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Conference Paper

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Beiträge zur Jahrestagung des Vereins für Socialpolitik 2018: Digitale Wirtschaft - Session: Political Economy, No. F13-V1

Provided in Cooperation with:

Verein für Socialpolitik / German Economic Association

Suggested Citation: Klingelhöfer, Jan (2018) : Rent-seeking and the polarization of politics, Beiträge zur Jahrestagung des Vereins für Socialpolitik 2018: Digitale Wirtschaft - Session: Political Economy, No. F13-V1, ZBW - Leibniz-Informationszentrum Wirtschaft, Kiel, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/181549>

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Rent-seeking and the polarization of politics

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February 24, 2018

Abstract

I present a model in which a centrist electorate leads to partisan politics and vice versa. A centrist electorate benefits from an equilibrium in which only ideological politicians are elected in so far as ideological politicians are willing to give up more rents in return for a higher chance of being reelected than centrist politicians. However, in this 'partisan equilibrium' only centrist voters can commit to support ideological politicians in return for low levels of rent-seeking. Consequently, the more likely the centrist voters are to be decisive in the election, the lower are the rents that are consistent with equilibrium. If partisan voters are more likely to be decisive, rents in the partisan equilibrium are larger and the equilibrium might even cease to exist. However, there is an alternative equilibrium in which only centrist politicians run for office. The model provides a possible explanation why we see more partisan politicians being elected in the United States in recent years although the electorate seems not more partisan than before. One implication is that a reduction of rent seeking possibilities would have the additional benefit of less volatile and less ideological policies.

JEL: D72, Keywords: Accountability, Elections, Downsian Competition, Voting, Political polarization

1 Introduction

It is a widespread concern that politics in the United States have become so partisan that this endangers the functioning of the democratic system itself. Often this is blamed on the importance of primary elections. However, primary elections are not new phenomenon and are thus hardly a plausible explanation for a recent shift to more polarized politics.¹ Moreover, the empirical evidence does not support this view (Ansolabehere, Hirano, Hansen, and Snyder Jr 2010). I provide an alternative explanation in which more partisan politics are the result of an optimal response in voting of the electorate to other changes. In my setup, this could be due to either to larger rent-seeking opportunities, to less electoral uncertainty or to a combination of both. While the first idea is at least implicitly already contained in Van Weelden (2013), the role of electoral uncertainty is new to the literature.

My framework consists of two ideological parties who choose either partisan candidates who share the ideology of the median party member or centrist candidates who share the preferences of centrist voters. There is no binding commitment before the elections to reduce rent-seeking or to choose a specific policy by either parties or candidates, but de facto parties can commit to policies by choosing their candidates accordingly. To allow for the analysis of accountability issues, the just described stage game is repeated infinitely.

In the presented framework, partisan politicians have more to lose in an election on the policy dimension than centrist politicians. This is even more pronounced when the candidate of the other party has also partisan preferences and would thus, if elected, implement a policy that are the detrimental opposite of the other candidate's preferred policy.²

This is not a new insight, but has already been demonstrated in Van Weelden (2013). Van Weelden shows that a representative voter can be made better off by an equilibrium in which two partisan citizen candidates who do not share the rep-

¹Some more subtle explanation is that the polarization is not the result of primary elections per se, but rather that the turnout of relatively centrist voters in primaries had declined considerably (add citation).

²As an example, think about Bernie Sanders against Ben Carson in the next US Presidential elections versus the alternative Hillary Clinton against Jeb Bush, even if the latter two might also not be the best examples for true centrists. However, that none of the currently relevant candidates are only reinforces the importance of non-convergence of Democratic and Republican candidates that we currently observe.

representative voter's policy preferences, but instead have policy bliss points located symmetrically around the representative voter's bliss point. Not surprisingly, it turns out that partisan politicians can be held accountable to a higher degree because they care more about being reelected. As a consequence, the amount of rent-seeking that is consistent with equilibrium decreases in the equilibrium with partisan candidates compared to an equilibrium with centrist candidates.

I provide two main new contributions by allowing for uncertainty in my related but not identical setup. This has two advantages. First, while the model provided in Van Weelden (2013) gives a nice and intuitive explanation for platform divergence and how voters can actually benefit from it, the result given is not robust to any form of uncertainty over the preferences or the identity of the representative voter. The reward of reelection in return for reduced rent-seeking hinges on the fact that the representative voter is always indifferent between the two candidates running for office.³ Second, I can relate the ideological divergence in the electorate that leads to uncertainty to the amount of rent-seeking that has to be accepted in equilibrium. While the connection between ideological divergence in the electorate and uncertainty is not made explicitly in the model, it seems not far fetched to assume that in a more ideologically divided electorate the centrist voters are less likely to be decisive. The exact outcome of an election will always to some degree depend on things that are not explicitly modelled as for example turnout (Aidt and Dutta 2009).

