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Political Liability Insurance for Campaign Promises

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Abstract: In liberal democracies, the inability of voters to enforce campaign pledges represents an agency problem, as politicians can make non-binding promises during elections without incurring ex ante costs. This paper introduces an economic model of mandatory liability insurance for political campaign promises. Under this framework, candidates running for office must obtain liability insurance for at least one quantifiable policy target. Insurance companies screen candidates and assess risks, setting individualized premiums paid by the candidates that reflect candidate credibility, expertise, and policy feasibility. Insurance details are disclosed to the electorate, providing voters with additional information. After the election, an independent evaluation body determines whether the promised thresholds have been met. If a promise is not fulfilled, the insurer pays financial compensation into a public fund. Political liability insurance thus offers a potential solution to the problem of unenforceable campaign promises, promoting a more transparent and accountable electoral process.

JEL: D72, D78, D82, G22, K16

Keywords: campaign promises; political liability insurance; political accountability; agency problem; contractual democracy

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1. Introduction

In liberal democracies, a conflict of interest arises between the electorate and its public representatives (Barro, 1973). The electorate selects politicians who are expected to serve the public interest, but once elected, politicians can also pursue their own interests. A notable indicator of this conflict of interest is the discrepancy between politicians' campaign promises and their actions after being elected. In other words, for some politicians, not fully disclosing their policy goals or outright lying about them may be a rational choice during political campaigns (Davis and Ferrantino, 1996; Janezic and Gallego, 2020).

In more nuanced terms, there is a lack of incentives for politicians to implement their campaign promises after being elected to office. I do not assume that every politician engages in dishonest behavior.[2] However, even if only some politicians are dishonest and lie, the problem of non-optimal decisions persists. Given the information asymmetry and incomplete contracts that favor politicians (cf., e.g., Persson et al., 1997), the moral hazard problem remains unresolved. The reason is that incentive systems in democracies designed to ensure that politicians act according to their promises have either failed or have rarely been implemented in practice.

The possibility that politicians hide their preferences before an election remains a fundamental agency problem in every liberal democracy. Even if voters anticipate that rational politicians use cheap talk to influence voting decisions, there is no effective way to hold politicians accountable for their decisions before reelection. Consequently, mistrust may increase not only toward individual politicians or parties but also toward the electoral process and liberal democracy itself. This may erode public confidence in the democratic system, potentially leading to a decline in voter turnout and a loss of legitimacy for liberal democracy.[3]

[2] Thomson et al. (2017) found that many politicians do not lie but keep their promises, as reported in their survey. However, the study has been subject to methodological criticism. Mellon et al. (2023) have questioned the ranking of promises, while Duval and Pétry (2019) have raised concerns about the timing and fulfillment of campaign pledges. In a separate study, Janezic and Gallego (2020) conducted an experiment that demonstrated that politicians lie significantly more when their lies remain unobservable.

[3] Caselli and Morelli (2004) examine the concept of honesty, which is closely related to truth-telling. They demonstrate why democracies that are on a path toward attracting low-quality politicians can become trapped in path-dependent, unfavorable equilibria. In such cases, the negative reputation of politicians discourages high-quality politicians from entering the system, while low-quality politicians create entry barriers for honest newcomers. Janezic and Gallego (2020) conducted an experiment that found politicians who lied were reelected significantly more often than those who were comparatively more honest.

The core problem of political control is the electorate's inability to enforce the promises of elected representatives because these promises are not binding contracts and cannot be enforced. The traditional argument is that rational voters disapprove of politicians who have lied or performed poorly in office by not reelecting them (Key, 1966). However, experimental results suggest that this threat of retrospective voting is weak (Born et al., 2018; Janezic and Gallego, 2020). The electorate may change, voters may forget the past, or politicians may not seek reelection (Barro, 1973). Furthermore, performance in office is not observable to the electorate. There are also rational reasons not to punish politicians who have broken their promises, such as the lack of a viable alternative candidate (Aragonès et al., 2007).

