
 - **costly signaling**
- How does a country generate costs?
 - inherently costly action (mobilization)
 - external audiences (reputation)
 - **domestic audiences (audience costs)**

Audience Costs

- “national honor” (Fearon)
- opposition signaling (Schultz)
- crisis behavior (Smith)

Where do these costs come from? Why impose them?

Mechanism for Generating Audience Costs

- citizens wish to sanction leaders who pursue policies the citizens would not want if they had the same information
- audience costs are the reduction in probability of the leader staying in office
- citizens must infer policy quality
- policy failure:
 - type I: leader repeals good policies
 - type II: leader pursues bad policies

Can citizens learn what they need to know?

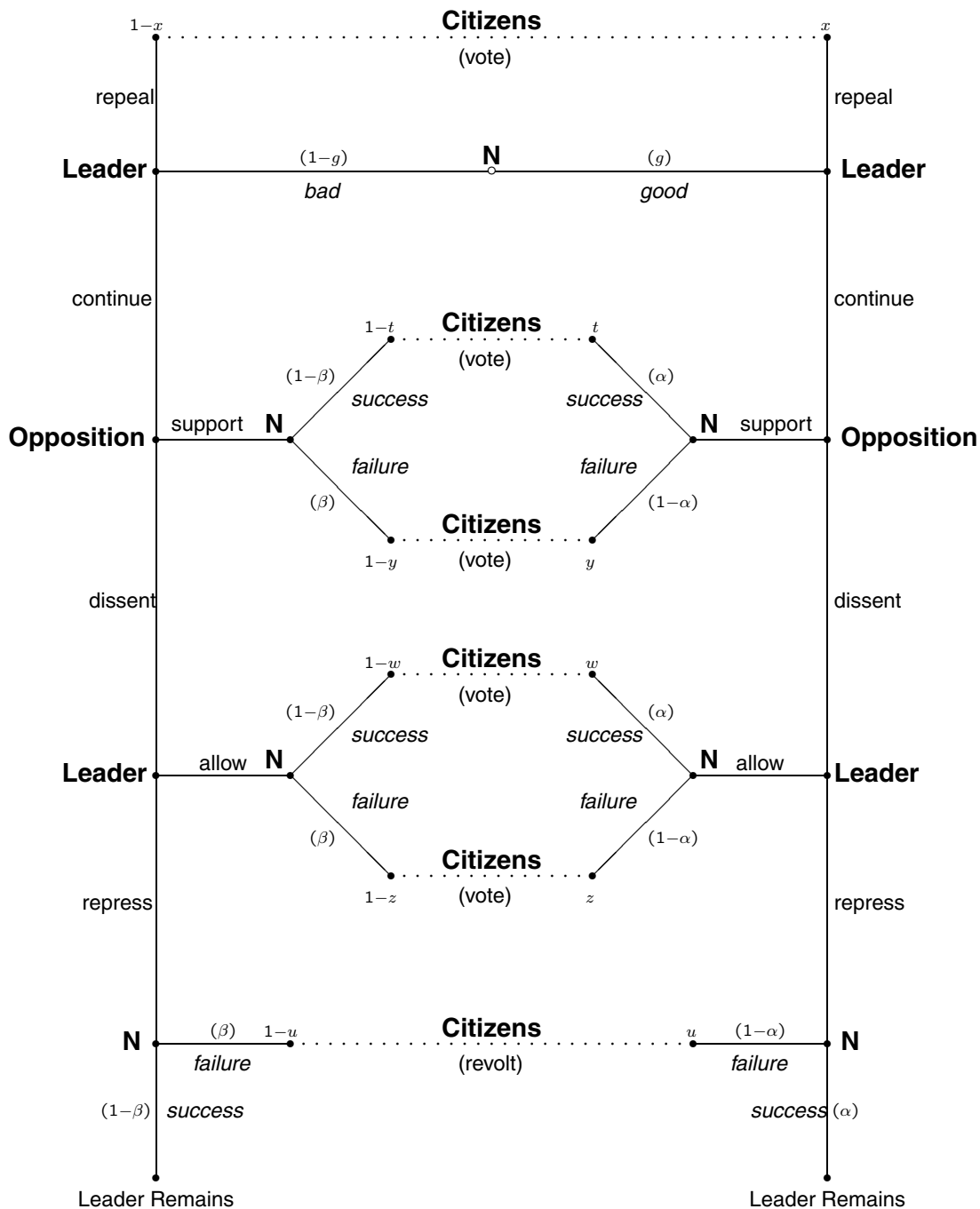
Main Features of the Model

- fully rational players: Leader, Opposition, Citizens
- policy quality is known to Leader and Opposition
- Leader can repeal the policy or continue it:
 - Citizens observe noisy signal about its quality
 - Opposition can endorse policy or dissent
 - if dissent occurs, the Leader can repress it
- Citizens decide whether to keep the Leader:
 - no repression: vote (Leader and Opposition)
 - repression: revolt to replace or keep Leader

Two-Period Model

- First Period (elections/revolution):
 - Leader/Opposition learn policy quality
 - Leader repeals or continues
 - dissent and repression stage
 - everyone observes policy outcome
 - voting or revolution stage
- Second Period (no elections):
 - Leader/Opposition learn policy quality
 - Leader repeals or continues

Game Schematic: First Period



Assumptions

- Citizens care only about policy quality
- Leader and Opposition also care about quality
- Whoever holds office gets additional rents
- Repression is costly for Leader
- Repression stifles free elections
- Revolution, if it occurs, succeeds

Information

- Unobservable by anyone: competence of Leader and Opposition
- More competent = more likely to pick good policy
- Policy either good or bad, observed by L/O
- Citizens infer quality from L/O actions, noisy signal
- Good policy more likely to get positive signal

Citizen Strategy

Citizens form expectations about likelihood of leader picking good policy tomorrow and decide whether to replace him with untried opposition.