Klingelhöfer (2015) was the first paper to show that accountability issues can not only be reconciled with ideological policy dimension, but also with uncertainty over the preferences of the decisive or representative voter. However, it is also shown that, just as in the model presented here, uncertainty leads to a trade-off between policy determination and accountability. This is not very surprising because, after all, voters have only one instrument (their vote) to achieve both aims. However, the issue was for a long time neglected in the literature on electoral accountability. An important difference to Klingelhöfer (2015) and the model presented here is that here politicians, just as in Van Weelden (2013), are themselves ideologically motivated, while in Klingelhöfer (2015) their only motivation for attempting to win a political office are the opportunities for rent-seeking. The latter leads to the result that in

³The fact that the decisive or representative voter has to be indifferent to hold an officeholder accountable is probably the main reason for the fact that issues of accountability are rarely dealt with in the same models as policy determination. In the leading textbook Persson and Tabellini (2000) they are dealt with in different chapters.

equilibrium parties play mixed strategies and cannot be identified as either 'liberal' or 'conservative'. However, these labels seem to have some explanatory value when analyzing either American politics or politics in other Western democracies. The model presented here, on the other hand, combines for the first time uncertainty over policy and accountability in a way that allows for equilibria in pure strategies that can be reconciled with the partisan politics we observe in many democracies.

2 The model

There are three types of agents, voters (she), politicians (he) and parties (it), and three types of policy, left-wing (l), centrist (c) and right-wing (r). Every voter and every politician is either a centrist who prefers policy c or a partisan, either with preferences for policy l or policy r . The two parties, the left party (L) and the right party (R), can be thought of as representing the average party member. Consequently, the left party prefers left-wing policy l and the right party the right-wing policy r . Both parties have two potential candidates for office, a partisan politician who shares the preferences of the average party member (l or r , depending on the party) and a centrist with preferred policy c . In every period, the elected politician chooses a policy $p \in \{l, c, r\}$ and a level of rent-seeking $m \in [0, M]$. From the second period on, the candidate who won the previous election is referred to as *the incumbent* and the party to which he belongs as the *incumbent party*.

A politician's payoff in every period depends on his type, policy in that period and the rents collected by himself:

$$u^{pol}(I, j) = \gamma g(p, j) + m(I, j),$$

with $(I, j) \in \{(L, l), (L, c), (R, c), (R, r)\}$, where I denotes the party to which the politician of type j belongs and $\gamma \geq 0$. Politicians can only determine policy and engage in rent-seeking in periods in which they are in office.

A party's payoff in any period depends on its type, implemented policy and the level of rent-seeking of politicians who are party members:⁴

$$u^{par}(I) = \gamma g(p, i_I) + m(I),$$

⁴The reason is that other party members also profit from the rent-seeking of a party's politicians.

with $I \in \{L, R\}$, $i_L = l$, $i_R = r$ and $m(I) = \sum_{j \in \{i_L, c\}} m(I, j)$.

A voter's payoff in every period depends on her type k , implemented policy p and the level of rent-seeking:

$$u^{vot}(k) = g(p, k) - m,$$

with $k \in \{l, c, r\}$ and $m = \sum_{I \in \{L, R\}} m(I)$.

The utility from policy for all players is given by $g(p, t)$ (for politicians and parties scaled by the factor γ), where $t \in \{l, c, r\}$ is the policy bliss point of the player with preference t . We normalize the payoff of a player whose bliss point is implemented to 0: $g(t, t) = 0$. Moreover, we assume that a centrist suffers the same from partisan policies as a partisan from centrist policies: $g(l, m) = g(m, l) = g(r, m) = g(m, r) = -d_1$, with $d_1 \geq 0$, and that partisans suffer at least as much from the "wrong" partisan policy as from centrist policies: $g(l, r) = g(r, l) = -d_2$, with $d_2 \geq d_1$.

The factor γ determines how important policy is compared to rents for politicians. Because the voters' valuations of rents is normalized to 1 and consequently they value policy and rents equally, γ also determines how much policy matters for politicians relative to voters. How important rents are relative to policy overall is determined by the maximum amount of rent-seeking M relative to d_1 and d_2 .⁵

Every period is represented by one stage game. Because we have infinitely many periods we can apply the standard results for infinitely repeated stage games. All players discount the future with the same discount factor β and maximize:

$$U = E \sum_{t=0}^{\infty} \beta^t u_t(\dots),$$

where $u_t(\dots)$ is the payoff of the player in period t depending on the variables that are relevant for the player at hand and E is the expectations operator. Payoffs are uncertain because the identity of the decisive voter is uncertain and voters sometimes randomize their voting decision.

