9.2

Majority Voting: When It Works

- There are three types of voters in a town: *parents, elders*, and *young couples without children*.

- They have different preferences over the level of school spending (high, medium, or low).

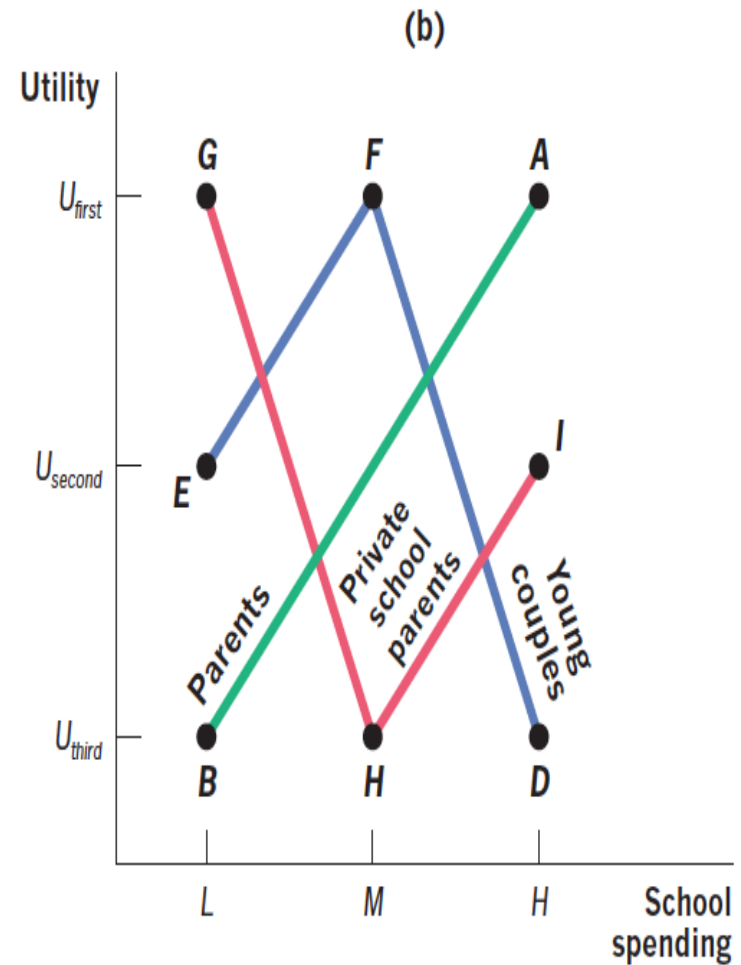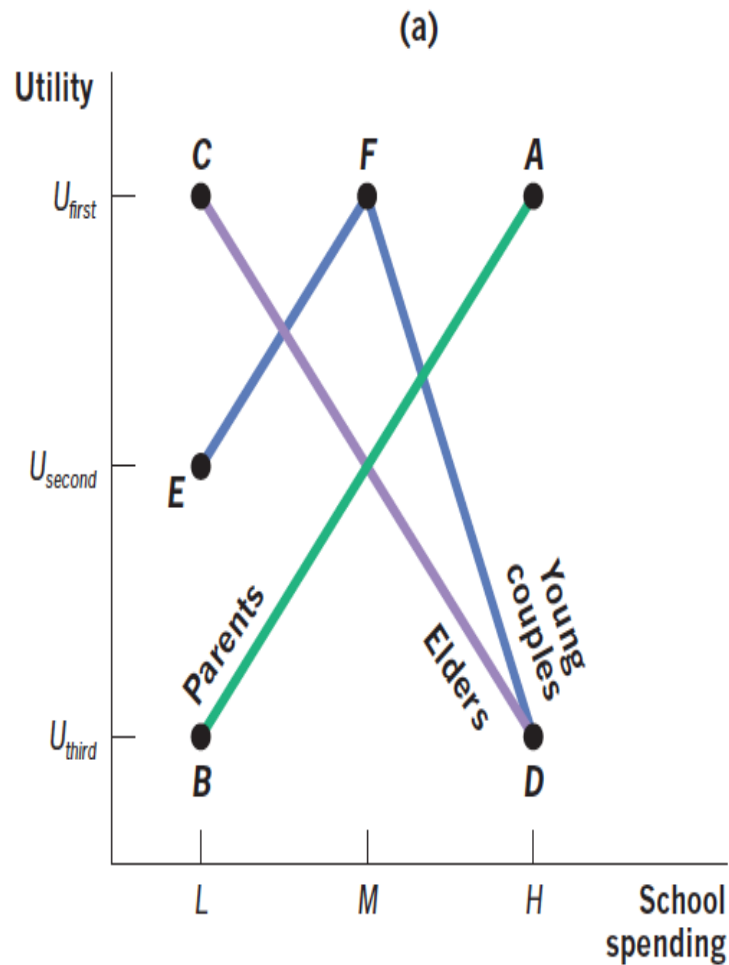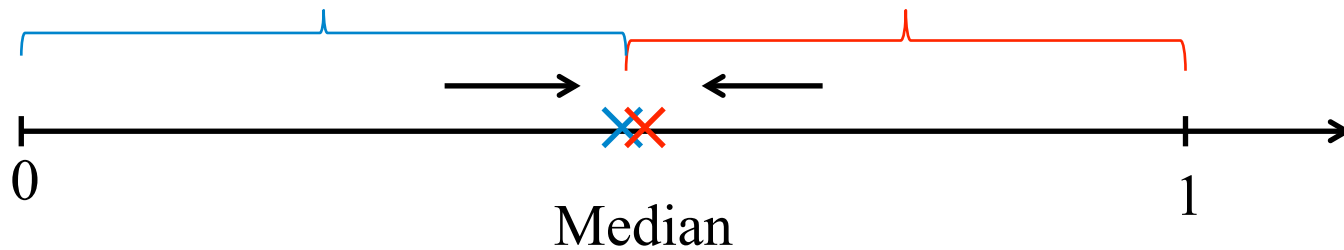|	Parents (33.3%)	Elders (33.3%)	Young Couples (33.3%)
First choice	H	L	M
Second choice	M	M	L
Third choice	L	H	H

