

Incumbent Competition and Pandering

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Abstract

Consider two politicians who can decide whether to follow what they believe the public wants or the socially optimal choice. Laws are passed when the politicians reach a unanimous decision. The public only rewards a politician when a law is passed, or when the politician is the only one whose action coincides with the public decision. Pandering politicians are punished by the public. We focus on the case where the median voter position is unclear. For non-critical issues, very high popularity rewards on policy implementation provide politicians incentives to misbehave and implement any policy regardless of public opinion and welfare. For critical issues, only socially optimal policies are implemented in the face of high pandering costs relative to rewards. The degree of certainty politicians have on the socially optimal choice does not affect the final policy implemented, only the type of divergence in positions observed. Contrary to what one might expect, some dissent in public opinion can lead politicians consider the socially optimal choice more. The model provides important insights on how key issues are approached by political systems with two main parties. The two politician approach on pandering in legislation has not yet been looked at thoroughly in the literature. Voters may be able to induce politicians to vote for the socially optimal choice regardless of popular choice if key conditions given the type of issue are met.

JEL codes: D72, C79

Introduction

The dynamics between politicians and the process of decision-making have often been studied with the premise of re-election. Removing the assumption that election is the primary driving force for actions taken in office, we can study different aspects that may influence the laws passed in legislation. Although democracy is often the process in which politicians are elected into office, direct democracy is not observable within the standard government structures. The politicians, as in the political agency model, are the agents chosen by the public (principal) to select and implement policies that will maximize public welfare. It can be observed, however, that the laws implemented are not always welfare maximizing for the public as the politicians will always take the action that maximizes their utility while in office. The utility politicians obtain from holding office is not solely from their income as public officials, but also from their private benefits (external rent) and popularity amongst the public. Popularity is viewed as both a measure of influence and power that will continue even after retirement. It is not unlikely that a politician may try to increase his popularity by choosing the action the public wants, despite it being sub-optimal for public welfare. This model will focus on the process of legislation to provide insight on how laws are passed and the environment that improves the pursuance of the socially-optimal choices.

Although the electoral process is thought to be the core mechanism to enforce public will within the government, it is not sufficient to effectively manage politicians (Persson, Roland, and Tabellini, 1997; Besley, 2006). The effectiveness of the elections is undermined by information accessibility and personal preferences of voters. Downs (1957) suggested that voters simplify the decision making process to issues more salient to them. The implications of this in terms of ideological divisions between the candidates and electoral competition have been studied (Barro, 1973; Ferejohn, 1986; Alesina, 1988; Van Weelden, 2013; Aragonés et al., 2007; Rivas, 2015). However, the analysis of voting and elections have largely been centered on how the condition of re-election affects incumbent decisions. The process of elections addresses four main issues, namely (i) the aggregation and representation of conflicting voter preferences, (ii) aggregation of information on correct political decisions, (iii) mitigation of the adverse selection problem and, (iv) control of moral hazard through official accountability (Persson, Roland, and Tabellini, 1997).

In this paper, we look at the fourth issue of moral hazard and accountability through a feedback or popularity-based approach. As the politicians are already in office, the results will look at how different

levels of public incentives affect the frequency of laws passed and its fit with the public choice. The results, conversely, also provide information under what conditions laws are passed. More importantly, the model provides insights on how incumbents interact and if they can be induced to make good decisions regardless of their abilities.

The paper looks at popularity as the primary incentive for politicians in office. Network theory suggests that the ones with most connections are the most powerful ones, and have the best source of information. The dynamics of power and how it potentially translates from de jure to de facto power, as studied by Acemoglu, Johnson and Robinson (2004), also provides additional motivation for politicians to strive and maintain popularity amongst the public. Retention of de facto power, in terms of resource accessibility and connections to those in power, is easier when one is perceived to be popular. Furthermore, although politicians cease to have official jurisdiction over decisions made upon retirement, their spheres of influence may allow them to impact some of the decisions made to their advantage. The existence of information asymmetries also provides an additional base upon which future gains can be made (Besley, 2006). The relationship between popularity and reelection has also been widely studied within the empirical context in public perception literature, and has been studied widely in theory through the idea of retrospective voting.

