Representative Democracy and Electoral Competition

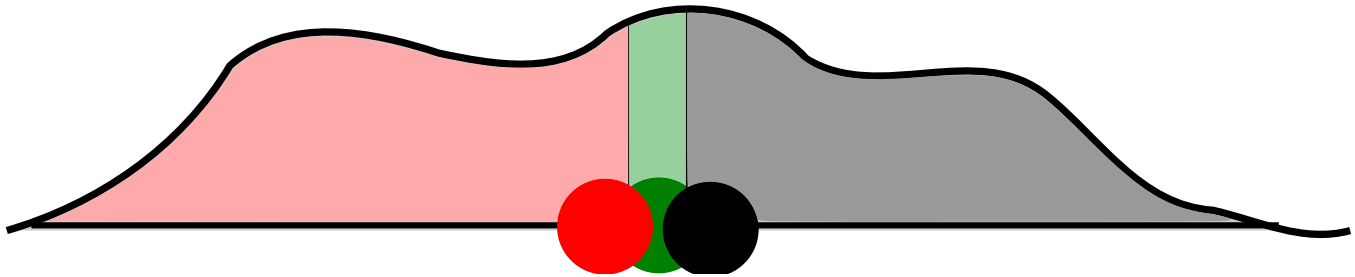
- Voter participation and voter rationality
- **Electoral competition and policy determination**
- Elections as a disciplining device

Multi-candidate elections

Simple model with more than two candidates

- Exogenous set of candidates
- Voters vote for most preferred (sincere voting)
- Candidates can commit to any policy
- Candidates maximize their own **vote share**.
  (Simpler than assuming they maximize the chance of winning.)

The ‘squeezing’ effect



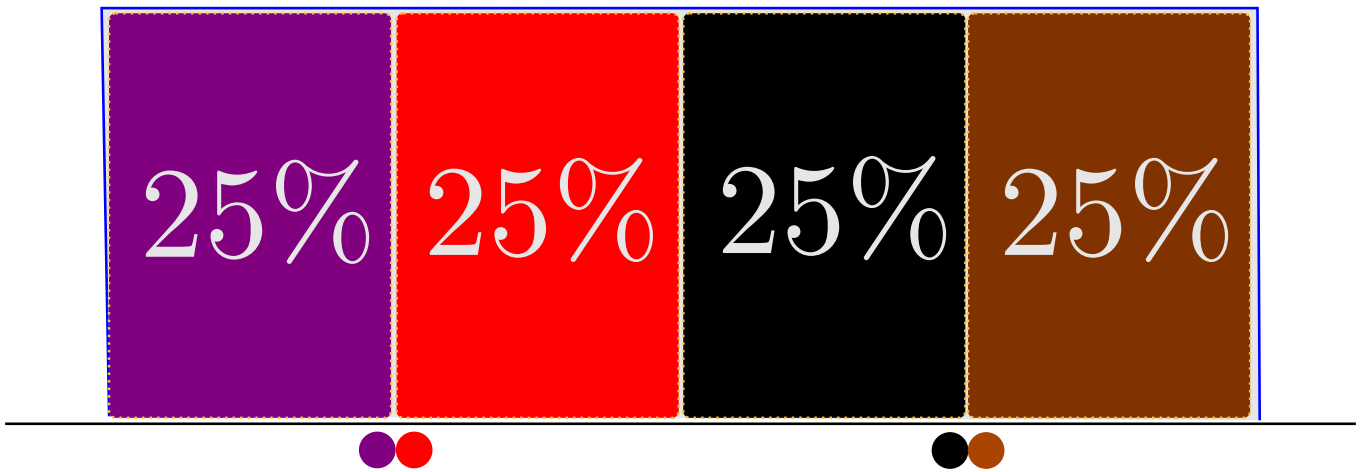
- How can these candidates increase their vote shares?
- ‘Extreme’ parties have incentive to move to center.

  $\Rightarrow$ The moderate party gets ‘squeezed’!
- Eventually, the moderate party wants to take a more ‘extreme’ position

Exercise (Problem Set):

- Show that all parties choosing i_M is *not* an equilibrium.
- Using the uniform distribution and distance preferences as an example, show that there is *no equilibrium* when there are three candidates.

