Can political gridlock undermine checks and balances? A lab experiment.

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Abstract

If checks and balances are aimed at protecting citizens from government's abuse of power, why do they sometimes vote to weakening them? We address this question in a laboratory experiment in which subjects are asked to choose between two decision rules that resemble real world institutional environments with and without checks and balances. In our theoretical framework, voters may prefer an unchecked executive if that enables a reform that, with checks and balances, is blocked by the legislature. Consistent with our predictions, we find that subjects are more likely to weaken checks and balances when there is political gridlock, i.e. when the executive proposes a reform and the legislature blocks it. However, subjects in the lab weaken the controls not only when the reform is beneficial, which is the predicted result, but also when it is harmful. In this sense, subjects exhibit an overreaction to political gridlock, providing excessive special powers to the executive. This overreaction entails a loss in the voters' payoffs.

Keywords: Political agency, separation of powers, checks and balances, lab experiment.

JEL Codes: D72, E690, P160

1   Introduction

Episodes of weakening of checks and balances with citizens support represent a puzzle and a challenge for political economy. Although the general trend in last decades has been an increase in checks and balances, some developing democracies have experimented reverse trends (Besley and Persson 2011). This was the case of several Latin American countries during the 1990s and 2000s, Recep Erdoğan in Turkey, Viktor Orbán in Hungary, and Vladimir Putin in Russia (Acemoglu et al. 2013; Forteza and Pereyra 2019). If checks and balances are aimed at protecting citizens from government's abuse of power, why do citizens sometimes decide to remove them? In this paper, we build a model that explains citizens' willingness to undermine controls on the executive, and present the results of a laboratory experiment to provide supportive evidence to our hypotheses.

We explore the idea that voters may support the loosening of checks and balances as a reaction to **political gridlock**. That is, to a situation where the executive proposes a reform and the legislature proposes to keep the status quo. In this environment, the basic tradeoff voters face is between effective control of the executive and reform. Loosening controls facilitates the reform proposed by the executive but at the cost of increased corruption. Keeping the controls puts a break on corruption but at the cost of no reform.

We extend this argument with a model where voters have to decide between two institutional settings: **checks and balances** (CB), and **special powers** (SP). All voters have the same preferences over policies: they prefer the one that matches the state of nature. However, they do not observe the state of nature: they only know the probability with which a reform is beneficial. The executive and the legislature observe the state of nature, and then propose and commit to a policy.[1] Each politician can be conservative (always proposes the status quo), reformist (always proposes the reform), or unbiased (proposes the policy to match the state of nature). Voters observe the type of the politicians in each branch and their proposals, and decide between CB and SP. Under CB, a reform is implemented if, and only if, both branches agree, otherwise the status quo remains. With SP, the policy proposed

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[1]We assume politicians credibly propose policies before voters decide over special powers. This timing is meant to capture real life episodes in which rulers demanded special powers to advance a reform program. In these episodes there was little doubt that the announced policies would be implemented, so there were no commitment issues. We represent this commitment ability assuming it stems from politicians types: some politicians prefer the status quo, some the reform and some the matching of the policy with the state of nature.

by the executive is always implemented. Additionally, the extraction of rents by the executive, which entails a cost for voters, takes place only under SP.

With the model in hand, we ask the question: does political gridlock increase the probability of SP? The answer depends on the nature of the political gridlock. On the one hand, political gridlock **raises** the probability of SP if either (i) the executive is reformist, the legislature is conservative and the reform is ex ante beneficial —this is our hypothesis 1 (H1)—, or (ii) the executive is unbiased and proposes reform, and the legislature is conservative (H2). On the other hand, political gridlock **reduces** the probability of SP if either (i) the executive is reformist, the legislature is conservative and the reform is ex ante harmful (H3), or (ii) the executive is reformist and the legislature is unbiased and proposes the status quo policy (H4).

We test these hypotheses with a laboratory experiment. As voters in the model, participants of the experiment do **not** observe the state of nature, they only know the probability with which the reform is beneficial. They make decisions in 14 scenarios, which correspond to all possible combinations of the executive and legislature types and proposals. In each of them, subjects are informed of the policy proposals and politicians' types. They have to (i) determine whether there is political gridlock and the policy implemented with each rule, and (ii) choose between CB and SP.

We find evidence supporting some but not all of our hypotheses. **Subjects are more likely to support the weakening of CB with than without political gridlock**. This occurs in the four scenarios of political gridlock, which grants support to H1 and H2 but not to H3 and H4. As expected, we find that political gridlock caused by biased politicians when the reform was ex ante beneficial raises the probability of SP (H1). Also, political gridlock with an unbiased executive raises the frequency of SP (H2). However, contradicting H3, subjects also grant SP in a higher proportion when faced with gridlock caused by biased politicians when the reform is ex ante harmful. Also, subjects grant SP more frequently when faced with gridlock where the legislature is unbiased and truthfully "warns" that the reform is not beneficial, contradicting H4.

Overall, the results of the experiment show an excess of support for SP. Participants undermine the controls on the executive even when this entails a loss in terms of their payoffs. We explore some possible factors driving this result. First, we explore if the excess of SP was driven by individuals who made more mistakes. We do not find statistically significant differences in the impact of the political gridlock associated with H3 and H4 on the frequency of SP, chosen by subjects who did and did not make mistakes. Then, we replicate the analysis for the different variables and framing treatments: risk aversion, gender, political affiliation, support for strong leaders, and corruption and political framing. We do not find statistically significant differences in the excess of support for SP for these variables.[2]

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[2]It is worth mentioning that the estimated differences in frequencies are well below the minimum detectable differences with the number of subjects in our experiment.

Finally, a motive for concern could be that our experiment induces the excess of SP by design. In each of the 14 scenarios where participants take decisions, we ask them if there is political gridlock. So we deliberately induced subjects to focus on it. However, we do it in a very mild way, much milder than what citizens in the real world are usually subject to. Indeed, executives suffering the blocking of their program by a legislature typically explicitly ask for special powers, and forcefully argue that the opposition does not allow them to do what it has to be done (see Acemoglu et al. 2013; Forteza and Pereyra 2019, for some vivid narratives of this type of claims in the case of several strongmen in Latin America). In this regard, our experiment shows how easy it is to convince subjects to support the dismantling of checks and balances with the argument that this facilitates reform, even when reforms are not beneficial.

Our paper is related to several strands of the literature. Citizens in our model and subjects in our experiment face a basic tradeoff between political control and governmental delegation that is at the center of the extensive literature on separation of powers and checks and balances (see, among many others, Besley and Mueller 2018; Buisseret 2016; Fox and Van Weelden 2010; O'Donnell 1998; Persson et al. 1997, 2000; Stephenson and Nzelibe 2010).[3] The main potential drawback of checks and balances in our environment is the impossibility of policy change caused by legislative veto on the executive proposals. In this regard, our paper also builds on the literature on "veto players" initiated by Tsebelis (see Aghion et al. 2004; Tommasi et al. 2014; Tsebelis 1995, among many others).

Our paper is also closely related to recent literature aimed at explaining the weakening of democracy (Svolik 2020) and, more specifically, the weakening of checks and balances with voters support (Acemoglu et al. 2013; Forteza and Pereyra 2019; Ryvkin and Semykina 2017). Acemoglu et al. argue that the poor majority supports the dismantling of CB because politicians are less tempted to accept bribes from the rich elites if they can extract rents than if they cannot. Therefore, their story explains episodes in which voters support the weakening of CB under executives that favor the poor. But, in our view, it does not explain so well why equally popular politicians holding a pro-market agenda got the support of citizens to undermine these controls when the reform agenda was firmly supported by the elites. Our model can explain the loosening of CB that took place during both pro-market and anti-market reforms.

Finally, we owe much to the literature on experimental political economy. One of the main reasons to use a laboratory experiment as a tool to understand citizens' decisions on the strengths of checks and balances lies in the difficulties of gathering observational data that allows for identifying causal relationships. Even when some data on checks on the executive is available for a set of countries (see, for example, the Polity IV index of executive constraints), it is more difficult to have reliable data on political gridlock, and, more importantly, it is very difficult to identify exogenous variation to test

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[3]Classic writers also emphasized the role of checks and balances as a protection of minorities from "the tyranny of the majority" (Hamilton et al. 2009; Locke 1689; Montesquieu 1748). For recent papers that also discuss this theme see Aghion et al. (2004), Buchanan (1975), Buchanan and Tullock (1962), Hayek (1960), and Maskin and Tirole (2004).

causal relationships. Also, while individuals come to the laboratory with their own personal baggage, experiments allow us to get rid of potential confounding factors by constructing an isolated, controlled and incentivized environment, designed to answer the specific questions of the experimenter (see, among many others, Agranov and Palfrey 2015; List, Sadoff, et al. 2011; Palfrey 2016). They also offer a clean test of theoretical models in simple environments, allowing researchers to more clearly understand the role of incentives and trade-offs which could also play a role in decision-making outside the lab. In the case of political economy, laboratory experiments are particularly valuable given the myriad of potential confounding effects which exist in practice such as the relation between political affiliation and voting history (Agranov and Palfrey 2015; Esarey et al. 2012; Großer and Reuben 2013; Palfrey 2016; Putterman et al. 2011; Ryvkin and Semykina 2017).

The rest of the paper proceeds as follows. In Section 2 we present the model and the theoretical predictions. Section 3 describes the experimental design. The results of the lab experiment are presented in Section 4. The paper ends with a few concluding remarks in Section 5. An online appendix contains descriptive statistics, instructions received by subjects in the lab, a brief description of the exercise used to elicit risk aversion, and the post-experiment questionnaire.

2 The model and theoretical predictions

In this section, we first introduce the model and then the main predictions to be tested.

2.1 The model

We define a probabilistic voting model to study voters' decision on executive special powers.

States of Nature There are two possible states of nature: $s = 0$ and $s = 1$. The a priori probability of $s = 1$ is $q \in [0, 1]$.

Government. There is a government composed of two branches, the executive (X) and the legislature (L). X and L observe the state of nature $s \in \{0, 1\}$, and make policy proposals $p_X, p_L \in \{0, 1\}$. For concreteness, we assume that the status quo policy is $p_0 = 0$. There are three types of politicians: (i) "conservative" (X_C, L_C) who always propose the status quo policy $p_i = 0, i \in \{X, L\}$, (ii) "reformist" (X_R, L_R) who always propose the reform $p_i = 1, i \in \{X, L\}$, and (iii) "unbiased" (X_U, L_U) who match the state of nature $p_i = s, i \in \{X, L\}$. Note that neither X nor L are strategic agents.[4]

Voters. Voters observe the politicians' types and their proposals. They **do not** observe the state of nature, they know q. Once they observe the type of each politician, and their proposals, voters choose

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[4]Forteza and Pereyra (2019) present a model on similar lines and with strategic executive and legislature. The qualitative results regarding voters behavior are not different from what we find in the present simpler setting.

one among two possible institutions that lead to different mappings from proposals to implemented policies: checks and balances (CB) and special powers (SP).

Institutional arrangements. With CB the implemented policy is equal to both branches proposals if there is agreement, and to the status quo policy otherwise. With SP, the will of the executive prevails. Equations (1) and Table 1 summarize how these two institutions work regarding policy p.

$$p(CB) = \begin{cases} p_X & if \ p_X = p_L \\ p_0 = 0 & if \ p_X \neq p_L \end{cases}$$

$$p(SP) = p_X \tag{1}$$

Table 1: From proposals to policies with CB and SP.

p_X	p_L	$p(CB)$	$p(SP)$
0	0	0	0
0	1	0	0
1	0	0	1
1	1	1	1

Rents. With CB, there is an effective control of the government and hence corruption does not arise $(r = 0)$. With SP, the government extracts an amount of rents $r > 0$.

Preferences Citizens care about policies and rents. They prefer the policy that matches the state of nature, $p = s$, and no rent extraction. Their utility function is:

$$v(p,r) = -a\mathbb{E}_s\left[(p-s)^2\right] - r, \tag{2}$$

where the parameter $a \geq 0$ captures the relative weight citizens give to policy mismatch and rents.