The occurrence of a mismatch in expected outcomes leads to one of the most pervasive issues in democracy, as the integrity and ability of the politicians are questioned when policies do not reap the expected results. Voters are thought to employ retrospective voting as a means of selecting more competent politicians, through exacting accountability on actions of the incumbents (Ferejohn, 1986; Fearon, 1999). The idea of retrospective voting is taken in this paper as an adjustment on the politicians' popularity after decisions are made and the enforcement of accountability, and the severity (generosity) of the punishment (reward) is integral in the decisions made by the politicians.

We look at two incumbent politicians who need to make a decision, taking into account what they believe the public wants, and the decision of the other incumbent. We consider the case where the popular action is not necessarily the public's welfare optimizing decision. The decisions the politicians make take into account the likely state of welfare the public has, and the rewards or punishments the public may mete out once a mismatch in expectations occur. The results insofar focus on the case where there is no additional information on the median voter, that is - the median voter is equally likely to be in any one of the two options. Recent examples of issues where there is a very clear divide in public opinion despite consolidated

expert opinion include Gun Laws in the US, the FARC Peace Treaty in Colombia, and the case for Brexit in the UK. The results show that uncertainty in the general public's opinion on these issues lead politicians to take divergent positions to maximize the chance of being identified as the most effective agent. We find that the salience of the issue affects the implementation and the type of policy outcome. For issues that are non-critical, very high popularity rewards on policy implementation provide politicians incentives to misbehave and implement any policy regardless of public opinion and welfare. High pandering costs curb this behaviour, and is found to induce the implementation of the socially optimal policies at moderate levels of popularity reward. For critical issues, however, we find that without information on median voter position, the only possible outcomes are a divergence of positions for the politicians and the implementation of the socially optimal policy, with the second outcome increasing as the pandering costs increase. Interestingly, the likelihood of each option being the socially optimal choice does not affect the policies implemented in both critical and non-critical issues. The only impact is the type of divergence in positions taken if no agreement is reached.

Model

Model Components

The politician will take an action A_i . A law will be passed once both politicians choose the same action. The decision will be made with two different components in mind: (1) The popularity related payoff; and (2) the costs to pandering.

Timing of the Game

1. Nature chooses the socially-optimal choice $S^* \in \{0, 1\}$ and the popular choice $S_p \in \{0, 1\}$. The socially optimal choice is the choice that most benefits the public. On the other hand, the popular choice represents the median voter's choice. Politicians do not have prior policy preferences, and are aware

of how likely each action is to be the socially optimal choice.

2. Politicians each receive a signal on the popular choice.
3. Politician i chooses an action $A_i \in \{0, 1\}$. A law gets passed if $A_i = A_{-i}$, otherwise status quo is preserved.
4. The popular choice is revealed.
5. The socially optimal choice is revealed.
6. The public punishes the politician if pandering is observed. Pandering, in its most simple form, is proceeding with a course of action to fulfill the desires of another. A politician panders when the popular choice is chosen over the socially optimal one.

Model Set-Up

There are two opposing politicians, $N = 2$, currently in office. For the purposes of this model, the popular choice, $S_p \in \{0, 1\}$, represents the public choice and is revealed at the end of the game. Both states are equally likely. The public choice is the socially optimal choice, $S^* \in \{0, 1\}$ with the following probabilities, $P(S^* = 0) = r$, and $P(S^* = 1) = 1 - r$. S_p and S^* are independent of each other.¹

Each politician will receive a signal $\theta_i \in \{0, 1\}$ on the popular choice, with an accuracy of q_i . The signal indicates what the politicians believe the choice of the public is, and can be characterized as follows.

$$P(\theta_i = S_p) = q_i$$

Both politicians know how good or bad a decision-maker they are.

The decisions taken by the politicians are given by $A_i \in \{0, 1\}$, and are played simultaneously.

