Discussion of "Popular Referendum and Electoral Accountability"
by Patrick Le Bihan

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Overview of the paper

- **The goal:** study the impact of direct democracy (DD) on policy making
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- **The goal:** study the impact of direct democracy (DD) on policy making

- **The finding:** when there is uncertainty about the preferences of the legislator, DD can improve policy making in all dimensions: those subject to DD and those not subject to DD
A lot to like about the paper:

- one of the first papers to study whether DD has a more widespread impact on policy-making
- very clean model, simple intuitions
- intuitions are very well explained
- author thought about possible criticisms (tough job for me and Roger)
Suppose only one policy $p_1$ and benefits from reelection $B$

- **no DD**
  - $U(\text{good}) = 0 + B$
  - $U(\text{bad}) = 1 + B \times 0$

- **DD**
  - $U(\text{good}) = 0 + B$
  - $U(\text{bad}) = (1 + B) \times 0$
Simple explanation of the mechanism

Suppose only one policy $p_1$ and benefits from reelection $B$

- **no DD**
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![Graph](image-url)
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- **DD**
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• Perhaps surprisingly, adding the second policy affects comparative statics with respect to electorate information $q$

• Hence, this paper changes significantly testable predictions of the simple theories!!!
Comparative statics and bringing the paper to data:

- States with the possibility of referenda should have less politician turnover (Hugh-Jones 2010, Bali and Davis 2007)
- Incumbent should not be reelected when the referendum occurs (??)
- Referenda should be held on policies on which there is quite a bit of uncertainty (??)
- Referenda are more likely when other policies are bad (Matsusaka 1992)
- In states with the possibility of referenda, enacted policies should be closer to voter's preferences (Gerber 1996 for one policy, what about more?)
Do the welfare results survive in a larger model?

- DD increases the probability that non-congruent Incumbent is reelected: than must negatively impact welfare (noted by the author!)
- if more stages, it may be beneficial to discover the type of the politician and eventually elect a congruent one for ever
- but that clearly changes Incumbent’s incentives
- does the main results survive?
- what is the welfare effect?
- this may lead to more interesting testable comparative statics (term limits for example)
Other comments:

- Prato and Strulovici "Direct Democracy and Responsibility Substitution" (WP2013)
  - they look at vertical heterogeneity of policymakers: some have high cost of identifying good policies and some have low
  - the threat of referendum decreases incentive to identify good policies
  - these papers are nice complements!
Other comments:

- modelling comment: make non-congruent legislator’s preferred policies independent of the state
- "direct democracy improves congruence even when the voters have little information about the optimal policies"
  - in the model, they either have perfect info or no info, so "little" here has a very particular meaning
- simplify the model by assuming that the incumbent is reelected iff the probability that she is congruent is above a certain threshold
The paper:

- is a good food for thought for those thinking about DD
- has many interesting empirical predictions