A number of models based on economic theory have been developed to address this problem by introducing different incentive systems (Ferejohn, 1986; Gersbach, 2004, 2005, 2007; Gersbach and Liessem, 2008; Britz et al., 2022). These models assume a rational politician and propose incentive mechanisms that consider the utility of both individuals and society. The aim is to increase social welfare by motivating elected politicians to exert effort not only to achieve immediate policy results and secure reelection, but also to pursue long-term policies whose welfare effects materialize in the distant future, after their term in office has ended.

In this paper, I contribute to the literature by introducing a mechanism of liability insurance for campaign promises. My approach differs from existing models by focusing on incentivizing politicians to tell the truth during election campaigns, rather than emphasizing long-term welfare effects. To this end, I outline a non-formal economic model of ex ante statutory liability insurance for politicians. The idea is to require politicians who intend to run for office to obtain liability insurance for their campaign promises. Before the election, the electorate receives details of the insurance contract. The premiums politicians pay privately depend on the specific campaign promises, as well as their private and public reputations. If politicians fail to keep their promises, the insurance compensates the public.

The model has three advantages. First, an insurance company assesses the likelihood that politicians will keep their promises before the election, rather than leaving this task to uninformed voters. Second, the insurance premium provides voters with additional information about a politician's likely honesty and the risk of unfulfilled promises. Third, the public receives compensation if a politician fails to fulfill their promises. The model does not prevent politicians from running for reelection if they have broken their promises in the past. Instead, reelection becomes more costly.

The paper is structured as follows. Section 2 reviews the literature and briefly discusses existing models. Section 3 introduces the political liability insurance model. Section 4 discusses the model, and Section 5 concludes.

2. Literature

Ferejohn's (1986) contribution is groundbreaking because, following Barro (1973), he develops a game-theoretic model of politicians' strategic behavior in the absence of contract enforcement. Ferejohn pioneered the study of the strategic behavior of elected officials. Political control is exercised through retrospective voting. In a baseline model with homogeneous voter preferences, no politician keeps any promises, and all voters correctly anticipate this. Thus, campaign promises are not enforceable. Rational voters focus not on campaign promises but on politicians' performance after they take office. Ferejohn's model therefore relies on retrospective voting based on a performance threshold. This threshold determines whether voters consider a politician's performance satisfactory. Rational politicians choose the minimum level of effort required to meet this threshold and secure reelection.

Since voters observe only results and not effort, officeholders may use strategies to influence the electorate. These strategies are determined by the prevailing party system in the democracy. A multiparty system increases politicians' incentives to exert effort because, once voted out of office, reentering the system is less likely than in a two-party system. Nonhomogeneous voter preferences lead to lower levels of effort because politicians seek to win the minimum majority required for reelection (Ferejohn 1986).

Aragonès et al. (2007) develop a game-theoretic model in which voters have complete information about politicians' policy preferences, and politicians can either keep their campaign promises or not. The model assumes a sequence of elections with the possibility of reelection. The model shows that politicians can be classified into two types: they either always keep their promises and have built up a good reputation, or they have a negative reputation because they have failed to keep a promise once in the past. The negative reputation cannot be changed afterward.

However, a politician's positive reputation can increase over a sequence of election cycles. Younger candidates who intend to remain in politics in the long term have more to lose if they do not keep their promises because their future careers depend on their credibility. The assumption of future elections and prospective punishment, in a context in which politicians

seek reelection, makes it rational for younger candidates to make credible promises. Thus, their credibility is comparatively higher than that of candidates who are close to the end of their careers (Aragonès et al. 2007).

To address the credibility problem of a politician running in their last election cycle, who may ignore their future reputation, Aragonès et al. (2007) introduce seniority as a balancing factor. Those who have been in office for a long time have always kept their promises. Aragonès et al. (2007) show with their model that competition through campaign promises is important for coordinating policy and creates incentives to keep promises.

Gersbach (2004, 2005) addresses the problem from a different perspective. He introduces the option of binding contracts to change the incentive system for rational politicians with short-term horizons who have little interest in implementing policies with long-term objectives. Since politicians cannot be certain of reelection, their efforts are directed toward short-term policies, while long-term policies may be neglected. This is rational because long-term policies, which often have socially desirable outcomes, may produce observable results only in the long term. Thus, voters may not reward the politicians' efforts, and reelection becomes less likely.

