

Fluctuating Fortunes and Persistent Policies: A Dynamic Theory of Political Failure

Parikshit Ghosh
Delhi School of Economics

Venue: P22, Date: 22.03.2016 @ 2.30 PM

Abstract

This paper offers a new framework for understanding political failure in democracies. Infinitely lived voters choose policies every period via majority rule. Voters' payoffs are subject to idiosyncratic and transient stochastic shocks but there is no aggregate uncertainty. In Markov perfect equilibria, there may be inefficient and stochastic delays in the adoption of policies that are better for a majority of voters in the long run. There is also policy persistence: a policy is more likely to be chosen when it is the status quo. Reduced economic mobility generates political pressure against redistribution and holding elections less frequently may increase welfare. We discuss several applications, including social security, universal health care, unemployment assistance and technological change.

Speaker Profile

<http://econdse.org/parikshit-research/>