Associate editor's report on MS 171 Antonio Caleiro: How Can Voters Classify an Incumbent Under Output Persistence?

This paper deals with an interesting topic. It examines the behavior of bounded rational voters learning about the type of an incumbent government by observing inflation and output within an electoral cycle. In the paper the author considers neural networks such as learning mechanisms used by voters to perform a classification of the incumbent, in order to distinguish opportunist behavior from benevolent behavior. The paper continues by considering in which circumstances a neural network can resolve the classification problem.

When I first was assigned as an associate editor for this paper I had to make a decision whether to reject the paper or continue with the process. I debated for a long time since I saw a major problem with it. It describes a mechanism about which I have doubts on how optimal it is or how realistic. There are many assumptions and the bounded rationality is presumed to be in a specific type form. The interaction between output persistent, natural networks is not very strong and convincing. On the other hand, this is a new and refreshing approach. I like the idea and believe it has the potential to make a real contribution to the literature. I therefore decided to obtain referee reports. I found this to be very difficult. In the end I obtained two very short reports. The first, as published, was a short positive report while the other was an extremely negative one. The negative report coincides with the opinion I had when deliberating about the paper and, as a result, have made a decision that the paper should not be published in its current form.