Referee Comments on MS 171 Antonio Caleiro: How Can Voters Classify an Incumbent Under Output Persistence?

The author considers the behavior of boundedly rational voters learning about the type of an incumbent government (benevolent vs. opportunistic) from observing inflation and output over an electoral cycle. His analysis suggests that neural networks can be used as learning devices for such classification exercises and establishes the conditions under which the problem can be solved and those under which it cannot be solved. The author concludes that the neural network can always perform the classification task in the absence of output persistence but that it may or may not be able to perform the task in the presence of output persistence. Given that output does exhibit persistence, the author's conclusion would seem to be discouraging. Nevertheless, the neural network application is interesting and does represent a contribution to the literature (albeit a quite modest one).

The paper would be improved if the analysis were given clearer context and motivation. What are the practical implications of this modeling exercise? What can it teach us about the behavior of voters evaluating the macroeconomic policies and performance of incumbent governments? Assuming that incumbent governments can be correctly classified as opportunistic or benevolent, what are the implications for macroeconomic policies and performance over the electoral cycle? The answers to questions like these would help readers better appreciate the contribution that the author makes in this paper.