4 candidates, *i* Uniform on $[0, 1]$



- Unique equilibrium: 2 candidates at $1/4$ and 2 at $3/4$
- Intuition: When *two* parties cater to the same ideology, there is less incentive to move towards the center, because doing so will cede votes to the other (similar) party.
- (See problem set)

Interpretation

- Electoral competition may not produce policy moderation when there are more than two candidates or parties.
- Moderate candidates or parties may fall prey to the 'squeezing effect'.
- The model assumed that parties compete for **vote shares** and that voters vote for their **favorites**.
- The result is sensitive to assumptions about the distribution of ideal points.
- Think about whether and when these assumptions are justified!

Prediction?

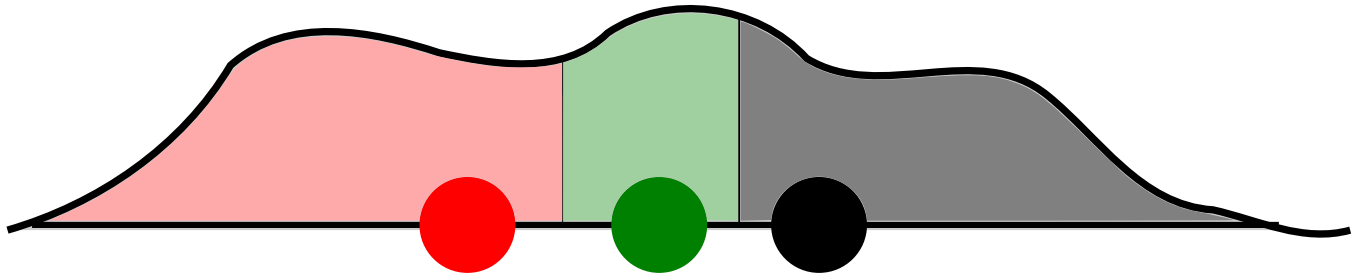
- The model predicts less policy moderation when more than two parties compete for vote shares.

Implication for electoral reform?

- Many scholars regard policy moderation as desirable.
- Alternative voting rules (e.g. approval voting) may produce moderation?

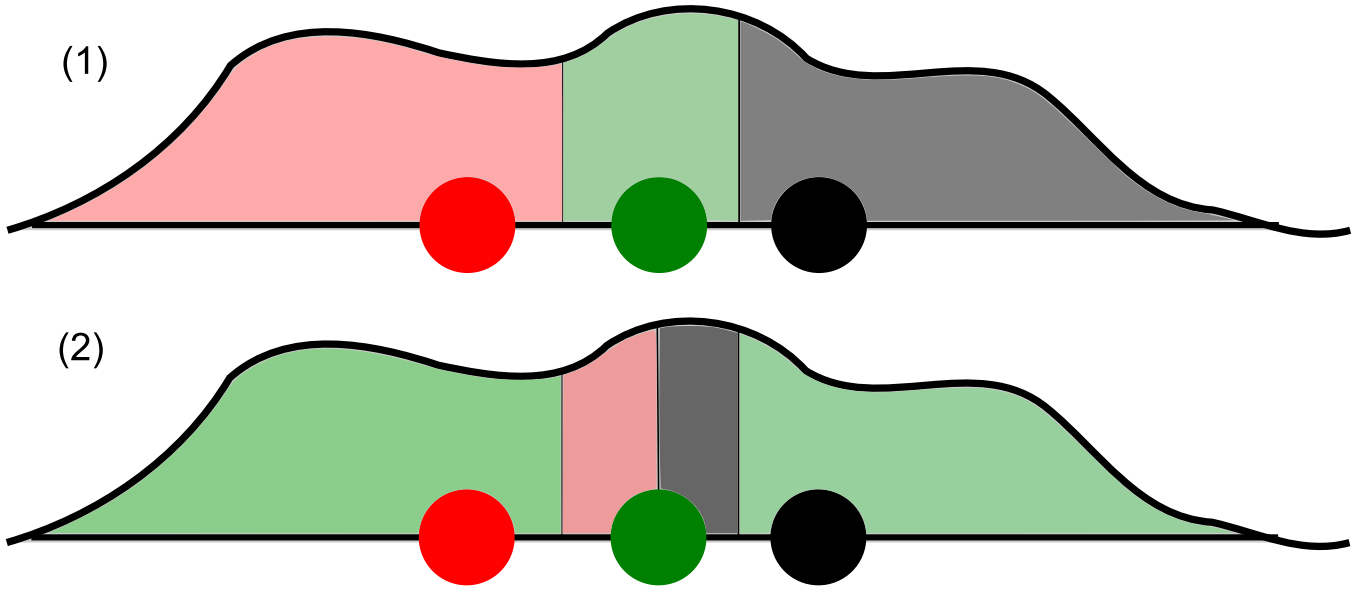
Approval voting

- Each voter can vote for as many candidates as they like



Approval voting

- Suppose voters cast one vote each for their top two choices



- $\Rightarrow$ Moderate party wins because it gets one vote from *every* voter, while the extreme parties share the remaining votes.