¹The independence assumption captures the scenario where in a divided public exists, and politicians have no clear indication on the median voter preference (i.e. $P(S_p = 0) = P(S_p = 1) = \frac{1}{2}$). One can view this specific case of S_p outside the independence assumption through an exogenous perception distortion factor δ , where $P(S_p = S^*) = \delta P(S^*)$, and $\delta = \frac{1}{2P(S^*)}$.

The politicians are assumed to enjoy their popularity in the electorate. Popularity, for the purposes of this paper, is characterized by electorate perceptions on the incumbent based on the decisions taken and the policy implemented. A politician's popularity is dependent on the joint decisions made in the government. The specific decision-implementation popularity payoffs are given below:

$$\pi_i = \begin{cases} T & \text{if } A_i = A_{-i} = S, \\ B & \text{if } A_i = A_{-i} \neq S, \\ 0 & \text{if } A_i \neq S = A_{-i}, \\ 1 & \text{if } A_i = S \neq A_{-i}, \end{cases}$$

where $0 \leq B \leq T \leq 1$. A law is passed when both politicians choose the same action. The utility obtained from choosing the decision the public wants when the opposing party gets it wrong yields the highest value 1. The public perceives the politician with the correct decision as the effective agent. In contrast, choosing the wrong decision when the opposing party's decision coincides with that of the public provides no utility to the politician. The popularity payoffs for implementing a policy which is not the public choice provides a utility value of $B > 0$, as the passing of the law is still seen as a positive, albeit not optimal, governmental response. The implementation of the popular choice will provide the politicians an increase T in their utilities, less than or equal what they would have received if the public positively identifies them as the effective agent. As B will at most be T , $B = \alpha T$, where $\alpha \in [0, 1]$. T can be viewed as a measure of how representative the median voter is, a higher T implying that the median voter represents a larger share of the population.

The public is aware of the decisions made by the incumbent politicians, and reacts accordingly. The popularity of a politicians decreases by a fraction c when caught pandering. The cost of pandering c may also be viewed as the expected cost taking into account the probability of getting caught. The modified payoffs are provided below:

$$u_i(S_p, A_i, A_{-i}) = \begin{cases} T & \text{if } A_i = A_{-i} = S_p = S^*, \\ T - cT & \text{if } A_i = A_{-i} = S_p \neq S^*, \\ B & \text{if } A_i = A_{-i} \neq S_p = S^*, \\ B & \text{if } A_i = A_{-i} \neq S_p \neq S^*, \\ 0 & \text{if } A_i \neq A_{-i} = S_p = S^*, \\ 0 & \text{if } A_i \neq A_{-i} = S_p \neq S^*, \\ 1 & \text{if } A_{-i} \neq A_i = S_p = S^*, \\ 1 - c & \text{if } A_{-i} \neq A_i = S_p \neq S^*. \end{cases}$$

Strategies

The politicians can choose one of six strategies, σ , below:

- **Pander (P)**: Politician i employs the strategy Pander if he follows his signal, $A_i = \theta_i, \forall \theta_i$
- **Left (L)**: Politician i employs the strategy Left if he always chooses $A_i = 0, \forall \theta_i$
- **Right (R)**: Politician i employs the strategy Right if he always chooses $A_i = 1, \forall \theta_i$
- **Contrarian (C)**: Politician i is Contrarian if he always chooses the opposite of what his signal is, *i.e.*, $A_i = \theta'_i$, where θ'_i is different from the signal θ_i
- **Good (G)**: Politician i is Good if he always chooses the action that he believes will maximize public welfare. More specifically, if $P(S^* = s^*) > \frac{1}{2}$, the politician will choose $A_i = s^*$, regardless of his signal.
- **Destructive (D)**: Politician i is Destructive if he always chooses the action opposite of the one he believes will maximize public welfare, *i.e.*, if $P(S^* = s^*) > \frac{1}{2}$, the politician will choose $A_i \neq s^*$, regardless of his signal.