Voter i expected utility gains from voting for CB rather than SP is:

$$v(CB) - v(SP) + \varepsilon_i$$

where $v(CB) = v(p(CB), r(CB))$, $v(SP) = v(p(SP), r(SP))$, $r(CB) = 0$, $r(SP) = r$, and $\varepsilon_i \in [-\infty, +\infty]$ is a random variable with mean 0, and distribution function F.[5]

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[5]ε captures the uncertainty that the analyst has about relevant citizens' traits, such as their preferences, attitudes, etc. The assumption is used in the tradition of random utility (McFadden 1975) and probabilistic voting models (Lindbeck and Weibull 1987). For a similar assumption in the context of a lab experiment on electoral accountability see Landa and Duell (2015).

The timing is as follows. First, X and L propose policies p_X and p_L. Second, voters decide whether or not to give X special powers. At this time, voters observe (i) X and L types, (ii) policy proposals of X and L, and (iii) the realization of their preference shock ε_i, but they **do not observe the state of nature**.

2.2 Predictions to be tested

Using the policy rules (1) in the utility function (2) we get:

$$v(CB) = \begin{cases} -a\mathbb{E}_s\left[(p_X - s)^2\right] & if \ p_X = p_L, \\ -a\mathbb{E}_s\left[(p_0 - s)^2\right] & otherwise \end{cases} \tag{3}$$

$$v(SP) = -a\mathbb{E}_s\left[(p_X - s)^2\right] - r$$

Note that $v(SP) - v(CB) = -r$ if either $p_X = p_L$ or $p_X = 0$ and $p_L = 1$. The only remaining case is $p_X = 1$ and $p_L = 0$, that is, X proposes a policy change blocked by L, which we refer as **political gridlock**. If neither X nor L is unbiased, then voters have to rely on the prior probability q to compute the expected utility in the above equations. In this case we have: $v(SP) - v(CB) = -a[\mathbb{E}_s(1 - s)^2 - \mathbb{E}_s(s^2)] - r = -a(1 - 2q) - r$. If at least one of the two rulers is unbiased, then voters can use Bayes rule to deduce the true state of nature from their policy proposals. Therefore, if X is unbiased $v(SP) - v(CB) = -r + a$, and if L is unbiased $v(SP) - v(CB) = -r - a$.

Using the previous observation and equations (3) we have that:

$$v(SP) - v(CB) = \begin{cases} -r - a(1 - 2q) & if \ \ X_R, L_C, \\ -r - a & if \ \ X_R, L_U, p_L = 0, \\ -r + a & if \ \ X_U, L_C, p_X = 1, \\ -r & otherwise. \end{cases} \tag{4}$$

We expect that i vote for SP iff $v(CB) - v(SP) + \varepsilon_i < 0$.[6] Thus, the probability that citizen i votes for SP is:

$$Pr(SP) = Pr(\varepsilon_i < v(SP) - v(CB)) = F(v(SP) - v(CB)) \tag{5}$$

We can now derive several predictions of the model to be tested in the experiment.

In Proposition 1, we analyze the impact of political gridlock on the probability of SP. We show that, depending on the prevailing circumstances, political gridlock may raise or reduce the probability of SP and provide precise characterizations of these circumstances. In order to test the impact of political gridlock on the probability of SP, we use the benchmark of no political gridlock. This proposition provides our first four hypotheses: H1 to H4.

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[6]We assume voters prefer CB in case of indifference, so we use strict inequality.

Proposition 1. *The effects of political gridlock.*

1. *Political gridlock (weakly)* **raises** *the probability of SP iff the gridlock occurs with*

   - *H1: biased X and L (X_R and L_C) and the reform is ex ante beneficial ($q > 1/2$), or*

   - *H2: unbiased X (X_U).*

2. *Political gridlock (weakly)* **reduces** *the probability of SP iff the gridlock occurs with*

   - *H3: biased X and L (X_R and L_C) and the reform is ex ante harmful ($q \leq 1/2$), or*

   - *H4: unbiased L (L_U).*[7]

The next propositions study the effect of q and r on the probability of SP.

Proposition 2. *H5: The effects of q.*
   The probability that voters grant SP is a non decreasing function of the probability that the reform is beneficial for citizens iff the executive is reformist and the legislature is conservative. Otherwise, the probability of SP does not depend on the probability q.

Proposition 3. *H6: The effects of rents.*
   The probability that voters grant SP is not increasing in the amount of rents.

The model is mute regarding the effect of the framing and of the previous exposure of subjects to political gridlock, but we were interested in exploring these conditions as well. As we explain in further detail below, in five of the seven treatments the framing is neutral, with X and L presented as two decision makers, and CB and SP as rule 1 and rule 2, respectively. Also in these treatments r is presented as the cost of rule 2. We conjectured that subjects might be less prone to granting SP if they were told that r are rents extracted by corrupt politicians rather than costs of the policy rule, even when their monetary gains were exactly the same with the corruption and neutral framing. Similarly, a political framing, that includes corruption plus the whole political wording, might have an impact on subjects willingness to grant SP. So we have the following additional hypotheses.

H7: The probability of SP is lower in the corruption than in the neutral framing.

H8: The probability of SP is lower in the political than in the neutral framing.

As we explain in detail in the next section, in the first part of the experiment where subjects are trained, they have to choose between CB and SP in ten different situations. Two treatments involve a low frequency of situations of political gridlock, while the rest have a high frequency of political gridlock.

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[7]By "weakly raises" and "weakly reduces" we mean "does not reduce" and "does not raise", respectively.

The model predicts no impact of the history of political gridlock on subjects decisions. Indeed, if subjects understood the game perfectly and were rational, the history of stalemates in the priming phase should be irrelevant. However, subjects might behave differently depending on whether they were primed with frequent or infrequent political gridlock.

H9: Subjects exposed to a history of frequent political gridlock will be more willing to grant SP.

3   Experimental design

Our experimental design allows us to make comparisons both between and within-subjects. The within-subject component of our design is aimed at reducing the variance of unobserved effects, increasing the precision of the estimation of treatment effects (List, Sadoff, et al. 2011). We have seven treatments, which vary based on the framing of the instructions and the combination of parameters in the model. Table 2 summarizes the conditions that define each treatment (as well as the number of sessions conducted and the number of participants in each treatment). In the experiment, subjects take the role of voters while X and L are not real subjects.[8]

Table 2: Treatments

Treatment	Rents	Probability reform is beneficial	Frequency of gridlock	Framing	# Sessions	#Subjects
1	$r_L < a$	q_H	low	neutral	2	26
2	$r_L < a$	q_L	low	neutral	1	16
3	$r_L < a$	q_H	high	neutral	4	40
4	$r_L < a$	q_L	high	neutral	5	49
5	$r_H > a$	q_H	high	neutral	7	46
6	$r_L < a$	q_H	high	corruption	5	33
7	$r_L < a$	q_H	high	political	6	33

Notes: r_H and r_L denote high and low rents, respectively. q_H, and q_L denote high and low probability of $s = 1$, respectively. In particular, we assume for the experiment the following values: $r_H = 96$, $r_L = 24$, $q_H = 0.9$, $q_L = 0.2$, and $a = 80$. For frequency we use, $\frac{6}{10}$ for high, and $\frac{2}{10}$ and $\frac{3}{10}$ for low.

In the first five treatments, the framing is neutral: the executive and the legislature are introduced as two decision makers (X and L), CB are referred as "rule 1", SP as "rule 2", and rents are explained

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[8]There is no decision made by X and L as conservative, reformist, and unbiased types always propose $p = 0$, $p = 1$, and $p = s$, respectively, and these types are observed by subjects.

as the cost of adopting rule 2 (see Agranov and Palfrey 2015, 2018; Dal Bo et al. 2010; Ryvkin and Semykina 2017, for similar neutral wording). The cost of using rule 2 is low in the first four treatments, and we vary the probability that the reform is beneficial (low and high) and the frequency of gridlock in the priming phase (high and low). Treatment five has a high cost of implementing rule 2.

Treatment 6 has the same parameter combination as Treatment 3 with the difference that the cost of rule 2 is framed as the loss subjects have from corruption (the rents stolen by X). Only in Treatment 7 we frame everything in terms of political decisions in a presidential system: decision makers are the executive and the legislature, the subjects are citizens voting on checks on the executive, rules 1 and 2 are CB and SP, respectively, and the cost of special powers is corruption (see Leight et al. 2018, for a similar wording). These two treatments are introduced to understand how framing impacts politically-related decisions.

Each treatment is divided into three different stages, described in detail below.

3.1 Stage 1: Training + priming

In stage 1 of the experiment, subjects go through a training stage, where the decision making is explained and they face a series of scenarios they have to understand and respond to. Subjects face 10 different scenarios, each one consisting of two parts.

In the first part, subjects have to (i) predict policy proposals knowing politicians' types and the state of nature, (ii) tell whether there is political gridlock, and (iii) predict policies with and without SP. The answers to these questions are either correct or incorrect. This part is also a priming phase, as different treatments expose subjects with different scenarios that have varying states of nature and types of politicians. For the purposes of both learning and incentivising subjects to correctly respond in each scenario, if subjects incorrectly answer the questions of a specific scenario (after four tries), the program automatically shows them the correct answers and allows them to move to the next part (and are penalized with a payment of 0 in that round).

In the second part of each scenario, subjects have to choose between CB and SP (or rule 1 or 2 depending on the treatment). For the purposes of decision-making, the decision screen gives subjects the opportunity to consult the cost associated to each rule (remember that the cost associated to rule 1 is 0 but for rule 2 the cost is positive).

At the end of this stage, subjects are asked about the frequency of political gridlock. They are presented with a question that ranges from 0 to 100 percent (in brackets of 10).

3.2 Stage 2: Uncertainty about the state of nature

The second stage is the relevant one to test the predictions of the model. Here, participants do not observe the state of nature. They only know the probability of $s = 1$ (i.e. q) and have to choose a rule

based on this information. Subjects make decisions in 14 scenarios, each consisting of two parts.

In the first part, subjects are informed of the policy proposals and types of politicians, but not of the state of nature. Subjects have to answer: (i) whether there is political gridlock or not, and (ii) the policy implemented with each rule. The answers to these questions are either correct or incorrect. If subjects incorrectly answer the questions of a specific scenario (after four tries), the program automatically shows them the correct answers and allows them to move to the next part (and are penalized with a payment of 0 for that scenario).

In the second part, subjects have to choose between CB and SP (or rule 1 or 2 depending on the treatment). For the purposes of decision-making, the decision screen gives subjects the opportunity to be reminded of the cost associated to each rule.

The 14 scenarios are all the possible consistent combinations of X and L types and proposals, and are common to all treatments. In Table 3, we present the characteristics associated with each of the 14 scenarios, and summarize the experimenter's rational expectation of citizens expected gains from SP in each treatment, i.e. $\mathbb{E}[v(SP) - v(CB) + \varepsilon_i] = v(SP) - v(CB)$.