Gersbach (2004) models incentive contracts to overcome the problem of underinvestment in effort in long-term but socially desirable policies (e.g., Gersbach 2004, 2005; Britz et al., 2022). In his models, politicians competitively offer voters incentive contracts conditional on their reelection. The incentive contract guarantees rewards to the reelected politician, making it rational for some politicians to invest effort in long-term policies. In his game-theoretic solution, Gersbach distinguishes between a case in which voters are committed to reelection (certainty) and a case in which voters are not committed to reelecting the politician (uncertainty). Since the second case undermines the politician's incentive to engage in long-term projects, Gersbach (2004) proposes the idea of a "golden parachute" as part of the incentive contract. The politician receives rewards even if they are voted out of office.

While maintaining the idea of incentive contracts, Gersbach (2007) proposes a binding election promise as an additional mechanism to encourage politicians to pursue long-term projects. He introduces the idea of certification for campaign promises. Politicians can voluntarily certify specific goals or thresholds that they promise to achieve while in office, for instance, a percentage-point decrease in the unemployment rate. The certificate is binding. The price of failing to meet the self-imposed threshold is losing the right to run for reelection. To provide

an incentive to engage in policy projects that will materialize only in the distant future, Gersbach suggests that politicians could receive rewards if they attract a certain percentage of votes from younger generations. This could indicate that they address long-term projects whose results and benefits are more valued by comparatively younger voters.

Gersbach (2005) and Gersbach and Liessem (2008) specify a game-theoretic model for the concept of reelection threshold contracts. The ex-ante election contract sets goals or thresholds and thus stimulates politicians' effort if they want to be reelected. In their model competition among politicians leads to a positive self-selection process before the election because only those politicians who are willing to provide threshold contracts will exert the effort required to realize the threshold. Thus, they demonstrate with the contract their willingness to make a long-term commitment and exert a higher level of effort to have the opportunity to run for reelection. These contracts are voluntary, which is why they do not contradict the concept of a liberal democracy. As a result, Gersbach and Liessem (2008) and Gersbach (2017) show that reelection threshold contracts increase the quality of politicians running for office and thus have positive welfare effects.

Follert (2023) addresses the concept of liability for politicians. He models the political market after private and business markets, where liability is ubiquitous. Follert (2023) develops ideas on how to make politicians personally liable for their decisions. His argument is that a personal liability rule can force political actors to internalize the negative effects of their political decisions. His approach is not output-oriented but process-oriented. Thus, honest decision-making is assessed based on whether the politician made decisions with due diligence. I follow Follert's (2023) argument in emphasizing the importance of ex ante electoral incentives based on ex post liability.[4]

The similarities and differences between the approaches in the literature and the present paper become apparent when considered in the context of Gersbach (2017: 4):

> "What we need is a device that can complement elections and can be integrated in a democracy. One of our major ideas is that office-holders should be rewarded for promises kept and punished for promises broken. Then, the candidates should promise more realistically and, once elected, invest more effort into keeping their word. But how to link

[4] See also Rappaport (2017) for private insurance for police officers and Clark (2026) for related empirical evidence on the effects of liability in the public sector.

such promises to rewards and punishment? This is where the employee metaphor is helpful: Through a contract."

The approach proposed here follows the idea of establishing ex ante incentives for making reliable promises. The difference lies in the incentive mechanism. Rather than establishing a political contract with the electorate (Gersbach, 2004), the model involves a contract with an insurance company. This introduces a new actor into the system. This distinction also differentiates the proposed model from Gersbach (2007), who proposes binding certification of campaign promises. In the model proposed here, not all promises need to be insured, and failure to fulfill a promise does not disqualify a politician from running for reelection. The concept of liability is related to Follert (2023). Here, liability applies only to specific promises or pledges based on measurable outcomes. It does not entail evaluating politicians based on their decisions within a dynamic political process.