⁵We can also relate d_1 and d_2 to models with a continuous policy space when we assume that the distance between c and l and the distance between c and r are the same and thus the distance between l and r is twice as large. In this case, if $d_2 = 2d_1$ disutility in policy is linear and if $d_2 = 4d_1$ it is quadratic. $d_2 > 2d_1$ implies concavity of $g(\dots)$.

2.1 The order of moves

In every period/stage game, first the parties decide simultaneously if they run with their centrist or their partisan politician as candidates. Secondly, the election takes place. In every period, with probability $(1 - \alpha)$ one of the partisan groups forms the majority of voters and decides the outcome of the elections. If the decisive voter is a partisan, she is with equal likelihood left-wing or right-wing. With probability α , it is necessary to achieve the support of 2 of the 3 groups of voters to achieve the majority. The votes of the centrist voters alone are for the moment assumed to be never sufficient to form a majority.⁶ Consequently, if the partisan voters support the same candidate this candidate wins. If one of the partisan groups has the majority it decides alone. If the partisans disagree and none of the two groups of partisan voters has a majority on its own the centrist voters are decisive. Neither candidates nor politicians or parties know about the distribution of preferences among the voters before the election takes place. The candidate who is supported by a majority of voters wins the election. Thirdly, the winning candidate decides about the amount of rent-seeking and policy. Then, the next period (stage game) begins with the parties deciding about their candidates again.

2.2 Stationarity

In the analysis, we consider only subgame perfect equilibria that are stationary according to the following definition:⁷

Definition 1 *Stationary subgame perfect equilibrium*

A subgame perfect equilibrium is stationary if and only if:

1. The candidate the voter elects depends only on the type and party of the candidates running and the rent-seeking of an incumbent candidate in the previous period.
2. The policy a candidate implements if elected and the level of rent-seeking he engages in depends only on the candidate's type and party.
3. The candidate a party chooses depends only on its type.

⁶Section ??? relaxes this assumption.

⁷See Van Weelden (2013) for a related definition and a discussion of the advantages of focusing on stationary equilibria.

Discussion of stationarity In a stationary equilibrium voters are not able to influence future play of parties, candidates and other voters. As a consequence, when a voter maximizes her utility in the current period/stage game, she also maximizes her total utility. This has the advantage that the model is robust to changes in voters preferences and changes in the electorate over time and that voters will follow simple and intuitive strategies in equilibrium.

3 Partisan candidates equilibrium and centrist candidates equilibrium

The model, as usual for repeated games, has many equilibria. Following Van Weelden (2013) and the literature that deals with political accountability literature in general (more citations), I focus on equilibria that are optimal for voters in the sense of maximizing their utility compared to other possible equilibria.

Moreover, I restrict the analysis to the case in which the following assumption holds:

Assumption 1: $M \geq \frac{d_1}{\beta}$.

This assumption ensures that the maximum level of rent-seeking is large enough to make centrist voters willing to support a partisan candidate for large enough probability of α and partisan voters willing to support a centrist candidate in order to reduce rent-seeking in equilibrium. Focusing on this case is justified because we are mainly interested in the interaction of rent-seeking and policy. In a country with relatively low opportunities for rent-seeking activities this interaction is not of primary importance, and consequently voters with different preferences will not be able to coordinate on a strategy that ensures or at least increases the likelihood of the reelection of an incumbent who restricts his rent-seeking.

We now present two types of equilibria with voter coordination on reelection strategies. In the second equilibrium the coordination is only partial because there is no stationary equilibrium in which a partisan voter vote for the partisan candidate of the other party against the partisan candidate of her preferred party. The reason is that in the current period she must be better off with her favorite partisan in office and because of stationarity the future play of the other players is not influenced.

3.1 Centrist candidates equilibrium

I show that the lowest level of per-period rent-seeking that can be achieved in equilibrium when both parties always run with centrist candidates is given by:

$$\hat{m} = M(1 - \beta).$$

This level of per-period rent-seeking results if the players play the following strategies that constitute a subgame perfect equilibrium.