Table 3: Expected net gains from SP across treatments

| Scenarios in Stage 2 | Politicians types | | Proposals | | Expected net gains from SP in each treatment | | | | | | |
	X	L	p_X	p_L	1	2	3	4	5	6	7
1	Conservative	Conservative	0	0	-24	-24	-24	-24	-96	-24	-24
2	Conservative	Reformist	0	1	-24	-24	-24	-24	-96	-24	-24
3	Conservative	Unbiased	0	0	-24	-24	-24	-24	-96	-24	-24
4	Conservative	Unbiased	0	1	-24	-24	-24	-24	-96	-24	-24
5	Reformist	Conservative	1	0	40	-72	40	-72	-32	40	40
6	Reformist	Reformist	1	1	-24	-24	-24	-24	-96	-24	-24
7	Reformist	Unbiased	1	0	-104	-104	-104	-104	-176	-104	-104
8	Reformist	Unbiased	1	1	-24	-24	-24	-24	-96	-24	-24
9	Unbiased	Conservative	0	0	-24	-24	-24	-24	-96	-24	-24
10	Unbiased	Conservative	1	0	56	56	56	56	-16	56	56
11	Unbiased	Reformist	0	1	-24	-24	-24	-24	-96	-24	-24
12	Unbiased	Reformist	1	1	-24	-24	-24	-24	-96	-24	-24
13	Unbiased	Unbiased	0	0	-24	-24	-24	-24	-96	-24	-24
14	Unbiased	Unbiased	1	1	-24	-24	-24	-24	-96	-24	-24

3.3 Stage 3: Post-experimental survey

After the experiment is finished, subjects respond to a questionnaire. We capture a measure of individual risk aversion (or tolerance to risks) as well as socio-economic questions (age, education, education of parents, gender), beliefs about different relevant topics, such as income distribution, competition, political leadership, and self-placement on an income scale. Most of the questions are taken from the world values survey (wvs), which facilitates the comparison of our sample with country wide survey results. To measure risk aversion, subjects are presented with a Multiple Price List (MPL), (Holt and Laury 2002). We use these variables as controls in our analysis, to account for the political and socio-economic baggage our subjects might come with into the lab. The questionnaire, including the risk aversion task can be found in the online Appendix (Section 5).

3.4 Experimental procedure

All experimental sessions were conducted at the Experimental Laboratory of the Faculty of Social Sciences at Universidad de la República, Uruguay. Participants were randomly assigned to one of seven treatments. Each session consisted of the same treatment. Instructions included a set of tables that explained how decision makers actions, proposals and the state of nature could be combined, as well as the payoffs for each combination. An example of those instructions can be found in the online Appendix (Section 3). Subjects were recruited using the online recruitment program ORSEE (Greiner 2015). We implemented the experiment using z-Tree (Fischbacher 2007). Questions before and during the experimental sessions were answered in private at the subject's workspace by the experimenters.

We conducted 30 sessions, with a total of 243 subjects. No subject participated in more than one session. The experiments lasted, on average, 90 minutes, and subjects' maximum earnings were \$15.35.[9] The final payment consists of one randomly selected decision for stage 1, one for stage 2 and one for Stage 3, plus a fee for filling out the post-experimental questionnaire and a reimbursement for transportation costs (the last two stages of the payment are in lieu of a show-up fee). The payments for stages 1 and 2 depend on the individual choices between rules 1 and 2, while the payment for Stage 3 depends on the option chosen by the individual in the selected row (A or B) and a random draw based on the probabilities of each potential outcome in the chosen option. The decisions selected for payment in Stages 1, 2 and 3 and the outcome draws for Stage 3 were randomly done by the computer during the experiment. As cash payments in experiments are not allowed in Uruguay, subjects were paid at the end of the experimental session, in private, with a gift card that could be used in one of the supermarkets in Uruguay with the largest number of branches.

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[9]These earnings correspond to 568 and 130 Uruguayan pesos, respectively. The minimum wage in Uruguay in 2019 was \$2 per hour.

4 Methods and Results

In this section, after a brief description of the methods, we present and discuss our results. Additionally, descriptive statistics of the results of the experiment can be found in Section 2 of the Appendix.

4.1 Hypothesis testing

We observe subjects binary choices over rules. Each subject is asked to choose between the two rules fourteen times, so the data has a panel structure with 14 periods. The characteristics of politicians and policy proposals varied across the fourteen periods, generating different environments or hypothetical situations, as indicated in Table 3. We exploit this longitudinal variation to study the impact of political gridlock on individuals choices in different environments.

To test our main hypotheses we regress the binary variable SP on dummies that adopt value one when the conditions defining each hypothesis are fulfilled. Specifically, we run simple linear regressions of the following form:

$$SP_{it} = \sum_{k=1}^{k=9} \beta_k Hk_{it} + \beta_x x_{it} \tag{6}$$

where:

- $SP_{it} = 1$ if subject i chose rule 2 (SP) in period t, and zero otherwise;

- $Hk_{it} = 1$ if conditions that define hypothesis k are fulfilled in observation it, zero otherwise; and

- x_{it} is a set of controls described in Table 5.

Table 4 summarizes the conditions of the treatment and control groups in each of our nine main hypotheses.

We also explore differences in the response to political gridlock with harmful reforms among subgroups of participants. To do that, we run the regression (7), where we interact the $H3_{it}$ and $H4_{it}$ variables with a set of dummy variables z that divide subjects along several dimensions, namely (i) whether the subject made mistakes in part 2, (ii) risk aversion, (iii) gender, (iv) ideological self identification, (v) preference for strong leader, and (vi) framing (corruption and political framing).[10]

$$SP_{it} = \sum_{k=3}^{k=4} \beta_{kz} Hk_{it} z_{it} + \sum_{k=3}^{k=4} \beta_k Hk_{it} + \beta_z z_{it} + \beta_x x_{it} \tag{7}$$

We run simple OLS regressions, using the mhtreg command in STATA to control for multiple hypotheses testing looking at FWER (Barsbai et al. 2020; List, Shaikh, et al. 2019). We also use the

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[10]See the note in Table 5 for a detailed description of these variables

routines developed by Anderson (2008) to incorporate a FDR approach.[11] Random assignment of subjects to treatments minimizes the risk of confounding the impact of the treatment-defining characteristics with individual idiosyncratic preferences for rules (and other individual traits), and thus allows us to identify the impact of "time"-invariant treatments on the variable of interest.[12] We cluster at subjects level.[13]

Table 4: Treatments and controls

Hypothesis	Treatment	Control
H1	$p_X = 1, p_L = 0, X_R, L_C, q > 0.5$	$p_X = 0$ & $p_L = 0$ or $p_X = 0$ & $p_L = 1$ or $p_X = 1$ & $p_L = 1$
H2	$p_X = 1, p_L = 0, X_U$	$p_X = 0$ & $p_L = 0$ or $p_X = 0$ & $p_L = 1$ or $p_X = 1$ & $p_L = 1$
H3	$p_X = 1, p_L = 0, X_R, L_C, q < 0.5$	$p_X = 0$ & $p_L = 0$ or $p_X = 0$ & $p_L = 1$ or $p_X = 1$ & $p_L = 1$
H4	$p_X = 1, p_L = 0, L_U$	$p_X = 0$ & $p_L = 0$ or $p_X = 0$ & $p_L = 1$ or $p_X = 1$ & $p_L = 1$
H5	$p_X = 1, p_L = 0, X_R, L_C, q > 0.5$	$p_X = 1, p_L = 0, X_R, L_C, q < 0.5$
H6	r_H	r_L
H7	$T = 6$ (corruption framing)	$T \neq 6$
H8	$T = 7$ (political framing)	$T \neq 7$
H9	$T \leq 2$	$T > 2$

As a robustness checking, we also compute Fisher tests of differences in frequencies of SP between specific treatments that differed in one and only one dimension. This approach provides very clean comparisons of frequencies between treatments keeping all else equal, but at the cost of a dramatic drop in the number of observations in each test. While the Fisher test is appropriate with this type of data, the power is obviously smaller with the Fisher tests than with the regressions. In the next section, we present and discuss the results obtained with the regression analysis. The results obtained using Fisher tests are available from us upon request. The main results are the same with both approaches.

4.2 Main results

We summarize our main results in Table 5. The first four rows (H1 to H4) report the difference in frequencies of SP that are associated to political gridlock (the β_k coefficients in (6)). The control group

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[11]Family-wise error rate (FWER) routines control the probability that there is one or more false rejections in the set of hypotheses. False discovery rate (FDR) routines focus on the frequency of false rejections. The former tends to be more conservative in the sense that it is usually less likely to reject H0 with FWER than FDR routines, but this implies an increased probability of type II errors. McKenzie (2020) presents a very helpful overview of multiple hypothesis testing commands in STATA.

[12]Running panel fe regressions with our data would impede the identification of these effects without adding consistency.

[13]By design, we have nested clusters in subjects and treatments. We cluster at subjects, which is not the highest level of aggregation, because errors at the treatment level are likely to be uncorrelated due to random assignment of subjects, and the number of clusters at the treatment level is small (7) so the estimation would be very imprecise.

is the set of decisions in which subjects were faced with no political gridlock.

Table 5: Hypothesis testing: the impact of treatments on the frequency of SP.

	Difference	p-values			Control
		Unadjusted	mht adjusted		mean
			Barsbai et al.	Anderson	
H1	0.310	0.000	0.000	0.003	0.102
H2	0.490	0.000	0.000	0.003	0.102
H3	0.187	0.003	0.036	0.013	0.102
H4	0.097	0.000	0.000	0.003	0.102
H5	0.033	0.670	1.000	1.000	0.347
H6	-0.072	0.053	0.547	0.220	0.179
H7	-0.029	0.468	0.998	1.000	0.168
H8	-0.063	0.095	0.778	0.338	0.172
H9	-0.029	0.494	0.997	1.000	0.190

Notes: Number of observations = 3038. Added controls are: (i) mistakes (dummy variable indicating whether the individual needed to make more than one attempt to answer the correct-incorrect questions), (ii) risk averse (dummy variable indicating whether the individual is risk averse measured using a multiple price list (Holt and Laury 2002)), (iii) female dummy, (iv) right wing dummy (= 1 if the individual ideological self identification lies to the right of the median in the experiment), (v) strong leader dummy (= 1 if the subject chose good or very good to the question regarding the convenience of having a strong leader), (vi) corruption dummy (= 1 in the treatment in which costs of rule 2 were presented as corruption), and (vii) political framing dummy (= 1 in the treatment in which the exercise was presented in political terms).
The difference, unadjusted and Barsbai et al. mht-adjusted p values were computed using mhtreg command in STATA. The Anderson mht-adjusted p values were computed using fdr_sharpened_qvalues.do. The mht-adjusted pvalues were computed considering all the hypotheses tested in this paper presented in tables 5 and 6.
Source: Own computations based on experimental data.

As expected, in our experiment political gridlock caused by biased politicians raised the probability of SP when the reform was ex ante beneficial (H1). This type of gridlock caused a 31 percentage point rise in the frequency of political gridlock relative to the no gridlock case. Also, political gridlock caused by unbiased executives raised the frequency of SP by 49 percentage points (H2). These results are statistically highly significant at the usual significance levels.

Unexpectedly, subjects also granted SP in higher proportions when faced with gridlock caused by biased politicians even when the reform was ex ante harmful. This type of gridlock caused an almost 19 percentage point rise in the frequency of SP. This result contradicts our hypothesis 3. Also,

subjects granted SP in higher proportions when faced with gridlock even when the legislature was unbiased and truthfully "warned" that the reform was not beneficial. This gridlock caused an almost 10 percentage point rise in the frequency of SP, contradicting our hypothesis 4. These effects are statistically significant at the usual significance levels (using the Barsbai et al mht-adjusted pvalue, H3 would not be statistically significant at 1 percent, but it would still be significant at 5 percent. Using the Anderson mht-adjusted pvalues, H3 is also significant at 1 percent).

The picture that emerges from these results is thus only partially consistent with the predictions of our model: **subjects chose SP more frequently with than without political gridlock, but they did it even when the reform was ex ante harmful.** It is worth mentioning that these unexpected results seem not to be driven by subjects' misunderstanding of the problem. Indeed, almost 88 per cent of answers were correct at the first attempt in part 2 of the experiment, suggesting that subjects understood the basics of the experiment quite well at this stage. Also, subjects' response to gridlock was stronger when an unbiased (0.490) than a biased (0.310) executive proposed beneficial reforms, and weaker when an unbiased (0.097) than a biased (0.187) legislature opposed harmful reforms (Table 5). So at least some subjects seem to have been subtle enough as to extract information from the proposals of unbiased politicians.

