Micro II
Problem Set 3
QUESTIONS

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A simple model of probabilistic voting and ideological bias

There is a mass 1 of voters. Assume that three factors affect voter i's voting strategy: (1) the economic policy implemented q, (2) her individual ideological bias σ^i toward candidate B, and (3) the popularity δ of politician B. We assume that σ^i is uniformly distributed on $[-\frac{1}{2\phi}, \frac{1}{2\phi}]$. Moreover, δ is the same for all voters and is drawn from the uniform distribution on $[-\frac{1}{2\psi}, \frac{1}{2\psi}]$. The distributions are common knowledge, but only agent i observes her own parameter σ^i. Then, i's preferences over the policy implemented by A are summarized by $W(q^A; \alpha^i)$, whereas the preferences over the policy implemented by politician B take the final form

$$W(q^B, \alpha^i) + \sigma^i + \delta \tag{1}$$

The timing is as follows: first, each voter observes σ^i, and politicians simultaneously and noncooperatively announce platforms q^A and q^B. Second, δ is realized. Third, elections take place, and last, the announced policy is implemented.

a) Give an interpretation of σ^i. Characterize the agent who is indifferent between voting for politician A and voting for politician B for given policies q^A and q^B. Suppose that $\alpha^i = \alpha$. Compute candidate A's vote share as well as her probability of winning.

b) Which platforms do the politicians select? Which one is implemented? Discuss.

c) Suppose that agents are heterogeneous. What does this imply for the equilibrium?

d) Discuss your results and compare them with the results obtained under Downsian competition.

e) What alternative assumptions could make the equilibrium platform differ from the social optimum?

f) What alternative assumption could lead to divergence of the platforms of the two parties?

g) How realistic is the probabilistic voting setting? Are there other aspects of real-world politics that are ignored in this framework?