3. Model

3.1 Introduction

The institutional structure of electoral processes creates incentives for rational politicians to make vague statements, withhold information, or lie when making promises and pledges during campaigns (Davis and Ferrantino, 1996). Therefore, the focus is on creating incentives for politicians to keep their promises, thus making pledges more reliable for the electorate. This approach is related to institutional designs that allow promise-keeping to be observed while also making broken promises punishable (Lang and Schudy, 2024). Nevertheless, the model retains ideas from previous research. In particular, politicians can build a reputation that supports their reelection, and promise-keeping can be enforced through structural arrangements.

One way to create such incentives is through liability insurance. Such an arrangement is common in professions where an agent can harm the well-being of their principals by providing false information or acting contrary to a prior agreement. Examples include accountants, financial advisers, physicians, and lawyers. In these professions, clients rely on the information or advice provided by professionals; thus, false information can cause harm to the principal. As a consequence, damage caused by the agent's opportunistic behavior is partly covered by the liability insurance, since compensation payments become possible.

A central assumption of the model is that the achievement of a goal stated in a political campaign promise is objectively verifiable after a politician has been elected. Normative statements by politicians, such as "welfare for all" or "fair wages for good work," are possible but cannot be insured. Consequently, such statements become less attractive to politicians during campaigns because voters regard them as cheap talk. Nevertheless, such statements remain possible. Instead, the focus is on promises bound to variables that can be observed over time and measured by an independent institution. Ideally, these variables consist of a single figure, as suggested by Gersbach (2017: 5). Examples include the unemployment rate, crime rate, migration figures, economic growth, traffic accidents, and teacher-to-student or doctor-to-population ratios. The list can include all measurable social, economic, and environmental indicators that can be influenced by political decisions.

Gersbach has elaborated on measurable outcome indicators that could be used for incentive contracts and to bind politicians to quantifiable variables (Gersbach, 2004, 2005, 2017; Gersbach and Liessem, 2008). I follow this argument but apply it to liability insurance rather than to an incentive contract. When the insurance contract is established between the politician and the liability insurer, it must specify the quantifiable variables, the time of measurement, and the threshold. The idea of a threshold with respect to the quantifiable variables (cf. Ferejohn, 1986; Gersbach and Liessem, 2008) is applied to campaign promises and contract fulfillment. This results in both ex ante election liability insurance and an ex post evaluation possibility.

My model differs from previous approaches in several ways. First, I assume that politicians privately pay an insurance premium before they run for election. Second, voters receive full information about the insurance contract, making the contract information a public good. Third, the public receives compensation if candidates do not keep their promises. Fourth, keeping a promise is not a precondition for running for reelection.

3.2 The players

Politicians are rational in the sense that they prefer to win an election and possibly a reelection in order to increase utility derived from income and immaterial aspects related to the position. The insurance premiums lower material utility. Keeping campaign promises not only leads to a higher reputation but also lowers future insurance premiums. Politicians choose which promises they would like to have insured and pay a premium for each promise they want to promote in their campaign. If they do not win the election, their premiums are lost.

The *insurance company* intends to realize profits. It issues liability insurance to politicians for campaign promises. The insurance company collects premiums from all politicians (or candidates) for all campaign promises they want to have insured in their campaigns. The insurance company pays compensation into a public fund only if the winning politician does not keep a promise ex post. The premium for each promise and the amount of compensation if a promise is not kept depend on individual criteria related to the politician and the promise. The insurance company bears the costs of evaluating the risk by screening politicians and their promises. The individualized insurance premium depends on criteria related to both the politician and the promise being insured. No restrictions are imposed on the data that can be used to determine the premium. Thus, the insurance company can use data from previous campaigns as well as all available private data about the politician. The insurance company provides information about the premium for each promise made by each politician and the potential compensation to the electorate. This information has the characteristics of a public good, or respectively a club good.

The *electorate* has heterogeneous preferences over politicians and policy topics and, hence, over campaign promises. For an individual voter, ex ante screening of politicians is difficult and costly. Regardless of their individual preferences, all voters have an interest in receiving screening information from the insurance company because this information facilitates their electoral decisions. However, the electoral decision remains completely free. Voters can choose politicians who have consistently kept their promises as well as politicians who have previously broken their promises and also those who are unlikely to keep their promises.

