Economics Seminar, Indian Statistical Institute, New Delhi

SPEAKER: Parikshit Ghosh, Delhi School of Economics

TITLE: Repeated Elections and Policy Persistence

DAY AND DATE: 11:30 AM, Friday, 25th March, 2011

VENUE: Seminar Room 2, ISI Delhi

ABSTRACT

We introduce an electoral model with two salient features. First, long lived voters can vote repeatedly on ballot proposals for introducing a new policy to replace the status quo. Second, voters' short term payoffs change over the course of their lives, either in a deterministic or stochastic manner. Even if the new policy generates higher lifetime utility for all voters compared to the status quo, it will have a strictly positive probability of being defeated in any given round if enough voters face short term losses. Moreover, there exist other stochastic processes over policy adoption that Pareto dominate the one arising in equilibrium. Allowing back and forth switches between the two policies gives rise to policy persistence, and under some conditions, more frequent elections create more inefficient outcomes. We discuss several applications, including social security, universal health care, unemployment assistance and technological change.