The strategy space of Player i is given by:

$$\Sigma_i = \{P, L, R, C, G, D\}.$$

Preliminary Results

Case 1: $q_i = q_{-i} = \frac{1}{2}$

For the first case, we assume that the signal is bad, $q_i = \frac{1}{2}$. At $q = \frac{1}{2}$, the politician's signal on popular choice does not provide him with additional information.

Recall that the expected utility of a politician, without, pandering costs, is given by:

$$EU_i(\sigma_i, \sigma_{-i}) = \sum [P(S = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s))]$$

The components of the expected utility affected by pandering costs are those where the politicians are compensated for choosing the popular choice. Payoffs T and 1 will be affected by the socially optimal choice S^* . The inclusion of the socially optimal decision alters the expected utilities for each strategy differently. Pandering cost is incurred when the popular state is not equal to the socially optimal state.

Taking into account pandering costs, the expected utility of a politician can be written as follows:

$$EU_i(\sigma_i, \sigma_{-i}) = \sum P(S = s)[(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s)) - \sum [cP(S^* \neq s)P(S = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s))]]$$

The contrarian strategy C will always be strictly dominated by strategy P . The accuracy of the action taken, with respect to the popular choice, under strategy C is $q' = 1 - q_i \leq \frac{1}{2}$. With the signal accuracy at $q_i \geq \frac{1}{2}$, payoffs under strategy P are always larger than those under strategy C . For this model where

$q_i = \frac{1}{2}$, payoffs under P and C are equal. The modified strategy space of Player i is as follows:

$$\Sigma'_i = \{P, L, R, G, D\}.$$

Proposition 1

Suppose $\alpha = 1$, for

1. If $T \geq \frac{1}{2-c}$, (L, L) , (R, R) , (G, G) and (D, D) are equilibria.
2. If $\frac{1}{2} - \frac{1}{2}c \leq T < \frac{1}{2-c}$, (G, G) is a unique equilibrium.
3. If $\frac{2+c-4cr}{4-c} \leq T < \frac{1}{2} - \frac{1}{2}c$, (G, D) is a unique equilibrium.
4. If $T < \frac{1}{2} - \frac{1}{2}c$ and $T < \frac{2+c-4cr}{4-c}$, (R, L) and (G, D) are equilibria.

At $\alpha = 1$, the popularity expected from passing a policy does not vary across decisions ($B = T$). The politicians have no clear indication on what the median voter prefers. Although the median voter has a preferred decision, the policy implemented will not affect the popularity, as long as a policy is in place. Consider, for instance, the bill on the additional requirements in voter identification. The issue is only highlighted when there are dissenting opinions from politicians, and is pushed into media scrutiny; Otherwise, politicians are perceived to be performing their duties in office.

If the rewards for implementing policy, T and B , are high enough, politicians will gravitate towards a single decision, without regard to the popular and socially optimal decisions, to maximize their popularity payoffs. High pandering costs pushes politicians towards pursuing the socially optimal decision. As there is no clear indication on median voter preference, pandering is very risky for politicians, and the costs on being perceived as a pandering politician deters them from straying from what the likely socially optimal decision is. The pursuance of socially optimal policies are then observed at moderate policy popularity payoffs, and at higher policy payoffs for very high pandering costs. For very low rewards for policy implementation, there are no incentives for politicians to choose similar positions. As one politician tries to minimize pandering costs by choosing the socially optimal decision (G), the other chooses the antithetical position (D) to maximize the chances of being identified as the sole effective agent.