In the fifth row of Table 5 we present a test of H5. According to this hypothesis, voters willingness to grant SP in the presence of political gridlock caused by biased politicians is increasing (more precisely, not decreasing) in the probability that the reform is beneficial. We set this probability at 0.2 and 0.9 in the control and treatment groups, respectively. The observed frequency of SP in the control group was 0.347. The treatment caused a 3.3 percentage point rise in the estimated frequency of SP. While this represents an almost ten percent increase relative to the control, it is not statistically significant.

Hypothesis H6 says that subjects willingness to grant SP is not increasing in the amount of rents the executive can extract. The difference between rents in the control and treatment groups was set at about 13 percent of the maximum payoff subjects could obtain in the whole experiment. High rents induced lower frequency of SP in more than 7 percentage points, on average. The estimated effect looks "large", compared to the control mean of less than 18 percent, but the estimation is highly imprecise and we cannot reject the null of no effects.[14]

Subjects were on average less willing to grant SP in the corruption (H7) and political (H8) framings than in the control group, but the differences are not statistically significant. Finally, exposing subjects to a high frequency of political gridlock in the priming phase caused an almost 3 percentage point reduction in the frequency of SP, but this effect is not statistically significant at the usual significance levels.

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[14]It is significant at 10 percent according to the unadjusted pvalues, but it is not significantly different from zero according to the mht-adjusted pvalues.

4.3 Excess of special powers

Our experiment was designed to study how actual subjects deal with the tradeoff between delegation and control. We showed that, as expected, subjects were willing to loosen control to facilitate reform, but they overreacted: they weakened checks and balances even when the reform in the government agenda was not beneficial. In this sense, voters were excessively willing to grant special powers or, in short, there is an excess of special powers in our results. In this section we revise some possible factors that might be driving this unexpected result.

In Table 6, we present estimations of the differences among subgroups of subjects in the response to the two type of political gridlock that caused excess of SP, based on equation 7. Notice these are differences in differences, and the control mean is the average response to political gridlock —i.e. the difference in the frequency of SP with and without gridlock— in the control group.[15]

Table 6: Excess of special powers.

| | Difference | p values | | | Control |
| | | Unadjusted | Multiple hyp. testing adjusted | | mean |
			Barsbai et al	Anderson	
H3*mistakes	0.017	0.908	1.000	1.000	0.212
H4*mistakes	-0.067	0.433	0.996	1.000	0.107
H3*risk averse	0.014	0.932	0.997	1.000	0.204
H4*risk averse	-0.017	0.832	1.000	1.000	0.112
H3*female	0.135	0.237	0.966	0.655	0.147
H4*female	-0.001	0.987	0.987	1.000	0.096
H3*right wing	-0.104	0.368	0.995	1.000	0.264
H4*right wing	-0.022	0.686	0.999	1.000	0.108
H3*strong leader	-0.183	0.208	0.956	0.640	0.250
H4*strong leader	0.012	0.857	1.000	1.000	0.094
H4*corruption	0.110	0.140	0.884	0.473	0.081
H4*political framing	0.031	0.684	1.000	1.000	0.093

See footnotes in table 5.

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[15]The results in Table 6 in the column entitled 'Control mean' are estimations of $\beta_k = \mathbb{E}[SP_i|Hj = 1, z = 0] - \mathbb{E}[SP_i|Hj = 0, z = 0]$ and in the column entitled 'Difference' are estimations of $\beta_{kz} = [\mathbb{E}[SP_i|Hj = 1, z = 1] - \mathbb{E}[SP_i|Hj = 0, z = 1]] - [\mathbb{E}[SP_i|Hj = 1, z = 0] - \mathbb{E}[SP_i|Hj = 0, z = 0]], j \in \{3, 4\}$.

Mistakes. We first explore whether the excess of SP was driven by individuals who made more mistakes, i.e. individuals who had a poorer understanding of the tasks. To explore this possibility, we take advantage of a recorded registry of mistakes committed by subjects in the experiment. As explained in Section 3.2, some of the tasks individuals had to perform admitted correct-incorrect answers.

We do not find statistically significant differences in the impact of political gridlock with harmful reforms on the frequency of SP chosen by subjects who did and did not make mistakes (rows 1 and 2 in Table 6). When confronted with political gridlock caused by biased politicians and harmful reforms, subjects who did and did not make mistakes raised the frequency of SP by about 0.231 and 0.212, respectively, so the difference in response is in the order of 0.017, which is not statistically significant (see the first row of Table 6). Similarly, the difference in the response to political gridlock with an unbiased legislature was not significantly different from zero.

Risk aversion. More than 82 per cent of subjects in our experiment were risk averse. They were on average less willing to grant SP (0.13) than other subjects (0.31). However, we do not find statistically significant differences in the frequency of SP between risk averse and other subjects in the presence of political gridlock with harmful reforms or with an unbiased legislature (rows 3 and 4 in Table 6, respectively).

Female. Women were on average more willing to grant SP than men (first row in Table 9 in the online Appendix), but they were not statistically significantly more responsive to political gridlock with harmful reforms than men.

Right wing. Subjects to the right of the median self-identification in the left-right ideological line were on average more willing to grant SP than subjects to the left (row 8 in Table 8 in the online Appendix). The reverse was true in the environment of political gridlock with harmful reforms, but the differences are not statistically significant (rows 7 and 8 in Table 6).

Strong leader. As expected, subjects who said that having a strong leader who disregards the congress and elections was good or very good, granted SP more frequently than subjects who did not support that claim. However, we cannot reject that their response to political gridlock with harmful reforms is the same as of other subjects.

Corruption and political framing. Framing the cost of SP as corruption and the whole environment in political terms did not cause statistically significant changes in the response to gridlock with unbiased legislatures.[16]

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[16]The experiment did not include treatments with corruption and political framings and a low probability that the reform is beneficial. Hence, we have no data to compute the impact of corruption and political framing on the response

A general difficulty we faced in the analysis of factors driving excess of SP was lack of power. For example, we only have 12 observations with the conditions of H3 and more than one check of the correct-incorrect answers, and this is very far from the minimum number of observations needed to test a difference in proportions lower than 2 percent. In this environment, the frequency of SP was 0.212 among subjects who provided the correct answers at the first attempt, and 0.231 among subjects who needed more attempts. More than seven thousand subjects per group are necessary to detect this difference in proportions.[17]

5 Concluding remarks

In this paper we present the results of a lab experiment in which subjects were asked to choose between two rules that resemble checks and balances and executive special powers. Under checks and balances, the legislature can block a reform proposed by the executive. Under special powers, the will of the executive prevails, so there is no political gridlock.

As expected, political gridlock emerged as an important driver of special powers. Subjects in the experiment were very willing to grant special powers in the presence of political gridlock, and they did it not only when the reform was beneficial but also when it was harmful. In this sense, there was an excess of special powers caused by political gridlock in our experiment.

The excess of special powers arose in two cases. First, when both politicians are biased —so no information can be elicited from their proposals— and the reform is ex ante harmful. Second, when an unbiased legislature proposes the status quo policy and a biased executive proposes reform.

In the first case, the probability that the reform matched the state of nature was only 20 percent and politicians proposals were not informative, so there should have been little doubt that granting special powers would most likely bring bad outcomes. And yet, many subjects voted for it. In the second case, subjects may have failed to realize that the legislature was revealing the true state of nature. However, in the symmetric case in which the executive was unbiased, subjects seem to have responded voting for special powers in higher proportions. So it does not seem to be the case that subjects totally failed to realize that unbiased politicians' proposals conveyed valuable information.

A future interesting line of research would focus on the excess of SP. Because we did not anticipate this phenomenon, our design is not specially suited to analyze it in detail. In particular, we did not have enough statistical power to test potential heterogeneity in excess of SP among subgroups of subjects. However, the analysis in this paper provides some guidance on how to proceed in the future.

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to gridlock with biased politicians and harmful reforms (H3).

[17]We have more power to distinguish between female and male, but even in this case we are well below the number of subjects needed to detect a difference in response as the one we obtained. Females responded to gridlock with harmful reform stronger than males, with 0.2860 and 0.1468, respectively. To distinguish these proportions using $\alpha = 0.05$ and power $= 0.8$ we need at least 137 subjects of each sex. We had 135 females, but only 82 males in the sample used for these computations (after losing a few questionnaires).

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Online Appendix (not for publication)

1 Proofs of the propositions

Proof of Proposition 1. Political gridlock may arise under three different configurations of politicians types, corresponding to the three first lines in equation (4). There is no gridlock under any other circumstances. Let $Pr(SP|gr)$ and $Pr(SP|No-gr)$ represent the probabilities of SP with and without political gridlock, respectively. Then, using equations (4) and (5) we have that:[18]

$$Pr(SP|gr) - Pr(SP|No-gr) = \begin{cases} F(-r - a(1-2q)) - F(-r) & if \quad X_R, L_C, \\ F(-r + a) - F(-r) \geq 0 & if \quad X_U, L_C, p_X = 1, \\ F(-r - a) - F(-r) \leq 0 & if \quad X_R, L_U, p_L = 0. \end{cases} \quad (8)$$

If the gridlock occurs with X_R and L_C, then the probability of SP is greater with than without political gridlock iff $q > 1/2$ (first line in equation (8)). If the gridlock occurs with X_U, L_C and $p_X = 1$, then the probability of SP is greater with than without political gridlock (second line in Equation (8)). If the gridlock occurs with X_R, L_U and $p_L = 0$, then the probability of SP is lower with than without political gridlock (third line in equation (8)). □

Proof of proposition 2. Equation (4) implies that $v(SP) - v(CB)$ is an increasing function of q, if X_R, L_C, and does not depend on q otherwise. Equation (5) says that $Pr(SP)$ is a non decreasing function of $v(SP) - v(CB)$. □

Proof of proposition 3. The hypothesis follows directly from equations (4) and (5). □

2 Descriptive statistics

Who are the subjects? We recruited 243 students from different faculties of the Universidad de la República, Uruguay. In Table 7, we summarize some characteristics and beliefs of this group of subjects and the country population, using our questionnaire and the results of the 2011 world values survey for Uruguay .

Our population is more feminized than the wvs sample (63 and 53 percent female, respectively). Sixty percent grew up in Montevideo,[19] the capital city, where about 39 percent of the country population lives. About 36 and 43 percent of their fathers and mothers, respectively, attended the university. Almost two thirds went to public primary and secondary schools. The percentage of subjects who think their income is above the country median is 46 in our experiment and 26 in the wvs sample.

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[18]As we mentioned before, when there is no political gridlock, $v(CB) - v(SP) = r$. Then voters support SP iff $\varepsilon_{it} < -r$.

[19]More precisely, this is the percentage of the subjects responding they lived in Montevideo at the age of 10

What do they believe politically?   Not surprisingly, beliefs are not alike in our convenience sample of university students and the Uruguayan population.[20] Based on self ideological identification, our subjects tend to be more left-wing than the average population. Accordingly, they show less support than the wvs respondents to assertions such that "we need larger income differences as incentives for individual effort", "people should take more responsibility to provide for themselves" and it is good or very good to have a "strong leader who does not have to bother with Congress and elections". Our subjects also provided stronger support than wvs respondents to the assertion that "government ownership of business and industry should be increased". However, they show weaker support to the idea that "competition is harmful" and stronger support to the assertion that it is good "having experts, not government, make decisions according to what they think is best for the country".

How did they decide in our experiment?   In Table 8 we present the proportion of cases in which several subgroups of subjects chose SP rather than checks and balances. We obtained stronger support for SP among females than males, and subjects whose parents did not have tertiary education. The frequency of SP was higher among right- than left-wing self-identified participants, supporters of strong leaders and military government. It was lower among supporters of democratic government and individuals more interested in politics.

While we find these descriptive statistics reasonable and useful as a first approach to the data, they are at most suggestive since we are not controlling for potential confounders or computing significance tests. In the next section we present formal tests of our hypotheses.