An *evaluation body* is required to decide ex post whether an insured promise has been kept and, consequently, whether compensation for a broken promise must be paid by the insurance company. The evaluation body is independent of the insurance company, the politicians, and the electorate. If a clear threshold is determined in the liability contract, such as a variable measured by official monthly statistics, even an AI can determine whether the insured promise has been kept. If the decision is that the promise has been kept, no further action is required. If the decision is that the promise has not been kept, the insurance company pays the compensation into a public fund.

The *public fund* and the possible use of its resources are not specified here. It must be ensured that politicians cannot use the fund for the purpose of fulfilling insured promises. However,

using the fund to realize policy projects that are likely to increase social welfare in the long run is a preferable objective.

3.3 The rules

The model is based on six rules:

The *mandatory insurance rule*: Every politician who intends to run in an election is required to have liability insurance for at least one of their political promises. However, they may decide to insure more of their promises and may articulate additional uninsured promises.

The *no-excuse rule*: There is no excuse for not keeping a promise, that is, for not reaching a predetermined threshold of a quantifiable variable. It is not important whether political action or exogenous shocks are the cause of keeping or not keeping the promise. What is relevant is the result, not the process (cf. Schedler, 1998). Consequently, the decision of the evaluation body about whether the promise and contract have been fulfilled is either yes or no. This implies that politicians and insurance companies evaluate ex ante the risk of promise failure, including events that cannot be directly influenced by a politician.

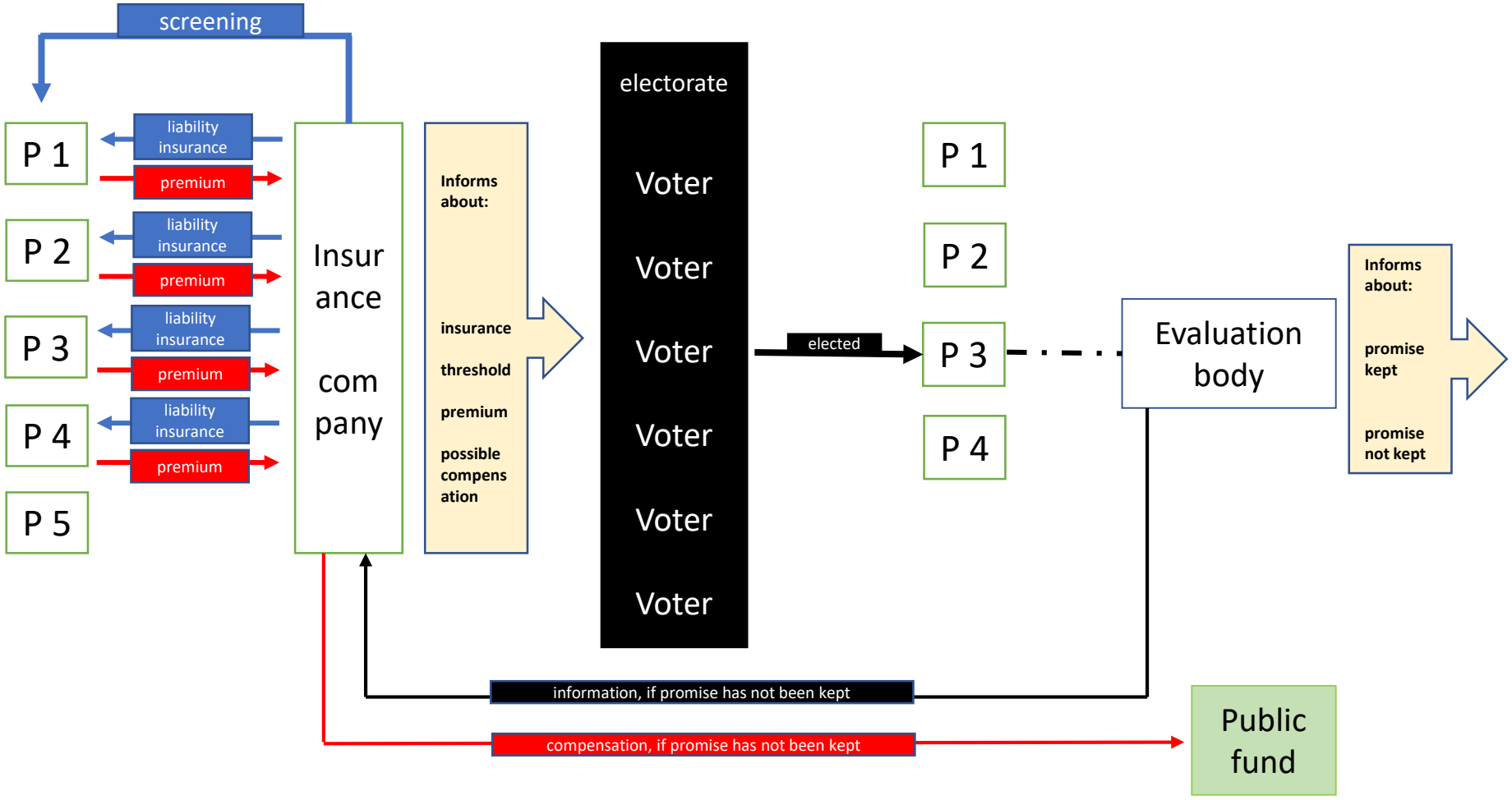
The *binding-decision rule*: There is no discussion about the decision of the evaluation body, i.e., no juridical procedures that prolong final decisions. The evaluation body is the only and therefore highest instance of decision.