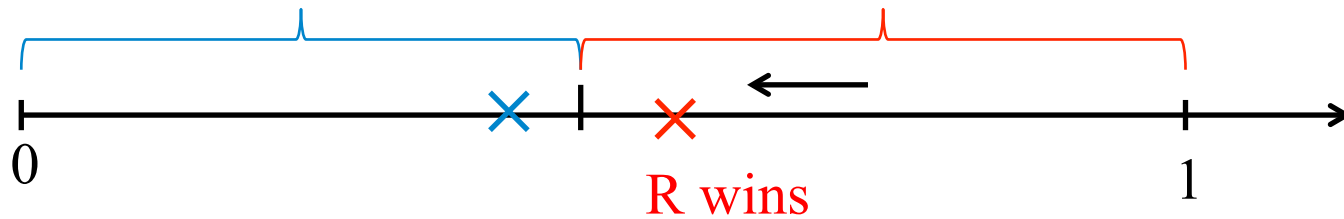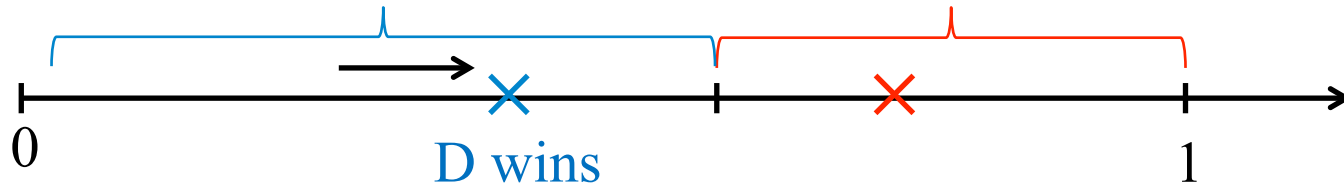## Majority Voting: When It Doesn't Work

- **Cycling:** When majority voting does not deliver a consistent aggregation of individual preferences.

	Public school parents (33.3%)	Private school parents (33.3%)	Young Couples (33.3%)
First choice	H	L	M
Second choice	M	H	L
Third choice	L	M	H

9.2

Single-Peaked versus Non-Single-Peaked Preferences

Vote for D

Vote for R

Democratic
Candidate position

Republican
Candidate position

0

Left

1

Right

D wins

0

1

R wins

0

1

Median

0

1
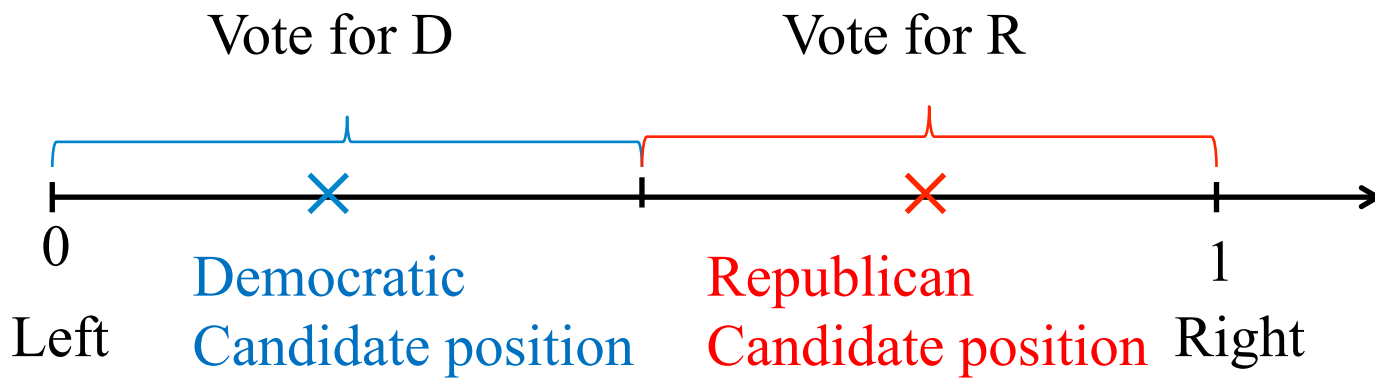
Both candidates positions converge to median