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[20]Recall we posed the same questions as the wvs. There are however some differences worth mentioning. First, the questionnaire is administered by an interviewer in the wvs and self-administered —i.e. the questions are presented in the screen of the computer— in our experiment. Second, the interviewer in the wvs receives the following instruction: "NOTE: Code but do not read out– here and throughout the interview: 1. Don't know; 2. No answer; and 3. Not applicable". Subjects in our experiment were allowed to skip a question, but we cannot distinguish the three options considered in the wvs protocol. We have no direct evidence on the impact that the different way of administering the survey may have had on responses. The percentage of answers in the lab was extremely high. Leaving aside 20 questionnaires entirely lost due to a software manipulation failure (with 223 questionnaires processed correctly), no question received less than 98.6 percent of answers.

Table 7: Descriptive statistics 1: some characteristics and beliefs of participants.

	Lab		WVS Uruguay		Definitions
	mean	sd	mean	sd	
CHARACTERISTICS					
Female	0.63	0.48	0.53	0.50	= 0, if male; = 1 if female.
Montevideo	0.60	0.49			= 1, if raised in Montevideo (capital city); = 0 otherwise.
Parents with tertiary education					
Father	0.36	0.48			= 0, if no; = 1 if yes, even if incomplete.
Mother	0.43	0.50			= 0, if no; = 1 if yes, even if incomplete.
Public Education					
Primary	0.64	0.48			= 0, if no; = 1 if yes.
High school	0.64	0.48			= 0, if no; = 1 if yes.
Income percentile (self perception)					
Ten-point scale	5.32	1.81	4.50	1.81	= 1, if poorest; . . . ; = 10, if richest decile.
Two-point scale	0.46	0.50	0.26	0.44	= 0, if deciles 1 to 5; = 1, otherwise.
BELIEFS					
Left- to right-wing					
Ten-point scale	3.68	2.31	4.68	2.49	= 0, if left; . . . ; =10 if right.
Two-point scale	0.19	0.39	0.28	0.45	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
We need larger income differences					
Ten-point scale	3.67	2.52	5.11	2.92	= 1, if more equal is better; . . . ; = 10, if larger differences are needed.
Two-point scale	0.22	0.41	0.40	0.49	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
Raise government ownership					
Ten-point scale	6.43	2.60	5.56	2.62	= 1, if private. . . ; . . . ; = 10, if government ownership should be increased.
Two-point scale	0.65	0.48	0.43	0.50	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
People take more responsibility					
Ten-point scale	3.79	2.60	5.07	3.04	= 1, if government. . . ; . . . ; = 10, people should take more responsibility.
Two-point scale	0.23	0.42	0.38	0.49	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
Competition is harmful					
Ten-point scale	4.63	2.64	5.04	2.90	= 1, if competition is good; . . . ; = 10, if competition is harmful.
Two-point scale	0.31	0.46	0.37	0.48	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
Luck and contacts					
Ten-point scale	5.54	2.84	5.48	2.89	= 1, if hard work brings a better life; . . . ; = 10, if it's luck and connections.
Two-point scale	0.48	0.50	0.44	0.50	= 0, if points 1 to 5 in the 10-point scale; = 1, otherwise.
Interested in politics	0.90	0.30	0.31	0.46	= 0, if not at all or not very interested; = 1, if somewhat or very interested in politics.
Strong leader	0.24	0.43	0.39	0.49	= 0, if very or fairly bad; = 1, if fairly or very good.
Experts rather than government	0.56	0.50	0.48	0.50	= 0, if very or fairly bad; = 1, if fairly or very good.
Military government	0.04	0.20	0.09	0.29	= 0, if very or fairly bad; = 1, if fairly or very good.
Democratic government	0.98	0.13	0.95	0.22	= 0, if very or fairly bad; = 1, if fairly or very good.

Source: Own computations based on experiment and the World Values Survey.

Table 8: Descriptive statistics 2: frequency of SP.

Gender			Raise government ownership	
Male	0.14		1 to 5	0.15
Female	0.18		6 to 10	0.16
Department			**People take more responsibility**	
Montevideo	0.16		1 to 5	0.17
Other	0.17		6 to 10	0.13
Father's Education Level			**Competition is harmful**	
Non tertiary	0.17		1 to 5	0.15
Tertiary	0.15		6 to 10	0.19
Mother's Education Level			**Luck and contacts**	
Non tertiary	0.19		1 to 5	0.17
Tertiary	0.13		6 to 10	0.16
Primary Education			**Interest in politics**	
Private	0.18		Not at all or not very interested	0.14
Public	0.15		Somewhat or very interested	0.17
High School Education			**Strong leader**	
Private	0.15		Very or fairly bad	0.16
Public	0.17		Fairly or very good	0.20
Income decile (self perception)			**Experts rather than government**	
1 to 5	0.17		Very or fairly bad	0.17
6 to 10	0.16		Fairly or very good	0.16
Left- to right-wing			**Military government**	
1 to 5	0.15		Very or fairly bad	0.15
6 to 10	0.24		Fairly or very good	0.44
We need larger income differences			**Democratic government**	
1 to 5	0.17		Very or fairly bad	0.20
6 to 10	0.16		Fairly or very good	0.16

Source: Own computations based on experiment and the World Values Survey.

3 Instructions of treatments 1 and 7 (translated from the original version in Spanish).

General Instructions

Welcome to this experiment in decision making.

Please read the consent form you were handed when you arrived to the experiment. If you want to participate in the experiment, please sign the form. Remember that your participation is voluntary. If you wish to leave the experiment before the session is over, you will forfeit any money you may have earned so far. You need to be at least 18 years to participate in this session.

The experiment will take around an hour and a half, and during this time you will make a series of decisions. At the end of the experiment we will pay you in cash and in private, based on the instructions we will explain to you in a moment.

We kindly ask you to not talk with anyone else but the experimentalists. If you have a question, please raise your hand and someone will be with you to answer your question shortly

Please turn off your cell phones.

During this experiment, we will refer to pesos uruguayos when we talk about benefits and payments.

Any questions?

Please turn to the next page.

This experiment is composed to three main parts and a questionnaire.

In parts 1 and 2 of this experiment, two individuals, which we will identify as X and L, propose actions that affect you. You must choose one of two possible rules that determine how the actions that these two individuals propose combine and the effect they have. We describe next who these individuals are and how their proposals relate to the decisions you will make.

Current state of affairs. There are two possible states of affairs, BLUE and GREEN. Individuals X and L always know the current state of affairs when they make their proposals.

Actions. There are two possible actions, BLUE and GREEN. The action which will be followed in the current period depends on the action proposals of X and L and a rule which you will choose (and which we will explain to you next).

Possible identities of X and L. The proposals chosen by individuals X and L depend on their identity. There are three possible identities: blue, green and blue-green (or mixed). The blue identity individuals always propose the BLUE action, the green identity always propose the GREEN action, and the blue-green identity (or mixed) propose the BLUE action when they observe that the current state of affairs is BLUE and GREEN when they observe which is GREEN.

The following table summarizes the previous information (Table 1).

Table 1: Proposals of X and L according to their identity and current state of affairs.

	Individual's identity		
Current state of affairs	Blue	Green	Blue-Green (or mixed)
BLUE	BLUE	GREEN	BLUE
GREEN	BLUE	GREEN	GREEN

Rules. In this experiment, there are only two possible rules:

Rule 1. X proposes an action. If X proposes BLUE, BLUE is implemented. If X proposes GREEN, L has the capacity to block or accept X's proposal: L blocks X by proposing BLUE and enables X by proposing GREEN.

Rule 2. X's proposal is adopted (regardless of what L proposes). The use of this rule has an associated cost which we will detail below.

Table 2 summarizes these rules.

Table 2: Action proposals and implemented actions under Rules 1 and 2

Action proposals		Implemented actions	
X	L	Rule 1	Rule 2
BLUE	BLUE	BLUE	BLUE
BLUE	GREEN	BLUE	BLUE
GREEN	BLUE	BLUE	GREEN
GREEN	GREEN	GREEN	GREEN

Payments. Each rule has a payment associated with it, which depends on the proposals and the current state of affairs. This payment is 200 pesos when the implemented action matches the current state of affairs (BLUE-BLUE or GREEN- GREEN) and 120 when it does not (BLUE- GREEN or GREEN -BLUE). However, the use of Rule 2 entails an associated cost of 24 pesos. This means that your payoff with Rule 2 is 176 when the implemented action and the current state of affairs match and 96 when they do not. **Table 3** summarizes the payments that would correspond to you under each rule. We will give you a few minutes to read the table and familiarize yourself with it.

Table 3: Payments according to action proposals, current state of affairs and decision rules.

Current state of affairs	Action proposals		Payments	
	X	L	Rule 1	Rule 2
BLUE	BLUE	BLUE	**200**	**176**
BLUE	BLUE	GREEN	**200**	**176**
BLUE	GREEN	BLUE	**200**	**96**
BLUE	GREEN	GREEN	**120**	**96**
GREEN	BLUE	BLUE	**120**	**96**
GREEN	BLUE	GREEN	**120**	**96**
GREEN	GREEN	BLUE	**120**	**176**
GREEN	GREEN	GREEN	**200**	**176**

Do you have any questions?

Part 1 Instructions

In this part of the experiment, you will have five tasks:

- Determine what are the expected action proposals of X and L.
- Determine if there is gridlock, meaning, if X proposes GREEN and L proposes BLUE at the same time
- Determine what is the action that will be implemented with each rule.
- You will tell us which is the rule that you prefer.
- Determine the frequency of gridlock, that is, the proportion of cases in which X proposes GREEN and L proposes BLUE at the same time.

You will complete a table like the following:

Current state of affairs	Identities of X and L		Action proposals		Is there a gridlock?	Implemented action			I choose rule	Cost associated to chosen rule			
	X	L	X	L		Rule 1	Rule 2						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)			
GREEN	Blue-Green	Blue	GREEN BLUE	GREEN BLUE	YES NO	GREEN BLUE	GREEN BLUE	Verify	1 2		Cost	Send response
BLUE	Blue-Green	Green	GREEN BLUE	GREEN BLUE	YES NO	GREEN BLUE	GREEN BLUE	Verify	1 2		Cost	Send response
...								Verify			Cost	Send response

The steps to complete the table are the following:

1. In columns (4) and (5) you will record the action proposals that you think individuals X and L would propose after observing the current state of affairs and knowing the identity of each individual.

2. In column (6), you will record whether there is gridlock or not. Remember that there is gridlock if X proposes GREEN and L proposes BLUE.

3. In columns (7) and (8) you will record the actions that you think will be implemented under rules 1 and 2.

4. To the right of column (8) you will see a button labeled "Verify". You will click the button to verify if the responses you entered are correct. If you responses are correct, you will automatically see column (9), "I choose rule". If any of the responses is incorrect, you will not be able to move on and you can correct your responses. You can correct your responses up to four times. If after the fourth verification your responses are not correct, then the program will correct your responses automatically and column (9) will appear. At this point you will not be able to modify your responses.

5. In column (9) you will record your choice, whether it is for Rule 1 or Rule 2. To help you in your decision, column (10) indicates what is the cost associated to the rule you chose. For this, you will have to click the button labeled "Cost". When you choose the one you want,

click on the button "Send response". After that, the next decision row will appear, and you will not be able to make changes on your responses.

6. At the end of this part, we will ask you what the frequency of gridlock is.

You will make decisions for **ten (10) periods.** To make these decisions you will use **Tables 1, 2** and **3** together.

In this part of the experiment, we will pay you for the benefits you get in one of these periods. The payment will be determined as follows. If the responses in columns (4) to (8) are not correct after four tries, you will have a payment of zero. If in any of the four tries you entered the correct answers your payment will be calculated based on the rule you chose in column (9). For this reason, we ask you to make your decisions bearing in mind that any of them can be chosen to determine your payment. The computer will randomly choose a decision to be paid at the end of the experiment.

So that you do not have to look for them in the instructions, we gave you **Tables 1, 2 and 3** separately. If you do not have them raise your hand and we will give them to you.

