Department of Economics
Seminar

“Dynamic Legislative Bargaining with Endogenous Proposers”
(in English)

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Abstract:
We present a theory of dynamic legislative bargaining in which (1) the policy made in one period becomes the status quo for the next, and (2) every proposer is endogenously determined through an all-pay auction. We fully characterize the stationary Markov perfect equilibrium for a model with three parties, a one-dimensional policy space and single-peaked preferences. We show that the median party never participates actively in the contest for proposal power. Thus the model predicts that key positions with agenda control would not be occupied by politicians with moderate ideological views. We also show that the two extreme parties as proposer would propose more moderate policy than they would otherwise do in a single-period setup. This is due to the incentive to alleviate future competition costs. Overall the long-run policy choice is bounded away from the median policy provided the players are sufficiently impatient. But the generalized median voter theorem of Baron (1996) still holds if the parties are sufficiently patient.

Date: 25 October 2011 (Tuesday)
Time: 2:00pm – 3:30pm
Venue: SO322, Dorothy Y. L. Wong Building

Biography:
Dr. Pohan Fong received his B.S. at National Taiwan University and Ph.D. at the University of Rochester. His areas of research include dynamic games, political economy and public finance. His research projects all share a common theme: "How do political institutions shape public policy and social welfare?" Recently he has published papers on Quarterly Journal of Economics, Social Choice and Welfare, Economic Theory, and Institutions and Economic Performance.

ALL ARE WELCOME