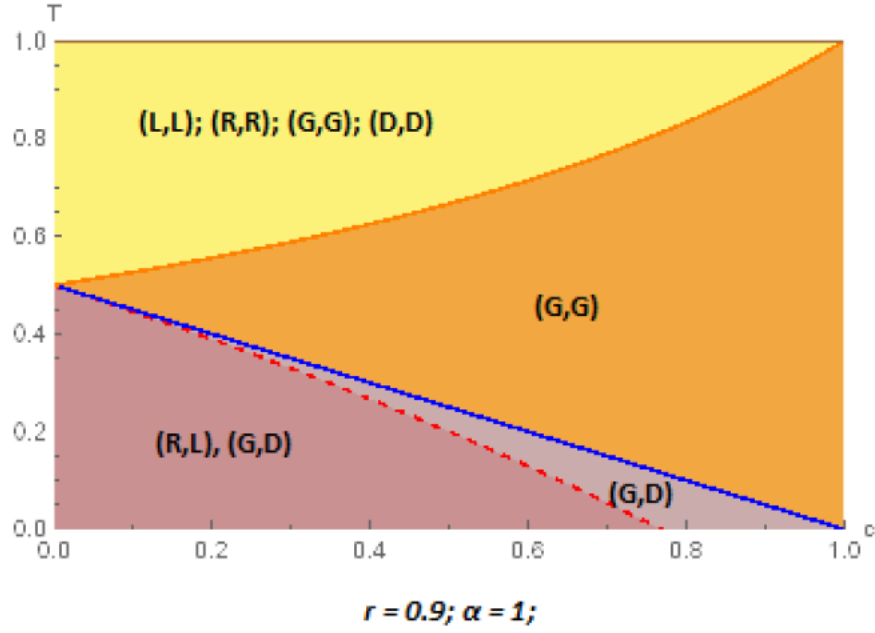


Figure 1: Non-Critical Issue with Relative Certainty on Socially Optimal Choice

Proposition 2

Suppose $\alpha = 0$, for:

1. If $T \geq 1 - c$, (G, G) is a unique equilibrium.
2. If $\frac{2+c-4cr}{4-c} \leq T < 1 - c$, (G, D) is a unique equilibrium.
3. If $T < 1 - c$ and $T < \frac{2+c-4cr}{4-c}$, (R, L) and (G, D) are equilibria.

At $\alpha = 0$, implementing the decision that is not popular is the same as choosing the wrong decision. The issue of United Kingdom’s exit from the European Union (Brexit) is a very good example of this. There is no clear indication of popular sentiment. Although there is a general expert opinion that staying within the Union will be the better option, the uncertainty around the decision also provides the possibility that leaving may be better in the long term. Given the wide reaching implications of the vote, both parties choosing the same policy thrust may lead towards dissatisfaction of majority of its voters. Even if the majority opinion is followed, the polarization of public opinion on the matter caps high rewards on policy implementation.

Politicians on both sides try to optimize their popularity by taking opposing positions, with David Cameron leading the campaign to remain, and Boris Johnson leading the campaign to exit the union.

With Proposition 2, if T is high enough, politicians will gravitate towards the socially optimal decision. There are no incentives in pursuing decisions that are not the popular decision, as $B = 0$. Pandering is difficult since the signal on public choice is hazy. At low payoffs for policy implementation, politicians maximize by pursuing dissenting positions. Note that as r increases, the difference between the payoffs in G and L decrease.