So you clearly understand what your decisions would be like, together we will go over the following examples of how to use these tables and how you would decide.

Part 1 Examples

Please make sure you have tables 1, 2 and 3 on hand to understand how you would make your decisions.

Example 1

In this example, the current state of affairs is GREEN. X observes the current state of affairs and as he is of the Blue-green type, proposes the GREEN action. L observes the same state of affairs but as he is of the Blue type, proposes the BLUE action. You can figure this out by looking at **Table 1**. **In this example, there is gridlock.**

If we look at **Table 2**, this implies that the resulting action depends on the rule chosen: the action is BLUE with Rule 1 and GREEN with Rule 2. The proposed actions of X and L, if there is gridlock or not and and the actions under both Rules will be the first thing that you will fill in the box. These are the cells of columns (4) to (8) which in this example, we filled out for you. **We recommend you pay attention to the table on the screen to see how it would look like when you make your decisions.**

Current state of affairs	Identities of X and L		Action proposals		Is there a gridlock?	Implemented action			I choose rule	Cost associated to chosen rule		
	X	L	X	L		Rule 1	Rule 2					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)		
GREEN	Blue-Green	Blue	● GREEN ○ BLUE	○ GREEN ● BLUE	● YES ○ NO	○ GREEN ● BLUE	● GREEN ○ BLUE	Verify	○ 1 ○ 2		Cost	Send response

To determine your choice, you can use **Table 3**. In that table you will find the line corresponding to the current state of affairs GREEN, the GREEN action proposal for X and BLUE for L. You will see that the payment associated with Rule 1 is **120** and that of Rule 2 is **176**. You will next indicate the rule you chose in the empty cell of column (9). To help you in your decision, column (10) indicates what is the cost associated to the rule you chose.

If this period was chosen to determine the payment at the end of the experiment, your payment for Part 1 would be **120** if you chose Rule 1 and **176** if you chose Rule 2.

Example 2

In this example, the current state of affairs is BLUE. X observes the current state of affairs and, since it is of the Green type, proposes the GREEN action. L observes the same current state of affairs, but since it is of the Blue type, it proposes the BLUE action. You can figure this out by looking at **Table 1**. **In this example, there is gridlock.**

If we look at **Table 2**, this implies that the resulting action depends on the Rule chosen: the action is BLUE with Rule 1 and GREEN with Rule 2. The proposed actions of X and L, if there is gridlock or not and the actions under both Rules will be the first thing that you will fill in the box. These are the cells of columns (4) to (9) which in this example, we filled out for you. **We recommend you pay attention to the table on the screen to see how it would look like when you make your decisions.**

Current state of affairs	Identities of X and L		Action proposals		Is there a gridlock?	Implemented action			I choose rule	Cost associated to chosen rule			
	X	L	X	L		Rule 1	Rule 2						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)			
BLUE	Green	Blue	⦿ GREEN ○ BLUE	○ GREEN ⦿ BLUE	⦿ YES ○ NO	○ GREEN ⦿ BLUE	⦿ GREEN ○ BLUE	Verify	○ 1 ○ 2		Cost	Send response

To determine your choice, you **will use Table 3. In Table 3 you** will find the line corresponding to the current state of affairs BLUE, the GREEN action proposal for X and BLUE for L. You will see that the payment associated with Rule 1 is **200** and that of Rule 2 is **96**. You will next indicate the rule you chose in the empty cell of column (9). To help you in your decision, column (10) indicates what is the cost associated to the rule you chose.

If this period was chosen to determine the payment at the end of the experiment, your payment for Part 1 would be **200** if you chose Rule 1 and **96** if you chose Rule 2.

You will see the box to be completed next. Remember that you will have to determine:

- The proposals that you expect from X and L
- If there is gridlock or not
- The actions that will result under each rule, given the proposals of X and L
- Your choice by rule 1 or 2
- The frequency of gridlock

Do you have any questions?

Everyone will begin making decisions at the same time in a minute.

Part 2 Instructions

In this part you will make decisions similar to those of the previous part, but with three differences:

- Now you will not observe the current state of affairs in each period. You only know that the frequency with which the current state of affairs GREEN occurs is 0.9. That means that in each row of the table in Part 2, there is a 9 in 10 chance that the state of affairs is GREEN.

- You will have information about the action proposals of X and L. Remember that X and L know the current state of affairs before choosing their proposals, but you do not.

Your task is to:

- Determine if there is gridlock or not in each decision row. Remember that there is a gridlock if X proposes GREEN and L proposes BLUE at the same time.
- Determine the resulting action under each rule
- Choose a rule.

You will make decisions for **fourteen (14) periods**. To make these decisions you will use **Tables 1, 2** and **3** together.

You will record your decisions in a table like the following one:

Identities of X and L		Action proposals		Is there a gridlock?	Implemented action				I choose rule	Cost associated to chosen rule		
X	L	X	L		Rule 1	Rule 2						
Blue	Blue	BLUE	BLUE	○ YES ○ NO	○ GREEN ○ BLUE	○ GREEN ○ BLUE	Verify		○ 1 ○ 2		Cost	Send response

The way the payment for this part is determined is as follows:

1. You will first enter if there is gridlock or not and the action which would be implemented with each rule.
2. On the right of column "Implemented action" you will see a button labeled "Verify". You will click on the button to verify if the responses you entered are correct. If the responses you entered are correct, you will see a new cell under "I choose rule" appear automatically. If any of the responses is incorrect, you can correct them and press the button "Verify". You can verify up to four times. If by the fourth time your responses are incorrect, the program will correct your mistakes and the cell under "I choose rule" will appear automatically. At this point, you will not be able to modify your prior responses.
3. Under the column "I choose rule" you will enter your decision for either Rule 1 or Rule 2. To help you with your decision, we indicate in the last column of the table which is the associated cost based on the rule you chose. For that you will click on the

button labeled "Cost". When your responses are definitive, click on the button labeled "Send response". After that, the next decision row will appear, and you will not be able to make changes on your responses.

In this part of the experiment, we will pay you for the benefits you get in one of these periods. The payment will be determined as follows. If the responses in the first three columns are not correct after four tries, you will have a payment of zero. If in any of the four tries you entered the correct answers your payment will be calculated based on the rule you chose in column "I choose rule". For this reason, we ask you to make your decisions bearing in mind that any of them can be chosen to determine your payment. At the end of this part you will know what the true current state of affairs is for each decision and the payment associated with the rule that you chose in each one. The computer will randomly choose a decision to be paid at the end of the experiment.

So that you understand clearly what your decisions would be, please read carefully the following examples of how to use these tables and how you would decide.

Part 2 Examples

Please make sure you have tables 1, 2 and 3 on hand to understand how you would make your decisions.

Example 3

In this example, X and L are of the Green type. Both propose the GREEN action and therefore, **there is no gridlock**.

If you look at **Table 2**, you will conclude that the resulting action will be GREEN with either of the two rules.

To determine your vote, you will compare the payments with both rules, but as you do not know the current state of affairs you have to decide which Rule to vote for without that information. For this you will look at **Table 3**. You will have two state of affairs to analyze, GREEN and BLUE.

If you are sure that the current state of affairs is GREEN, in **Table 3** you will find the current state of affairs GREEN, the action proposal of X GREEN and of L GREEN. In the table, you will see that the payment associated with Rule 1 is **200** and that of Rule 2 is **176.**

If you are sure that the current state of affairs is BLUE, in **Table 3** you will find the current state of affairs BLUE, the action of X GREEN and L GREEN. In the table, you will see that the payment associated with Rule 1 is **120** and that of Rule 2 is **96**.

If you are not sure what the current state of affairs is, consider the frequency of the GREEN state of affairs and the associated payments for each decision you will make.

Suppose that this period was chosen to determine your payment in Part 2. In this example, there is no gridlock. Suppose as well that at the end of the experiment it is revealed that the current state of affairs is BLUE. If you incorrectly answered any of the three first questions (existence of gridlock and implemented actions under rules 1 and 2), you will not get payment for this part. If you correctly answered these questions, your payment for Part 2 will be **120** if you chose Rule 1 and **96** if you chose Rule 2. Remember that the cost associated to using Rule 2 was considered already to calculate these payments.

Example 4

In this example, X proposes the GREEN action and L proposes the BLUE action. Therefore, **there is gridlock**.

According to **Table 2**, that X and L have proposed the GREEN and BLUE actions, respectively, implies that the resulting action with Rule 1 is BLUE and with Rule 2 is GREEN.

To determine your vote, you will compare the payments with both rules, but as you do not know the current state of affairs you have to decide which Rule to vote for without that information. For this you will look at **Table 3**. You will have two state of affairs to analyze, GREEN and BLUE.

If you are sure that the current state of affairs is GREEN, in **Table 3** you will find the current state of affairs GREEN, the proposed action of X GREEN and L BLUE. In the table, you will see that the payment associated with Rule 1 is **120** and that of Rule 2 is **176**.

If you are sure that the current state of affairs is BLUE, in Table 3 you will find the current state of affairs BLUE, the action of X GREEN and of BLUE. In the chart, you will see that the payment associated with Rule 1 is **200** and that of Rule 2 is **96**.

If you are not sure what the current state of affairs is, consider the frequency of the GREEN state of affairs and the associated payments for each decision you will make.

Suppose that this period was chosen to determine your payment in Part 2. In this example, there is gridlock. Suppose as well that at the end of the experiment it is revealed that the current state of affairs is GREEN. If you incorrectly answered any of the three first questions (existence of gridlock and implemented actions under rules 1 and 2), you will not get payment for this part. If you correctly answered these questions, your payment for Part 2 will be **120**, if you chose Rule 1, and **176**, if you chose Rule 2. Remember that the cost associated to using Rule 2 was considered already to calculate these payments.

Next, you will see a table with 14 periods. It is expected that you determine:

- If there is gridlock
- The action that will result in each period.
- The rule you prefer.

Do you have questions?

Everyone will begin making decisions at the same time in a minute.

Part 3 Instructions

Your decisions. In this part of the experiment, you will have to make ten (10) decisions between two lotteries, like the ones you see in the table below. The two lotteries are represented by two options, "Option A" to the left of the table and "Option B" to the right of the table. You will see the decisions presented in a table and you have to choose one of the two options in each decision. Each decision is a row of the table.

Take a minute to read the structure of the table.

Decision	Option A	A or B	Option B
1	$20 with probability 1/10, $16 with probability 9/10	○ ○	$39 with probability 1/10, $1 with probability 9/10
2	$20 with probability 2/10, $16 with probability 8/10	○ ○	$39 with probability 2/10, $1 with probability 8/10
…	…	…	…
10	$20 with probability 10/10, $16 with probability 0/10	○ ○	$39 with probability 10/10, $1 with probability 0/10

To give you an idea of how lotteries work in this part of the experiment, we describe some of the decisions below. In Decision 1, Option A, there is a one in ten chance to win $ 20 and a nine in ten chance to win $ 16. In Option B, there is a one in ten chance to win $ 39 and a nine in ten chance to win $ 1. In contrast, in Decision 10, Option A, there is a ten in ten chance to win $ 20 and a zero in ten chance to win $ 16. In Option B, there is a ten in ten chance to win $ 39 and a zero in ten chance to win $ 1

The relevant decision. At the end of the experiment, one of the ten decisions will be chosen by the computer as the relevant decision. That is why we ask you to make your decisions with care, as if any of them could be chosen to be paid with the same probability.

Determining your Part 3 payment. Once the decision is chosen, we will pay you based on your chosen option. For that the computer will also determine in a random way which of the two payments of the option that you chose is the one that corresponds to you.

Do you have any questions?

Please press the "Continue" button to make your decisions.

Part 4: Questionnaire

We ask you to fill out the questionnaire which will now show up in your screen. We will pay you an extra $50 for filling it out completely. Thank you!

General Instructions

Welcome to this experiment in decision making.

Please read the consent form you were handed when you arrived to the experiment. If you want to participate in the experiment, please sign the form. Remember that your participation is voluntary. If you wish to leave the experiment before the session is over, you will forfeit any money you may have earned so far. You need to be at least 18 years to participate in this session.