Further reading

- Cox (1987) analyzes equilibria of various voting rules assuming policy motivated candidates and sincere voting.
- He shows that approval voting (and other rules, not PV) yield moderate equilibria (all candidates at i_M)

Some other alternatives to plurality voting

- *Majority rule, runoff election:* Each voter votes for one candidate. If one candidate receives the absolute majority, he is chosen. If no such candidate exists, repeat procedure with the two that have the most first place votes.
- *Borda Count:* We have seen this. It requires voters to *rank* all candidates.
- *Sequential voting:* Each voter votes for one candidate. Remove the candidate who receives the fewest votes. Repeat until one is left standing.
- *Instant runoff:* Each voter ranks all candidates. If one candidate has majority of first place votes, he is elected. Otherwise, eliminate the candidate with the fewest first place votes and repeat until there is a winner.
- *Coombs System:* Like IR, except we eliminate the candidate with the most last place votes.

Mueller (Ch.7) evaluates these (and AV) rules on

- Informational requirements / practical implementability
- Condorcet efficiency: Does the rule choose a Condorcet winner when it exists?
- Utilitarian efficiency: Related to moderation

Proportional representation

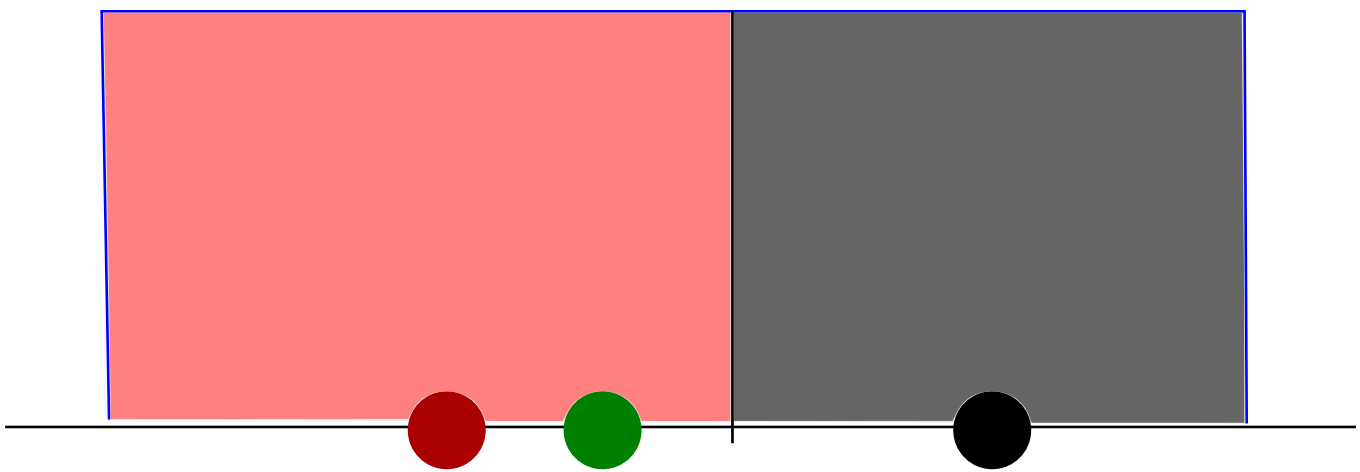
- *Proportional* representation differs from all these rules in that it will usually not produce a single *winner*.
- Under this rule, policy is determined through *coalitional bargaining*.
- There is a large literature on this, but we will not deal with it here.

Multi-candidate elections - ‘Strategic’ voting

- When there are more than two candidates, voters may fear that their vote may be ‘wasted’
- ‘Strategic’ voting takes into account the candidate’s chances

Wasted vote effect

- Strategic voters support only serious contenders (usually two)
- (Note that in a large election, this behavior is not strictly speaking rational.)



