How Effective Are Monetary Incentives to Vote?
Evidence from a Nationwide Policy

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How do people respond to marginal monetary incentives to vote?

- Over 200 million people in 10 countries are legally required to vote
  - Argentina, Australia, Belgium, Brazil, Ecuador, Luxembourg, Nauru, Peru, Singapore and Uruguay

- Most of these countries enforce the mandate to vote through monetary sanctions (fines for not voting)

- Little is known about the effect of marginal changes to these monetary incentives on voters’ behavior

- Important input for discussion on desirability/design of mandatory voting
Voters’ response is ex-ante unclear along several margins

- How responsive is voter turnout?
  - Extrinsic vs intrinsic incentives (Bénabou and Tirole, 2003, 2006)
  - Informational constraints and limited compliance ‘in the wild’

- Does the fine affect electoral outcomes?
  - Rational abstention by the uninformed (Feddersen and Pesendorfer, 1996)

- Is the fine the main driver of the gains in turnout from CV?
  - Expressive value of the law (Funk, 2007)
We study changes to the value of the voter abstention fine in Peru

- A reform in 2006 differentially reduced the fine across districts, providing plausibly exogenous variation in the pecuniary incentive

- Using administrative data, we study voter turnout, registration and electoral outcomes (also fine payment)

- We use data on web searches to study the acquisition of information about the abstention fine

- We exploit the 70+ exemption from CV to estimate its aggregate effect and gauge the importance of the fine
Our sample period covers four national election cycles.

Initial assignment: October 2006
Adjusted assignment: October 2010
Monetary incentives matter, but mainly in unexpected ways

- Value of the abstention fine has a robust, positive effect on turnout
  - Differs by time horizon, election type and income
By 2016 run-off, 5 pp turnout gap between high- and low-fine districts
Monetary incentives matter, but mainly in unexpected ways

- Value of the abstention fine has a robust, positive effect on turnout
  - Differs by time horizon, election type and income
  - 35-45% driven by changes in registration by low-turnout voters
Voter registration rises disproportionately in low-fine districts

![Graph showing Ln Registered Voters (DD estimate) over National Election years with Low fine and High fine categories, and 95% Confidence Interval](image-url)
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  - 35-45% driven by changes in registration by low-turnout voters
  - ‘Voltage drop’ relative to experimental estimates (info. frictions)
Fine-related web searches increase disproportionately after the reform

![Graph showing the impact of reform on fine-related web searches]

- Initial assignment
- Adjusted assignment

Year:
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016

Categories:
- Non-election year
- Election year

95% C.I.
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- A 100% reduction of the fine has $< 1/5$ the effect of CV exemption
Turnout falls 20 pp between ages 69 and 72 (< 2 pp in Chile)

Aggr. turnout Peru = 81%
Aggr. turnout Chile = 48% (65% at age 69)

Voter turnout (relative to age 69)

- Peru (Compulsory voting until age 70)
- Chile (No compulsory voting)
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- A 100% reduction of the fine has < 1/5 the effect of CV exemption

- For every 10 extra votes induced by a marginally larger fine, 8.6 are either blank or invalid
For every 10 extra votes caused by larger fine, 8.6 are blank or invalid votes.

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>Turnout$,_{i,t}$</th>
<th>Blank votes$,_{i,t}$</th>
<th>Invalid votes$,_{i,t}$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Fine value$,_{i,t}$ (S/ x 100) [a]</td>
<td>0.043*** [0.009]</td>
<td>0.017* [0.009]</td>
<td>0.027*** [0.005]</td>
</tr>
<tr>
<td>Fine value$,<em>{i,t}$ × 1(2016)$,</em>{t}$ [b]</td>
<td>0.045*** [0.005]</td>
<td></td>
<td>0.016*** [0.004]</td>
</tr>
<tr>
<td>Observations</td>
<td>6,768</td>
<td>6,768</td>
<td>6,768</td>
</tr>
<tr>
<td>Districts</td>
<td>1692</td>
<td>1692</td>
<td>1692</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.015</td>
<td>0.024</td>
<td>0.011</td>
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<tr>
<td>Mean of dep. var</td>
<td>0.851</td>
<td>0.851</td>
<td>0.0890</td>
</tr>
<tr>
<td>District FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Election × Province × Category '06 FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>p-value $H_0$: a+b=0</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Standard errors clustered by province (192 units). *** p<0.01, ** p<0.05, * p<0.1
Conclusions and contribution to the literature

- Monetary incentives to vote have a positive, small and heterogeneous effect on turnout ‘in the wild’ (Panagopoulos, ’12; León, ’17; Carpio et al., ’18)

- Small GOTV experiments fail to capture hetero. + info. frictions (Al-Ubaydli et al., ’17, ’19; Banerjee et al., ’17; Muralidharan and Niehaus, ’17;)

- Non-monetary incentives are main drivers of the effectiveness of CV (Funk, ’07; Fowler, ’13; Jaitman, ’13; Cepaluni & Hidalgo, ’16; Hoffman et al., ’17; Bechtel et al., ’18)

- Marginal changes to electoral participation do not affect representation (Miller, ’08; Cascio and Washington, ’13; Fujiwara, ’15)