The experiment will take around an hour and a half, and during this time you will make a series of decisions. At the end of the experiment we will pay you in cash and in private, based on the instructions we will explain to you in a moment.

We kindly ask you to not talk with anyone else but the experimentalists. If you have a question, please raise your hand and someone will be with you to answer your question shortly

Please turn off your cell phones.

During this experiment, we will refer to pesos uruguayos when we talk about benefits and payments.

Any questions?

Please turn to the next page.

This experiment is composed to three main parts and a questionnaire.

In parts 1 and 2 of this experiment, two individuals, which we will identify as P, the president and L, the legislator, propose policies that affect you. You must choose one of two possible institutions that determine how the policies that these two individuals propose combine and the effect they have. We describe next who these individuals are and how their proposals relate to the decisions you will make.

Current state of affairs. There are two possible states of affairs, BLUE and GREEN. The president and the legislator always know the current state of affairs when they make their proposals.

Policies. There are two possible policies, BLUE and GREEN. The policy which will be followed in the current period depends on the policy proposals of P and L and an institution which you will choose (and which we will explain to you next).

Possible identities of the president and the legislator. The policy proposals chosen by the president and the legislator depend on their identity. There are three possible identities: blue, green and blue-green (or mixed). The blue identity government officials always propose the BLUE policy, the green identity always propose the GREEN policy, and the blue-green identity (or mixed) propose the BLUE policy when they observe that the current state of affairs is BLUE and GREEN when they observe which is GREEN.

The following table summarizes the previous information (Table 1).

Table 1: Proposals of P and L according to their identity and current state of affairs.

	Individual's identity		
Current state of affairs	Blue	Green	Blue-Green (or mixed)
BLUE	BLUE	GREEN	BLUE
GREEN	BLUE	GREEN	GREEN

Institutions. In this experiment, there are only two possible and mutually exclusive institutions:

> **Institution 1 (checks and balances).** The president proposes a policy. If they propose BLUE, BLUE is implemented. If the president proposes GREEN, the legislator has the capacity to block or accept the president's proposal, blocking the president by proposing BLUE and enabling them by proposing GREEN.

> **Institution 2 (strong president).** The president's proposal is adopted (regardless of what the legislator proposes). With this institution, the president appropriates some of

your resources for themselves, meaning there is corruption. This has an associated cost which we will detail below.

Table 2 summarizes these institutions.

Table 2: Policy proposals and implemented policies under Institutions 1 and 2

Policy proposals		Implemented policies	
P	L	Checks and balances (Institution 1)	Strong president (Institution 2)
BLUE	BLUE	BLUE	BLUE
BLUE	GREEN	BLUE	BLUE
GREEN	BLUE	BLUE	GREEN
GREEN	GREEN	GREEN	GREEN

Payments. Each institution has a payment associated to it, which depends on the proposals and the current state of affairs. This payment is composed of two parts. The first part measures the payoffs based on the proposed policies and the state of affairs. This payment is 200 pesos when the implemented policy matches the current state of affairs (BLUE-BLUE or GREEN- GREEN) and 120 when it does not (BLUE- GREEN or GREEN -BLUE). The second part measures the loss you would have from corruption, which happens under institution 2 and it is 24 pesos. **Table 3** summarizes the payments that would correspond to you under each institution. We will give you a few minutes to read the table and familiarize yourself with it.

Table 3: Payments according to policy proposals, current state of affairs and decision institutions.

Current state of affairs	Policy proposals		Payments	
	P	L	Checks and balances (Institution 1)	Strong president (Institution 2)
BLUE	BLUE	BLUE	200	104
BLUE	BLUE	GREEN	200	104
BLUE	GREEN	BLUE	200	24
BLUE	GREEN	GREEN	120	24
GREEN	BLUE	BLUE	120	24
GREEN	BLUE	GREEN	120	24
GREEN	GREEN	BLUE	120	104
GREEN	GREEN	GREEN	200	104

Any questions?

Part 1 Instructions

In this part of the experiment, you will have five tasks:

- Determine what are the expected policy proposals of the president and the legislator
- Determine if there is gridlock, meaning, if the president proposes GREEN and the legislator proposes BLUE <u>at the same time</u>
- Determine what is the policy that will be implemented with each institution.
- You will tell us which is the institution that you prefer.
- Determine the frequency of gridlock, that is, the proportion of cases in which the president proposes GREEN and the legislator proposes BLUE at the same time.

You will complete a table like the following:

Current state of affairs	Identities of the president and the legislator		Policy proposals		Is there gridlock?	Implemented policy			I choose institution	Amount stolen by the president		
	P	L	P	L		Checks and balances (Inst. 1)	Strong president (Inst. 2)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)		
GREEN	Blue-Green	Blue	○ GREEN ○ BLUE	○ GREEN ○ BLUE	○ YES ○ NO	○ GREEN ○ BLUE	○ GREEN ○ BLUE	Verify	○ 1 ○ 2		Cost	Send response
AZUL	Azul-Verde	Verde	○ VERDE ○ AZUL	○ VERDE ○ AZUL	○ SÍ ○ NO	○ VERDE ○ AZUL	○ VERDE ○ AZUL	Verify	○ 1 ○ 2		Cost	Send response
...								Verify			Cost	Send response

The steps to complete the table are the following:

1. In columns (4) and (5) you will record the policy proposals that you think the president and the legislator would propose after observing the current state of affairs and knowing the identity of each individual.

2. In column (6), you will record whether there is gridlock or not. Remember that there is gridlock if the president proposes GREEN and the legislator proposes BLUE.

3. In columns (7) and (8) you will record the policies that you think will be implemented under institutions 1 (checks and balances) and 2 (strong president).

4. To the right of column (8) you will see a button labelled "Verify". You will click the button to verify if the responses you entered are correct. If you responses are correct, you will automatically see column (9), "I choose institution". If any of the responses is incorrect, you will not be able to move on and you can correct your responses. You can correct your responses up to four times. If after the fourth verification your responses are not correct, then the program will correct your responses automatically and column (9) will appear. At this point you will not be able to modify your responses.

5. In column (9) you will record your choice, whether it is for Institution 1 or Institution 2. To help you in your decision, column (10) indicates what is the amount stolen by the president. For this, you will have to click the button labeled "Cost". When you choose the one you want, click on the button "Send response". After that, the next decision row will appear, and you will not be able to make changes on your responses.

6. At the end of this part, we will ask you what the frequency of gridlock is.

You will make decisions for **ten (10) periods.** To make these decisions you will use **Tables 1, 2** and **3** together.

In this part of the experiment, we will pay you for the benefits you get in one of these periods. The payment will be determined as follows. If the responses in columns (4) to (8) are not correct after four tries, you will have a payment of zero. If in any of the four tries you entered the correct answers your payment will be calculated based on the institution you chose in column (9). For this reason, we ask you to make your decisions bearing in mind that any of them can be chosen to determine your payment. The computer will randomly choose a decision to be paid at the end of the experiment.

So that you do not have to look for them in the instructions, we gave you **Tables 1, 2 and 3** separately. If you do not have them raise your hand and we will give them to you.

So you clearly understand what your decisions would be like, together we will go over the following examples of how to use these tables and how you would decide.

Part 1 Examples

Please make sure you have tables 1, 2 and 3 on hand to understand how you would make your decisions.

Example 1

In this example, the current state of affairs is GREEN. The president observes the current state of affairs and as they are of the Blue-green type, proposes the GREEN policy. The legislator observes the same state of affairs but as they are of the Blue type, proposes the BLUE policy. You can figure this out by looking at **Table 1**. **In this example, there is gridlock.**

If we look at **Table 2**, this implies that the resulting policy depends on the institution chosen: the policy is BLUE with Institution 1 and GREEN with Institution 2. The proposed policies of P and L, if there is gridlock or not and the policies under both Institutions will be the first thing that you will fill in the box. These are the cells of columns (4) to (8) which in this example, we filled out for you. **We recommend you pay attention to the table on the screen to see how it would look like when you make your decisions.**

Current state of affairs	Identities of the president and the legislator		Policy proposals		Is there gridlock?	Implemented policy				I choose institution	Amount stolen by the president			
	P	L	P	L		Checks and balances (Inst. 1)	Strong president (Inst. 2)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)			(9)	(10)			
GREEN	Blue-Green	Blue	○ GREEN ○ BLUE	○ GREEN ○ BLUE	○ YES ○ NO	○ GREEN ○ BLUE	○ GREEN ○ BLUE	Verify		○ 1 ○ 2		Cost	Send response	

To determine your choice, you can use **Table 3**. In that table you will find the line corresponding to the current state of affairs GREEN, the GREEN policy proposal for P and BLUE for L. You will see that the payment associated with Institution 1 is **120** and that of Institution 2 is **176**. You will next indicate the institution you chose in the empty cell of column (9). To help you in your decision, column (10) indicates what is the amount of money stolen by the president, associated to the institution you chose.

If this period was chosen to determine the payment at the end of the experiment, your payment for Part 1 would be **120** if you chose Institution 1 and **176** if you chose Institution 2.

Example 2

In this example, the current state of affairs is BLUE. The president observes the current state of affairs and, since they are of the Green type, proposes the GREEN policy. The legislator observes the same current state of affairs, but since they are of the Blue type, they propose the BLUE policy. You can figure this out by looking at **Table 1**. **In this example, there is gridlock.**

If we look at **Table 2**, this implies that the resulting policy depends on the Institution chosen: the policy is BLUE with Institution 1 and GREEN with Institution 2. The proposed policies of P and L, if there is gridlock or not and the policies under both Institutions will be the first thing that you will fill in the box. These are the cells of columns (4) to (9) which in this example, we filled out for you. **We recommend you pay attention to the table on the screen to see how it would look like when you make your decisions.**

Current state of affairs	Identities of the president and the legislator		Policy proposals		Is there gridlock?	Implemented policy			I choose institution	Amount stolen by the president	
	P	L	P	L		Checks and balances (Inst. 1)	Strong president (Inst. 2)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		(9)	(10)	
BLUE	Green	Blue	⦿ GREEN ○ BLUE	○ GREEN ⦿ BLUE	⦿ YES ○ NO	○ GREEN ⦿ BLUE	⦿ GREEN ○ BLUE	Verify	○ 1 ○ 2		Cost Send response

To determine your choice, you **will use Table 3. In Table 3 you** will find the line corresponding to the current state of affairs BLUE, the GREEN policy proposal for P and BLUE for L. You will see that the payment associated with Institution 1 is **200** and that of Institution 2 is **96**. You will next indicate the institution you chose in the empty cell of column (9). To help you in your decision, column (10) indicates what is the amount of money stolen by the president, associated to the institution you chose.

If this period was chosen to determine the payment at the end of the experiment, your payment for Part 1 would be **200** if you chose Institution 1 and **96** if you chose Institution 2.

You will see the box to be completed next. Remember that you will have to determine:

- The proposals that you expect from P and L
- If there is gridlock or not
- The policies that will result under each institution, given the proposals of P and L
- Your choice for institution 1 or 2
- The frequency of gridlock

Do you have any questions?

Everyone will begin making decisions at the same time in a minute.

Part 2 Instructions

In this part you will make decisions similar to those of the previous part, but with three differences:
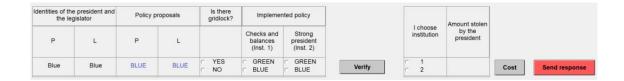
- Now you will not observe the current state of affairs in each period. You only know that the frequency with which the current state of affairs GREEN occurs is 0.9. That means that in each row of the table in Part 2, there is a 9 in 10 chance that the state of affairs is GREEN.

- You will have information about the policy proposals of the president and the legislator. Remember that the president and the legislator know the current state of affairs before choosing their proposals, but you do not.