9.3

APPLICATION: Farm Policy in the United States

- The farming sector receives $23 billion in support from the federal government each year in two forms:

  o *Direct subsidy* payments ($11 billion)

  o *Price supports* ($12 billion)

- The average farmer receives more than $10,000/year in support.

- The average American *pays* more than $200/year for this.

9.3

APPLICATION: Farm Policy in the United States

Why do American families pay such large costs to support the farm sector?

- One answer: This helps preserve the "family farm."

  o But most support goes to large farms, and other countries have farming without subsidies.

- More likely answer: free rider problems.

  o Farmers have a strong incentive to support a farm lobby ($10,000/year).

  o Non-farmers have little reason to oppose.

9.4

APPLICATION: Contracting Out with Non-Competitive Bidding

Contracting out often takes place without a competitive bidding process.

- Since early 2000s, Wackenhutt Corporation has been the primary security contractor at U.S. weapons plants.

  o Wackenhutt cheated during safety tests, so the inspector general reported the results were "tainted and unreliable."

  o Hired by the Nuclear Energy Institute in 2004.

9.4

APPLICATION: Contracting Out with Non-Competitive Bidding

- In 2003 and 2004, DHB industries won hundreds of millions of dollars of contracts to supply body armor to troops in Iraq.

  o But in 2002, DHB had to return 6,400 defective vests to the NYPD.

  o In 2003, workers accused DHB of sloppy quality control.

  o 23,000 vests were recalled from Iraq.

9.4

APPLICATION: Contracting Out with Non-Competitive Bidding

- Since 2005, the Pentagon awarded more than $50 million of contracts to Applied Energetics.

  o Wanted solutions to combat improvised explosive devices.

  o Applied Energetics continued to receive funding after failed test.

  o Rival company Xtreme Alternative Defense System, with successful anti-IED technology, has received only $1.5 million.

9.4

APPLICATION: Government Corruption

- In 2003, former Illinois governor George Ryan indicted for corruption.

  o Sold state contracts in exchange for cash, gifts, loans and trips for his family.

- Replaced by Rod Blagojevich, who campaigned as a reformer.

- In 2008, Blagojevich was arrested on federal corruption charges.

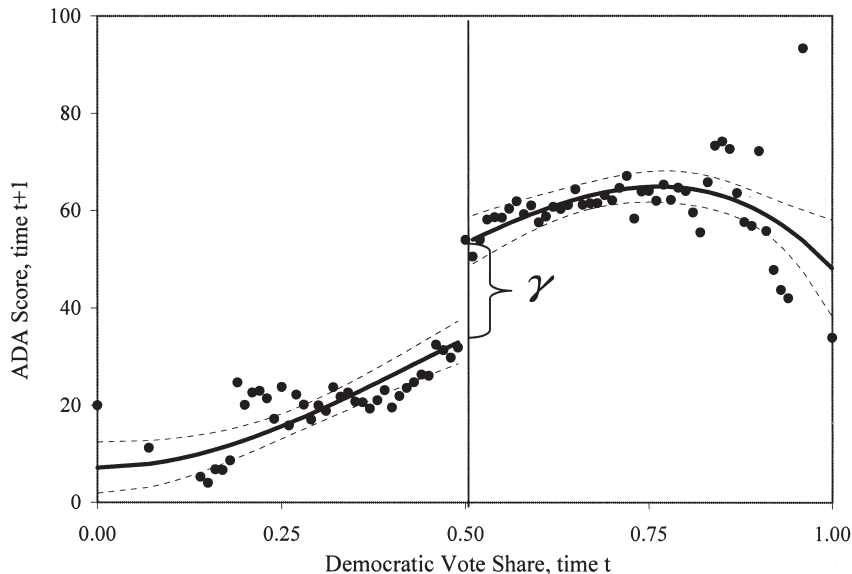 o Tried to sell Obama's Senate seat and pressured Tribute Company to fire critical journalists.