The *free information rule*: The insurance company has to inform the electorate before each election about the insured promises of every politician, the premium paid, the negotiated thresholds, and other relevant aspects of the contract, including the amount of compensation. Thus, information related to an insurance contract becomes a public good for the electorate. The information is also publicly available to competing candidates during the campaign.

The *free-choice rule*: The basic rule of every democracy remains in place. Voters can vote for and elect whomever they like from among the candidates running for election. Politicians who run in an election campaign can make any promises they like. However, at least one of their promises has to be insured.

The *no-access-to-fund rule*: Elected politicians have no access to the compensation fund. This rule prevents the misuse of funds to fulfill campaign promises.

Figure: Politically Liability Insurance for Campaign Promises



3.4 Figure

The figure outlines the model. Five candidates seek liability insurance contracts, but only the first four receive contracts covering their campaign promises. The insurance company collects premiums from these four candidates. All information available to the insurance company is made public before the election, which candidate 4 wins. After a predetermined period, only the winning candidate's campaign promises are evaluated. If the winning candidate fails to fulfill a campaign promise, the insurance company must pay compensation to the public fund.

4. Discussion

Not telling the truth remains a possible behavioral strategy for politicians during election campaigns. If a promise is broken but was not insured, this has no monetary consequences. However, if it is insured, costs occur if the promise is broken, i.e., if a predetermined threshold is not met. Thus, rational politicians will insure those promises that have a comparatively higher probability of being kept by them. Since future premiums depend on previous reputation and the attainment of thresholds, and the no-excuse rule applies, it is in the politician's interest to insure promises that can be kept. Liability insurance is thus an incentive for politicians to be selective with their promises in general.

Since insurance is costly, it also provides an incentive for politicians to focus on their specific knowledge and expertise when setting priorities. A politician who is an expert in the field of education will probably focus on promises in this field rather than on health or environmental policy. Alternatively, if they articulate promises in fields beyond their individual expertise, the premium will increase.

Liability insurance for campaign promises addresses a well-known problem faced by voters in identifying the priorities of individual politicians (cf. Mellon et al., 2023). The free information rule addresses this problem by allowing voters to identify the priorities and, thus, the priorities and competencies of campaigning politicians. This line of thought also implies that candidates who are competent in several fields can insure more promises. This allows them to address the heterogeneous preferences of voters and increases their probability of winning the election.