Your task is to:

- Determine if there is gridlock or not in each decision row. Remember that there is gridlock if the president proposes GREEN and the legislator proposes BLUE at the same time.
- Determine the resulting policy under each institution
- Choose an institution.

You will make decisions for **fourteen (14) periods**. To make these decisions you will use **Tables 1, 2** and **3** together.

You will record your decisions in a table like the following one:

Identities of the president and the legislator		Policy proposals		Is there gridlock?	Implemented policy				I choose institution	Amount stolen by the president		
P	L	P	L		Checks and balances (Inst. 1)	Strong president (Inst. 2)						
Blue	Blue	BLUE	BLUE	○ YES ○ NO	○ GREEN ○ BLUE	○ GREEN ○ BLUE	Verify		○ 1 ○ 2		Cost	Send response

The way the payment for this part is determined is as follows:

1. You will first enter if there is gridlock or not and the policy which would be implemented under each institution.
2. On the right of column "Implemented policy" you will see a button labeled "Verify". You will click on the button to verify if the responses you entered are correct. If the responses you entered are correct, you will see a new cell under "I choose institution" appear automatically. If any of the responses is incorrect, you can correct them and press the button "Verify". You can verify up to four times. If by the fourth time your responses are incorrect, the program will correct your mistakes and the cell under "I

choose institution" will appear automatically. At this point, you will not be able to modify your prior responses.

3. Under column "I choose institution" you will enter your decision for either Institution 1 or Institution 2. To help you in your decision, column (10) indicates what is the amount stolen by the president. For this, you will have to click the button labeled "Cost". When you choose the one you want, click on the button "Send response". After that, the next decision row will appear, and you will not be able to make changes on your responses.

In this part of the experiment, we will pay you for the benefits you get in one of these periods. The payment will be determined as follows. If the responses in the first three columns are not correct after four tries, you will have a payment of zero. If in any of the four tries you entered the correct answers your payment will be calculated based on the institution you chose in column "I choose institution". For this reason, we ask you to make your decisions bearing in mind that any of them can be chosen to determine your payment. At the end of this part you will know what the true current state of affairs is for each decision and the payment associated with the institution that you chose in each one. The computer will randomly choose a decision to be paid at the end of the experiment.

So that you understand clearly what your decisions would be, please read carefully the following examples of how to use these tables and how you would decide.

Part 2 Examples

Please make sure you have tables 1, 2 and 3 on hand to understand how you would make your decisions.

Example 3

In this example, the president and the legislator are of the Green type. Both propose the GREEN policy and therefore, **there is no gridlock**.

If you look at **Table 2**, you will conclude that the resulting policy will be GREEN with either of the two institutions.

To determine your vote, you will compare the payments with both institutions, but as you do not know the current state of affairs you have to decide which Institution to vote for without that information. For this you will look at **Table 3**. You will have two state of affairs to analyze, GREEN and BLUE.

If you are sure that the current state of affairs is GREEN, in **Table 3** you will find the current state of affairs GREEN, the policy proposal of P GREEN and of L GREEN. In the table, you will see that the payment associated with Institution 1 is **200** and that of Institution 2 is **176.**

If you are sure that the current state of affairs is BLUE, in **Table 3** you will find the current state of affairs BLUE, the policy of P GREEN and L GREEN. In the table, you will see that the payment associated with Institution 1 is **120** and that of Institution 2 is **96**.

If you are not sure what the current state of affairs is, consider the frequency of the GREEN state of affairs and the associated payments for each decision you will make.

Suppose that this period was chosen to determine your payment in Part 2. In this example, there is no gridlock. Suppose as well that at the end of the experiment it is revealed that the current state of affairs is BLUE. If you incorrectly answered any of the three first questions (existence of gridlock and implemented policies under institutions 1 and 2), you will not get payment for this part. If you correctly answered these questions, your payment for Part 2 will be **120** if you chose Institution 1 and **96** if you chose Institution 2. Remember that the cost associated to using Institution 2 was considered already to calculate these payments.

Example 4

In this example, the president proposes the GREEN policy and the legislator proposes the BLUE policy. Therefore, **there is gridlock**.

According to **Table 2**, that the president and the legislator proposed the GREEN and BLUE policies, respectively, implies that the resulting policy with Institution 1 is BLUE and with Institution 2 is GREEN.

To determine your vote, you will compare the payments with both institutions, but as you do not know the current state of affairs you have to decide which Institution to vote for without that information. For this you will look at **Table 3**. You will have two state of affairs to analyze, GREEN and BLUE.

If you are sure that the current state of affairs is GREEN, in **Table 3** you will find the current state of affairs GREEN, the proposed policy of P GREEN and L BLUE. In the table, you will see that the payment associated with Institution 1 is **120** and that of Institution 2 is **176**.

If you are sure that the current state of affairs is BLUE, in Table 3 you will find the current state of affairs BLUE, the policy of P GREEN and of BLUE. In the chart, you will see that the payment associated with Institution 1 is **200** and that of Institution 2 is **96**.

If you are not sure what the current state of affairs is, consider the frequency of the GREEN state of affairs and the associated payments for each decision you will make.

Suppose that this period was chosen to determine your payment in Part 2. In this example, there is gridlock. Suppose as well that at the end of the experiment it is revealed that the current state of affairs is GREEN. If you incorrectly answered any of the three first questions (existence of gridlock and implemented policies under institutions 1 and 2), you will not get payment for this part. If you correctly answered these questions, your payment for Part 2 will be **120**, if you chose Institution 1, and **104**, if you chose Institution 2. Remember that the cost associated to using Institution 2 was considered already to calculate these payments.

Next, you will see a table with 14 periods. It is expected that you determine:

- If there is gridlock
- The policy that will result in each period.
- The institution you prefer.

Do you have questions?

Everyone will begin making decisions at the same time in a minute.

Part 3 Instructions

Your decisions. In this part of the experiment, you will have to make ten (10) decisions between two lotteries, like the ones you see in the table below. The two lotteries are represented by two options, "Option A" to the left of the table and "Option B" to the right of the table. You will see the decisions presented in a table and you have to choose one of the two options in each decision. Each decision is a row of the table.

Take a minute to read the structure of the table.

Decision	Option A	A or B	Option B
1	$20 with probability 1/10, $16 with probability 9/10	○ ○	$39 with probability 1/10, $1 with probability 9/10
2	$20 with probability 2/10, $16 with probability 8/10	○ ○	$39 with probability 2/10, $1 with probability 8/10
…	…	…	…
10	$20 with probability 10/10, $16 with probability 0/10	○ ○	$39 with probability 10/10, $1 with probability 0/10

To give you an idea of how lotteries work in this part of the experiment, we describe some of the decisions below. In Decision 1, Option A, there is a one in ten chance to win $ 20 and a nine in ten chance to win $ 16. In Option B, there is a one in ten chance to win $ 39 and a nine in ten chance to win $ 1. In contrast, in Decision 10, Option A, there is a ten in ten chance to win $ 20 and a zero in ten chance to win $ 16. In Option B, there is a ten in ten chance to win $ 39 and a zero in ten chance to win $ 1

The relevant decision. At the end of the experiment, one of the ten decisions will be chosen by the computer as the relevant decision. That is why we ask you to make your decisions with care, as if any of them could be chosen to be paid with the same probability.

Determining your Part 3 payment. Once the decision is chosen, we will pay you based on your chosen option. For that the computer will also determine in a random way which of the two payments of the option that you chose is the one that corresponds to you.

Do you have any questions?

Please press the "Continue" button to make your decisions.

Part 4: Questionnaire

We ask you to fill out the questionnaire which will now show up in your screen. We will pay you an extra $50 for filling it out completely. Thank you!

4   Risk aversion measurement.

Part 3

Decision	Option A	A o B	Option B
1	$20 with probability 1/10, $16 with probability 9/10	○ ○	$39 with probability 1/10, $1 with probability 9/10
2	$20 with probability 2/10, $16 with probability 8/10	○ ○	$39 with probability 2/10, $1 with probability 8/10
3	$20 with probability 3/10, $16 with probability 7/10	○ ○	$39 with probability 3/10, $1 with probability 7/10
4	$20 with probability 4/10, $16 with probability 6/10	○ ○	$39 with probability 4/10, $1 with probability 6/10
5	$20 with probability 5/10, $16 with probability 5/10	○ ○	$39 with probability 5/10, $1 with probability 5/10
6	$20 with probability 6/10, $16 with probability 4/10	○ ○	$39 with probability 6/10, $1 with probability 4/10
7	$20 with probability 7/10, $16 with probability 3/10	○ ○	$39 with probability 7/10, $1 with probability 3/10
8	$20 with probability 8/10, $16 with probability 2/10	○ ○	$39 with probability 8/10, $1 with probability 2/10
9	$20 with probability 9/10, $16 with probability 1/10	○ ○	$39 with probability 9/10, $1 with probability 1/10
10	$20 with probability 10/10, $16 with probability 0/10	○ ○	$39 with probability 10/10, $1 with probability 0/10

5   Post-experimental questionnaire

POST-EXPERIMENTAL QUESTIONNAIRE

1. What is the gender that was assigned to you at birth, which is in your birth certificate?
    ○ Male
    ○ Female
    ○ Other
    ○ I prefer not to answer

2. What is the gender you associate the most with today?
    ○ Male
    ○ Female
    ○ Transgender
    ○ Other:_____
    ○ I prefer not to answer

3. In which year where you born? 19__

4. What is your nationality?

5. If you are Uruguayan, where were you living when you were 10 years old?

6. In which department you currently live most of the year?

7. If you live in Montevideo, in which neighborhood or town do you live?

8. What is the highest educational level of your father?

9. What is the highest educational level of your mother?

	Father	Mother
Incomplete primary		
Complete primary		
Incomplete secondary		
Complete secondary		

Incomplete tertiary		
Complete tertiary		
I don't know		

10. Your primary education was? Public/private
11. Your secondary education was mainly? Public / private

12. How interested would you say you are in politics? Are you:

1 Very interested

2 Somewhat interested

3 Not very interested

4 Not at all interested

13. In political matters, people talk of "the left" and "the right." How would you place your views on this scale, generally speaking?

Left							Right		
1	2	3	4	5	6	7	8	9	10

14. Now I'd like you to tell me your views on various issues. How would you place your views on this scale? If you choose the option on the far left, it means you agree completely with the statement on the left; If you choose the option on the far right,it means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between.:

14.1. Incomes should be made more equal							We need larger income differences as incentives for individual effort		
1	2	3	4	5	6	7	8	9	10

14.2. Private ownership of business and industry should be increased							Government ownership of business and industry should be increased		
1	2	3	4	5	6	7	8	9	10

14.3 Government should take more responsibility to ensure that everyone is provided for							People should take more responsibility to provide for themselves		
1	2	3	4	5	6	7	8	9	10

14.4 Competition is good. It stimulates people to work hard and develop new ideas.							Competition is harmful. It brings out the worst in people.		
1	2	3	4	5	6	7	8	9	10

14.5 In the long run, hard work usually brings a better life.							Hard work doesn't generally bring success – it's more a matter of luck and connections.		
1	2	3	4	5	6	7	8	9	10

14.6 People can only get rich at the expense of others.							Wealth can grow so there's enough for everyone.		
1	2	3	4	5	6	7	8	9	10

15. If there were a national election tomorrow, for which party on this list would you vote? If you don't know, think about which party appeals to you the most nowadays:

1. Frente Amplio

2. Partido Nacional

3. Partido Colorado

4. Partido Independiente

5. Asamblea Popular

6. Other: _____

16. Would you say that the following ways of governing this country are very good, fairly good, fairly bad or very bad way?

	Very Good	Fairly Good	Fairly Bad	Very Bad
Having a strong leader who does not have to bother with parliament and elections				
Having experts, not government, make decisions according to what they think is best for the country				
Having the army rule				
Having a democratic political system				

17. In which place of the scale is does your household fit in (accounting for wages, salaries, pensions and other incomes that come in)?

Lowest income								Highest income	
1	2	3	4	5	6	7	8	9	10