If they are sufficiently convinced that leader will not produce a good policy, they would replace him.

How can the Leader avoid this fate? How can the Opposition help citizens learn?

Uninformative Equilibria

- If repression is too costly (democracy):
 - leader never represses
 - no constraint on opposition
 - endorsement babble (dissent/support always)
 - citizens only learn from noisy signal
- If repression is too cheap (autocracy):
 - leader always represses
 - opposition never dissents
 - universal endorsement
 - citizens only learn from noisy signal

Both types of failure possible (depending on priors)

Unique Fully Revealing Equilibrium

Repression costs intermediate (mixed regime):

⇒ repression threat credible only when policy good

⇒ Opposition dissents only when policy is bad

⇒ strategies fully reveal policy quality

⇒ Citizens retain Leader if good, replace if bad

⇒ Leader repeals bad, continues good

⇒ **no policy failure**

Role of Exogenous Signals (Media)

Partially revealing equilibrium in democracy:

- Leader always continues good policy
- Leader sometimes continues bad policy
- Opposition always dissents/supports
- Leader never represses
- If policy is repealed, leader is replaced
- type II failure only

Probability of failure decreases as quality of exogenous signal improves.

Endogenous Audience Costs

In mixed regimes, perfect audience costs due to threat of credible revelation by opposition: no policy failure.

In autocracies: both types of failure possible, no audience costs, no way to reveal information credibly.

In democracies: both types of failure possible, but type II more likely. Imperfect audience costs due not to opposition but exogenous source (media). Likelihood of failure decreases as media becomes unbiased.

Audience costs quite difficult to generate, non-linear in regime type (contrary to ubiquitous assumption).

Conclusions

- two different mechanisms for endogenous audience costs:
 - strategic behavior of informed players
 - exogenous noisy signal (watchful eye)
- very unlikely to arise from strategic behavior
- neither leader nor opposition can credibly reveal much except in mixed regimes
- repealing policies extremely strong signal
- audience costs are not linear in regime type
- role of media must be further investigated