Pandering after Failure: Outcome Bias and Policy Reversal

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Abstract

Evaluators frequently overweight realized outcomes when judging the quality of decisions made under uncertainty. This paper asks how such outcome bias in voter evaluation distorts electoral incentives for policy choice after a publicly observed failure. I develop a model in which a policy has been implemented and has failed, and a challenger must choose between promising continuation of the failed policy or reversal to the alternative. Voters divide into two blocs: one updates beliefs via Bayes' rule, the other overweights the observed failure through a power-likelihood rule that raises the likelihood ratio to a parameter lambda greater than one. Because failure is more likely under a policy-state mismatch, biased voters become more convinced than Bayesians that the original policy was wrong, generating stronger demand for reversal. The main result characterizes the challenger's optimal platform as a function of the biased population share. There exists a cutoff such that when the biased share is sufficiently large, the challenger promises reversal even when her private information favors continuation. Under a logistic election-shock specification, this cutoff is explicit and unique. The mechanism is distinct from canonical pandering models such as Canes-Wrone, Herron, and Shotts (2001), where rational voters induce incumbents to distort policy toward the prior to signal competence. Here, pandering arises not from the politician's desire to appear competent but from a cognitive bias in retrospective evaluation that inflates the electoral return to reversal after failure.

Keywords: Outcome bias; Electoral accountability; Pandering; Policy reversal.
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