Younger candidates who have not had the opportunity to establish a political reputation do not necessarily face a higher premium. Although they may lack experience in politics, insurance companies are permitted to consider any available information about candidates, including prior job performance and social media activity. Thus, insurance companies may have

considerably more information about a candidate than a voter. It is in the candidates' interest to provide positive and reliable information to the insurance company ex ante in order to lower their premium by signaling a high probability of being able to keep promises and exerting effort to attain the specified thresholds.

A variation of the model is that the premium for an individual politician is not paid by the politician but by a political party. In this case, the party selects potential candidates who are most likely to fulfill their campaign promises. This internal selection process encourages greater caution in making campaign commitments. The premium and potential compensation may vary depending on whether a politician has individual insurance or whether the party bears the premium. If a party supports multiple candidates and insures multiple promises, the candidates may be viewed as a team with heterogeneous qualifications within the same party. This variation of the model may be particularly applicable to certain types of elections, such as federal elections.

Consequently, politicians running in a campaign will pay different premiums for the same promise and the same threshold. In the event of a broken promise or failure to reach the threshold, the insurance company will pay a different amount of compensation depending on the individual insurance contract. The incentive implied by the mandatory insurance rule has selection and self-selection effects at multiple levels, making politicians' competencies visible before the election.

Let us assume that insurance companies have the experience and expertise to evaluate risks professionally. If an elected candidate does not keep an insured promise, the insurer has to pay compensation. Therefore, it is in the insurer's interest to evaluate risks correctly. Evaluating the risk of keeping a campaign promise is not fundamentally different from evaluating other risks insured by insurance companies. In the proposed liability insurance model, risks can be related to the politician, the promise, or exogenous events.

Risks related to the policyholder include sociodemographic variables and individual characteristics, such as the candidate's effort to achieve goals, which can be screened using data on previous decisions both within and outside politics. Risks related to the promise itself depend on the complexity of the political decisions that may affect its fulfillment; for instance, a promise to build a new kindergarten in a community within three years carries a different risk profile than a promise to reduce youth unemployment by 1% in a specific region over the same period. Finally, risks arising from difficult-to-predict exogenous events can be assessed using

the insurer's models and data. Examples are extreme weather, terrorist attacks, or market shocks.

The premium depends on the assessed risks and the insurer's costs. It may also depend on the type of variables used to measure whether a promise is kept. Some variables are easier and less costly to measure than others, such as the youth unemployment rate compared with the teacher-to-student ratio. However, the premium also depends on the type of election and may differ substantially between a local election and a federal election. At the local level, individual politicians may insure their promises at comparatively lower premiums, while premiums at the federal level may be comparatively high, leading parties to insure the promises of their candidates. A variation of the baseline insurance model could include a deductible for the policyholder if a promise is not kept.

Beyond these technical aspects of liability insurance, the incentive system is central to the model. Three incentives seem to be crucial for achieving the model's goals: keeping promises after the election and making campaign promises more reliable.

First, as outlined above, candidates prioritize their campaign promises according to their individual competencies and their ability to keep the insured promise. At a second level, the candidates and their promises are evaluated by the insurer, and the promises receive a price in the form of a premium. Consequently, some candidates may refrain from insuring their promises. This selects out comparatively less credible promises and increases the credibility of the insured ones.

Second, information asymmetries between voters and candidates are reduced. Information asymmetries certainly remain, but the insurer's screening of candidates and evaluation of promises provides voters with comparatively more information. As a consequence of the free information rule, voters have comparatively more information about the candidates, and the candidates know this. Moreover, the free information rule allows voters to have a documented record of whether a politician who won an election kept their insured promise.

Third, information about the insured promises is also available to competing candidates before the election. This may prompt competition over campaign promises (Lang and Schudy, 2024). However, this competition may take a constructive form, as candidates may compete not only by making different promises but also by proposing more attractive thresholds on similar issues

than their competitors. Competition over campaign promises is an important aspect of the model because candidates and the insurance company can have a mutual interest in setting thresholds that are easier to meet.

