

SECOND TEST. ECON 353, SPRING 2014. NAME: _____

Part I: Answer in the spaces provided. Show your work.

Example 1

25: A>B>C>D

30: B>A>C>D

35: C>D>B>A

10: D>C>B>A

Example 2:

600 voters

5 seats to be filled

410 voters for party A

190 voters for party B

1-1. Plurality and Hare. Find the plurality and Hare winners in example 1.

1-2. Condorcet analysis. Construct a tournament diagram and pairwise matrix from example 1.

Use this to find the Smith set (A.K.A. minimal dominant set), and the minimax, ranked pairs, beatpath, Condorcet-Hare, and Black winners.

2-1. Hare quota. Find the outcome of example 2 in a party list system with the Hare quota.

2-2. SNTV. Discuss the outcome of example 2 if SNTV (or cumulative voting) is used.

2-3. Block voting. Discuss the outcome of example 2 if block voting is used.

Part II: Answer on separate sheets of paper, labeling each question clearly.

3. Externalities and the Coase theorem. The Coase theorem is more of an intuitive argument at heart than a formal theorem. Explain this argument, with an eye toward its practical significance. That is, under what circumstances can it be used to argue effectively that government intervention is not necessary despite the existence of an externality, and under what circumstances is this argument less effective?

4-1. Redistribution and efficiency. Assuming that some people feel compassion for other people, explain how redistribution has the properties of a public good, and thus how a government redistribution program can increase efficiency.

4-2. Redistribution and equity. What do we mean when we say that redistribution can increase equity? Combine the ideas of redistribution-as-insurance and John Rawls's 'veil of ignorance' to explain one possible framework for understanding a 'just' level of redistribution.

5. Majority rule and redistribution. Describe the outcome of a game in which an odd number of people divide a fixed amount of money among themselves through a process of iterative majority rule voting, where voters are myopic in the sense that they vote for any proposal that improves their wealth relative to the current status quo. What does this reveal about the connection between redistribution and intransitive majority preferences?

6. Median voter theorem. State the assumptions and result of the median voter theorem (for one-dimensional issues). Informally sketch the intuition behind the proof.

7. Logrolling and cycling. Construct an example with three voters and two independent policy proposals (X and Y) in which a coalition of voters can gain from logrolling. Draw a tournament diagram (like in question 1-2) in which the candidates are the four possibilities of passing both, passing neither, passing only X, and passing only Y.

8. Cycles and stability. Review a few possible reasons why majority rule voting might lack an equilibrium, and discuss three possible explanations why we might *not* have endless cycling among different alternatives in practice.

9. Condorcet's jury theorem. In simple terms, state the assumptions and results of the Condorcet jury theorem. Give some intuition for why the theorem is mathematically correct. Discuss its relevance to the real world.

10. Tiebout's voting-with-the-feet. Explain Tiebout's model of voting-with-the-feet. What are the assumptions, and what are the results? Build on this by discussing in general terms what types of issues are best handled by small local governments, and what types of issues are best handled at higher levels of government.