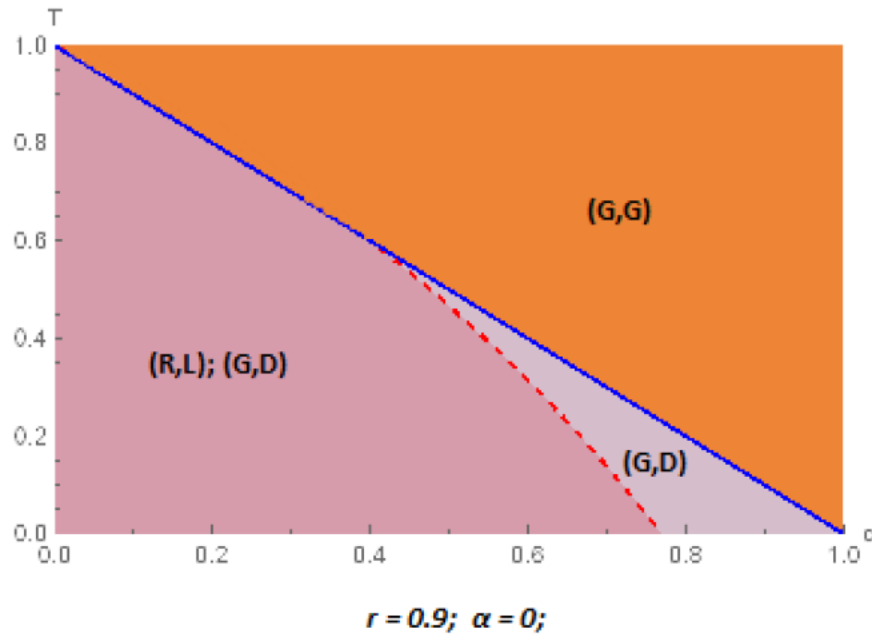


Figure 2: Critical Issue with Relative Certainty on Socially Optimal Choice

Conclusions

Given the case where there is no additional information on the median voter, it follows that without private information, pandering as a strategy disappears. We also find that without private information, increased certainty on the socially optimal state does not influence policy implementation, however, the implementation of non-optimal policies is an equilibrium under some conditions. The outcomes depend largely on how critical the issues are and how representative the median voter is. Uncertainty in public perception leads politicians to

take divergent positions to maximize the chance of being identified as the most effective agent. Issue salience is an important factor in determining the type of policy outcome. For issues that are non-critical, very high popularity rewards on policy implementation provide politicians incentives to misbehave and implement any policy regardless of public opinion and welfare. High pandering costs curb this behaviour, and is found to induce the implementation of the socially optimal policies at moderate levels of popularity reward. For critical issues, however, we find that without information on median voter position, the only possible outcomes are a divergence of positions for the politicians and the implementation of the socially optimal policy, with the second outcome increasing as the pandering costs increase. Interestingly, the likelihood of each option being the socially optimal choice does not affect the policies implemented in both critical and non-critical issues. The only impact is the type of divergence in positions taken if no agreement is reached. Pandering costs have a more salient impact on policy outcomes when issues are critical. The model provides important insights on how key issues are approached by political systems with two main parties. Voters may be able to induce politicians to vote for the socially optimal choice regardless of popular choice if key conditions given the type of issue are met. The paper will be further developed with the addition of private information, and potentially, different levels of politician decision-making ability.

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Appendix

Expected Utility Values

The following probabilities are used in determining $P(S^* \neq A_i)$ for the strategy Pander:

$$\begin{aligned} P(S^* \neq S_p | \theta_i = 0) &= q_i + r - 2q_i r \\ P(S^* \neq S_p | \theta_i = 1) &= 1 - q_i - r + 2q_i r \end{aligned}$$

The Expected Utility for strategy Pander, P , is given as follows:

$$\begin{aligned} EU_i(P, \sigma_{-i}) &= \sum [P(S_p = s)(Tq_i P(A_{-i} = s) + q_i P(A_{-i} \neq s) + B(1 - q_i)P(A_{-i} \neq s))] \\ &\quad - c \sum (P(S^* \neq S_p | \theta_i = s)P(S_p = s)(Tq_i P(A_{-i} = s) + q_i P(A_{-i} \neq s))) \end{aligned}$$

For strategies Left (L) and Right (R), the pandering cost is incurred only if the socially optimal decision is not their decision of choice (*i.e.* 0 for Left and 1 for Right).²

The corresponding utility values are:

$$\begin{aligned} EU_i(L, \sigma_{-i}) &= \sum [P(S_p = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s))] \\ &\quad - c(P(S^* \neq 0) \sum P(S_p = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s))) \\ EU_i(R, \sigma_{-i}) &= \sum [P(S_p = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s))] \\ &\quad - cP(S^* \neq 1) \sum (P(S_p = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s))) \end{aligned}$$

The remaining strategies Good (G) and Destructive (D) require the politicians to tailor fit their actions according to what they believe the socially optimal state.³

The Expected Utility for strategy G , is given as follows:

$$\begin{aligned} EU_i(G, \sigma_{-i}) &= \sum [P(S_p = s)(P(S^* = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s)) \\ &\quad + P(S^* \neq s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s))] \end{aligned}$$