FIGURE I

Total Effect of Initial Win on Future ADA Scores: γ

This figure plots ADA scores after the election at time $t + 1$ against the Democrat vote share, time t. Each circle is the average ADA score within 0.01 intervals of the Democrat vote share. Solid lines are fitted values from fourth-order polynomial regressions on either side of the discontinuity. Dotted lines are pointwise 95 percent confidence intervals. The discontinuity gap estimates
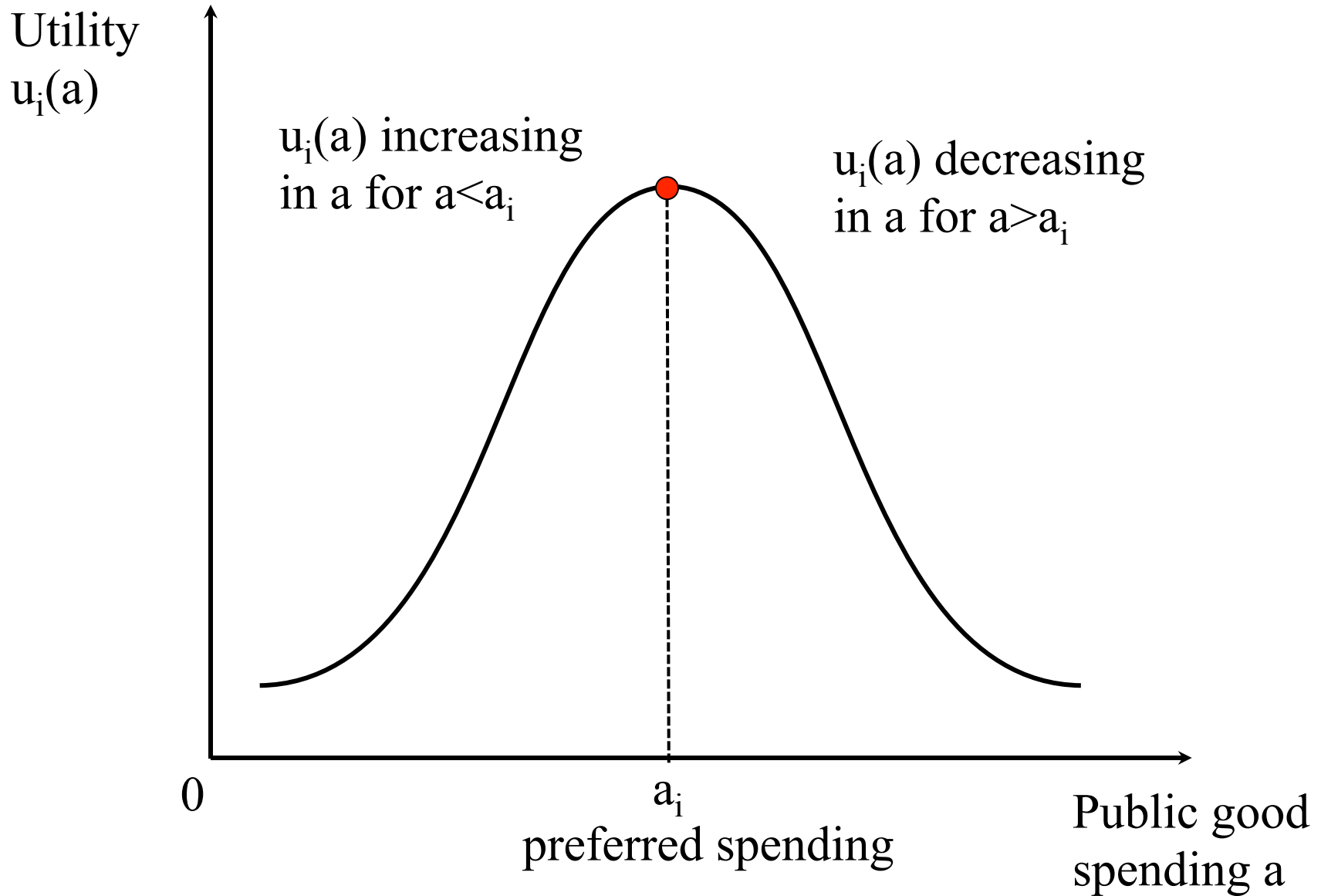
$$\gamma = \underbrace{\pi_0(P_{t+1}^{*D} - P_{t+1}^{*R})}_{\text{"Affect"}} + \underbrace{\pi_1(P_{t+1}^{*D} - P_{t+1}^{*R})}_{\text{"Elect"}}.$$

Single Peaked Preferences

Utility $u_i(a)$

$u_i(a)$ increasing in a for $a < a_i$

$u_i(a)$ decreasing in a for $a > a_i$

0

a_i
preferred spending

Public good spending a

Median Voter Theorem