Next, the effect of the insurance on voters and the electorate is discussed. The basic democratic rule of free choice remains in place, since voters are free to choose whichever candidate they prefer. However, voters who want to inform themselves about candidates, promises, thresholds, premiums, and compensation have, in addition to their private information, access to this information provided by the insurance company. Since voters know that the insurer evaluates candidates using more information than a single voter can collect, it is rational for them to use this information, particularly if information is provided a public good. Consequently, this information may lead to decisions that are more closely aligned with the preferences of individual voters.

Furthermore, because this information is available at no cost, rational ignorance among voters becomes less likely (Downs, 1957), and the electorate may consequently become better informed. If promise-keeping becomes more likely, the number of retrospective voters who ask, "But what have you done for me lately?" (Ferejohn, 1986: 4) may decrease, making prospective voting more plausible. However, greater availability of information before an election does not necessarily affect bandwagon voting (cf. Bischoff and Egbert, 2013) or other forms of non-standard voting.

An additional effect of the insurance is that voters become more aware of their preference order. When casting a ballot, they must decide which insured promise is most relevant to them. The prioritization of promises by candidates is thus reflected in the prioritization of electoral issues and promises by voters. Consequently, votes may better reflect voters' high-priority issues. Politicians receive feedback on the relative importance of political issues because voters signal the importance of issues and related promises through their votes, according to their preference orders. The model is compatible with preference diversity and a heterogeneous electorate (e.g., Britz et al., 2022; Ferejohn, 1986; Follert, 2023).

Ensuring the independence of the evaluation body from all stakeholders is essential. The mechanism works only if the decision on whether an insured promise has been fulfilled cannot be influenced before or after the evaluation. This also requires that decisions by the evaluation body cannot be challenged through legal proceedings. If the fulfillment threshold, deadline,

and other technical requirements are specified in the contract, an AI system could also determine whether a promise has been fulfilled. All relevant criteria for evaluating the promise are defined in the contract negotiated between the candidate and the insurer.

5. Conclusions

Lying during an election campaign can be a rational decision for politicians. This may result in their failure to fulfill campaign promises once in office. Such behavior can undermine the credibility of the electoral process and have detrimental effects on democracy. The model therefore aims to reduce dishonesty by increasing its relative cost and creating incentives for politicians to exercise greater caution when making campaign promises. The model builds on incentive-oriented models of electoral processes and introduces political liability insurance as a new element.

The paper does not aim to evaluate the effects of policies implemented by politicians. Instead, it examines whether making dishonesty more visible and costly provides candidates with greater incentives to communicate their actual policy intentions during election campaigns. With more information about candidates and their campaign promises, voters can make better-informed decisions that reflect their preferences. Greater comparability between candidates allows voters to assess their positions more effectively, particularly when candidates compete through promises concerning relevant policy issues.

One crucial element is that a liability insurer screens candidates and their promises and makes this information public. Greater dissemination of information about candidates to the electorate may make prospective voting more attractive because candidates can signal their commitment to voters before the election. However, voters who focus on retrospective voting may also benefit, as they can use the information provided by the insurer.

Depending on the level of election (local, regional, or national), the model allows for different variations. At the municipal level, individual candidates may seek insurance contracts for their campaign promises and pay the premiums privately. At the regional or national level, political parties may also act as policyholders for groups of candidates.

Several limitations of the paper point to areas for future research. First, the model does not use a game-theoretic approach to derive its results formally. A formal model could address the interactions between candidates, voters, and insurers. Second, the paper does not examine the

proposed public fund or how compensation payments could be used to increase social welfare. It only assumes that a failure of promise keeping generates not only costs for the liar but also public revenues. Third, the analysis focuses on the incentives created by liability insurance for the behavior of candidates and elected politicians. It does not consider the broader effects of the mechanism on political outcomes or policy choices. Fourth, the appropriate market structure for political liability insurance remains an open question. In particular, research could examine whether a monopoly insurer or a competitive insurance market would be more suitable and how the market structure would affect the dissemination of information to voters. Finally, the model does not specify which types of elections are most suitable for the proposed mechanism.

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