UNIVERSIDAD DE GRANADA

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Título: The Rise of Referendums

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Resumen: An incumbent politician with private information on the optimal policy may delegate the choice to a representative voter by calling a popular referendum. If the voter does not trust politicians because of potential capture, delegation inefficiency may arise in equilibrium: all non-captured politicians, independently of their competence, may "give back power to the people" even if such delegation entails a lower probability of choosing the optimal policy. As such, direct democracy can act as a subtle form of pandering by elected representatives. Consistently with anecdotal evidence, the model predicts that distrust in politicians increases the use of referendums and popular initiatives in representative democracies. We discuss the welfare consequences of the recent rise in the use of referendums.

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