Multi-candidate elections - Strategic voting

- Plurality rule gives rise to the wasted vote effect
- $\Rightarrow$ Voters are likely to coordinate on two parties in equilibrium (Duverget's Law)
- If these parties can commit to policy platforms, they will converge on the median voter's ideal point.

Implications / empirical predictions

- Plurality rule will tend to give rise to two-party systems.
- In such systems, the two major parties will be ideologically moderate and similar.
- Other voting systems (e.g. proportional representation) give rise to less of a wasted vote effect. Therefore we might expect more parties and possibly less moderation.

Elections as a disciplining device

- So far, we considered the influence of electoral competition on *policy positions*.
- The main question was whether electoral competition could cause candidates to take positions that cater to voter preferences.
- Another 'function' of elections is that they may motivate *incumbent* politicians to 'work hard' - i.e. to follow through on their promises.
- Under what conditions is this likely to work?

Distinguish

- *Prospective voting:* Elect politicians expected to perform well in the *future*.
- *Retrospective voting: Re*-elect incumbent when *past* performance was "good", replace otherwise.

Model (Ferejohn 1986)

- Infinite number of periods $t = 0, 1, 2, ...$
- Lots of *identical* politicians, including one incumbent.
- Each period, incumbent chooses 'effort' $e_t \geq 0$.
- His payoff is $w - c(e_t)$, where $c'(e) > 0$, $c''(e) > 0$.
- $w > 0$ is the per period 'rent' from holding office.
- At the end of each period, election between incumbent and *identical* challenger.

Model (Ferejohn 1986)

- One *representative voter*.
- His payoff in period t is $e_t\theta_t$
- $\theta_t \geq 0$ is a random variable ("economic conditions")
- Voter does not observe e_t or θ_t separately.
- Moral hazard: Politician want to choose no effort, voter cannot tell whether a low payoff is due to lack of effort or economic conditions.

Retrospective voting

- Suppose the voter reelects the incumbent only if $e_t\theta_t > K$.
- Incumbent's best response is a cut-off strategy such that

$$e_t = \begin{cases} \frac{K}{\theta_t} & \text{if } \theta_t \geq \hat{\theta}; \\ 0 & \text{otherwise.} \end{cases}$$

- Voter could choose K optimally to trade off the utility from effort and the probability that the candidate 'punts'.

Implication

- *Committing* to a retrospective voting rule could allow voters to extract effort from the incumbent.
- However, in this model the voter has no (strict) incentive to actually follow such a rule in practice.
  - The incumbent and challenger are identical.
  - If bad performance is observed, it must be because economic conditions were bad.

Extension (Banks and Sundaram 1998)

- Shows how voters may have a *strict* incentive to vote retrospectively.
- Politicians differ in terms of 'competence'
- Economic outcomes depends on competence and effort
- *Combination* of adverse selection and moral hazard.
- Economic outcome is a *signal of competence* (as well as effort).
- Since voters prefer competent politicians, they *strictly prefer* to follow a retrospective voting rule. (Or rather, prospective voting depends on past performance.)
- Politicians have an incentive to exert effort in order to signal competence.

References

*MU Chapters 11,12, and 7

Besley, T. and S. Coate 1997. An economic theory of representative democracy, *Quarterly Journal of Economics*

Cox, G. 1987. Electoral Equilibrium under Alternative Voting Institutions, *American Journal of Political Science*

Dellis, A. and M. Oak 2006. Approval voting with endogenous candidates, *Games and Economic Behavior*

Dellis, A. and M. Oak 2007. Policy convergence under approval and plurality voting, *Social Choice and Welfare*

Downs, A. 1957. *An Economic Theory of Democracy*. Harper and Row.

Tullock, G. 1981. Why so much stability? *Public Choice*

Palfrey R. and H. Rosenthal 1985. Voter participation and strategic uncertainty, *American Political Science Review*

Riker, W. and P. Ordeshook 1968. A Theory of the Calculus of Voting, *American Political Science Review*

Brennan, G. and L. Lomasky 1997. *Democracy and Decision. The Pure Theory of Electoral Preference*, Cambridge University Press.

Ferejohn, J. 1986. Incumbent performance and electoral control, *Public Choice*

Banks, J. and R. Sundaram 1998. Optimal retention in agency problems, *Journal of Economic Theory*

Feddersen, T. and W. Pesendorfer 1996. The Swing Voter's Curse, *American Economic Review*

Lindbeck, A., and J. Weibull 1987. Balanced-budget redistribution as the outcome of political competition. *Public choice*