The Expected Utility for strategy D , is given as follows:

$$\begin{aligned} EU_i(D, \sigma_{-i}) &= \sum [P(S_p = s)(P(S^* = s)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s)) \\ &\quad + P(S^* \neq s)((1 - c)(T P(A_i = s)P(A_{-i} = s) + P(A_i = s)P(A_{-i} \neq s) + B P(A_i \neq s)P(A_{-i} \neq s))] \end{aligned}$$

²Under strategy L , if $S_p = 0$, $P(A_i = s) = 1$, and 0 if $S_p = 1$. The reverse holds true for strategy R .

³For Strategy G , if $S = s$, $P(A_i = s) = 1$, and 0 otherwise. Strategy D results to $P(A_i = s) = 1$ if $S \neq s$, and 0 otherwise.

Comparative Statics

The strength of the indicator for the socially optimal choice is observed to have a significant impact to the payoffs. The impact of r varies according strategy pairs. Among all the strategies, only Pander provides constant expected utility with respect to r , the probability of a decision (0) to be the socially optimal state, regardless of opponent strategy. Similarly, pandering opponents do not change the observed effect of r on payoffs of polarized strategies L and R . For polarized opponent strategies, Left and Right, the payoffs under player strategies L and R increase and decrease respectively over r . At very high levels of r , the likelihood of paying pandering costs approaches 0 for $A_i = 0$, and 1 for $A_i = 1$. However, the effect of r on polarized strategies vary when opponent strategies are based on the perceived socially optimal decision. More specifically, the direction of change in expected utilities is dependent on the popularity payoffs, B and T , and the pandering cost, c . The directions of the change in utility values, $\frac{dEU(\sigma_i, \sigma_{-i})}{dr}$, are illustrated below:

$$\begin{array}{ccc}
 & \sigma_{-i} = \mathbf{G} & \sigma_{-i} = \mathbf{D} \\
 \sigma_i = \mathbf{L} & \uparrow \text{ if } B + c + T > 1, \downarrow \text{ otherwise} & \uparrow \text{ if } B + (1 - c)T < 1, \downarrow \text{ otherwise} \\
 \sigma_i = \mathbf{D} & \uparrow \text{ if } B + c + T < 1, \downarrow \text{ otherwise} & \uparrow \text{ if } B + (1 - c)T > 1, \downarrow \text{ otherwise}
 \end{array}$$

For opponent strategy G , the threshold for strategies L and R is the same at $B + c + T \geq 1$. Politicians look at the tradeoff between being identified as the effective agent and choosing a decision that matches opponent action. As r increases, it becomes more likely for the opponent using strategy G to choose $A_i = 0$. At higher levels of B and T , the utility obtained from strategy L increases with r , as it is more likely for both parties to agree on the same action $A_i = 0$. On the other hand, strategy R increases with r up until the threshold $B + c + T = 1$. Strategies R and G will only result to the same action, $A_i = A_{-i} = 1$, with a probability $1 - r$. The payoffs for pooling decisions, T and B , will be realized with probability $\frac{1}{2}(1 - r)$. As r increases, the expected value of payoffs for pooling actions decreases substantially for T and B values below the threshold indicated. Pandering cost, c , also changes the threshold, albeit the impact may depend largely on existing T component, as c is a fraction of all payoffs received when $A_i = S_p$.

Opponent strategy D indicates that the more likely an action is the socially optimal choice, the less likely the opponent is to choose that action. With a probability $1 - r$, a politician with strategy L will choose alongside the opponent employing strategy D , $A_i = A_{-i} = 0$. As shown previously, an increase in r given T and B values above the threshold will cause a substantial decrease in the overall expected utility, while the opposite can be observed when the politician employs strategy R .

Among all opponent strategies, only strategy P has a clear best response regardless of parameter values:
 $\max_{\sigma_i} EU_i(\sigma_i, P) = G$. The politician maximizes his expected utility by avoiding the pandering cost.