The strategies of the players

- Parties: Both parties always choose a centrist as their candidate.
- Centrist voters: If a centrist and a partisan candidate are running, a centrist voter votes in favor of the centrist candidate. If either two centrist or two partisan candidates are running, a centrist voter votes for the incumbent candidate as long as $m \leq \hat{m}$ in the previous period. If there is no incumbent, they randomize.
- Partisan voters: If a centrist and a partisan candidate are running, a partisan voter votes in favor of the centrist candidate. If two centrists are running, they vote for the incumbent candidate long as $m \leq \hat{m}$. If there is no incumbent candidate, they randomize. If two partisan candidates are running, they vote for the candidate whose policy preferences they share.
- Centrist candidates: Centrist candidates engage in rent-seeking \hat{m} and implement centrist policies when in office.
- Partisan candidates: Partisan candidates engage in rent-seeking M and implement their preferred policies when in office.

Establishing subgame perfection It is a well-known result that a strategy profile constitutes a subgame perfect equilibrium in an infinitely repeated game if and only if none of the players is better off deviating only in one stage game (in our case a period of the game).⁸ There is no such profitable deviation in the *centrist candidates equilibrium* with $\hat{m} = M(1 - \beta)$:

⁸See Fudenberg and Tirole (1991) for a formal statement of the single deviation principle.

- Parties: Given the strategies of the players, a party that loses an election stays out of office forever. But out of office a party does not achieve any utility from rent-seeking. Moreover, with respect to implemented policy a party is at least as well off with its own candidate winning office than with a candidate of the other party. It follows that losing office is always worse than winning office. Because a party that runs with a partisan candidate instead of a centrist candidate loses the elections for sure, running with a partisan candidate is not a profitable deviation.
- Voters: Given the strategies of the players, votes affect rent-seeking and policy only in the period in which they are cast. Consequently, voting in order to maximize the payoff in the current stage game, as voters do, is optimal. Even when a partisan voter supports a centrist candidate against a partisan candidate who shares her preferences they maximize the payoff in the current stage game: The lower level of rent-seeking by the centrist candidate (\hat{m} instead of M) turns out to be sufficient compensation for the additional disutility on the policy dimension (d_1):

$$d_1 + \hat{m} = d_1 + M(1 - \beta) \leq M \text{ or } d_1 \leq \beta M,$$

what holds by **Assumption 1**.

- Centrist candidates: A centrist has no incentive to implement any other policy than his preferred centrist policy as he does in equilibrium. A centrist candidate is indifferent between taking \hat{m} in the present and all future periods (as is the case in equilibrium) what gives him a present discounted value of rent-seeking of M , or to engage in rent-seeking activities of M and losing office forever (without change in policy). Consequently, a rent-seeking activity of \hat{m} by centrist candidates is consistent with equilibrium.
- A partisan candidate in office is maximizing his total utility by maximizing his per period because given the equilibrium strategies of the other players, he is never reelected and has no influence on policies in future periods. Consequently, a partisan engages in maximum rent-seeking M and implements his preferred partisan policy.

Discussion of the centrist candidates equilibrium In an equilibrium with centrist candidates a higher level of accountability of politicians with less rent-seeking than $\hat{m} = M(1 - \beta)$ is not achievable. Centrist policies are always implemented even if a candidate who is elected deviates. Thus, the utility of elected candidates depends only on his rent-seeking activity. To hold a politician accountable, he must be offered at least a present discounted payoff of M . Consequently, with stationary strategies and thus constant equilibrium rents for centrist candidates in office, rent-seeking below the level \hat{m} is not consistent with this type of equilibrium.

Given the equilibrium strategies the utility achieved by the voters is:

- Centrist voter: $U^v(c) = -M$ (Per period $u^v(c) = -\hat{m} = M(1 - \beta)$).
- Partisan voter: $U^v(l) = U^v(r) = -M - \frac{d_1}{1-\beta}$ (Per period $u^v(l) = u^v(r) = -\hat{m} - d_1$).

3.2 The partisan candidates equilibrium

I show that the lowest rent level that can be achieved in equilibrium when both parties always run with partisan candidates is given by:

$$\bar{m} = (1 - \alpha\beta)M - \alpha\beta\gamma d_2.$$

Moreover, we are going to show that the centrist voters have to be decisive with at least probability $\alpha \geq \frac{d_1}{\beta(\gamma d_2 + M)}$ for the partisan equilibrium to exist. I also show that they would prefer the centrist candidates equilibrium when this condition does not hold and thus the condition is not very restrictive.

3.2.1 Strategies of the players

- Parties: Both parties always choose partisan candidates
- Centrist voters: If a centrist and a partisan candidate are running, a centrist voter votes in favor of the partisan candidate. If either two centrist or two partisan candidates are running, a centrist voter votes for the incumbent candidate as long as $m \leq \bar{m}$ in the previous period. If there is no incumbent, centrist voters randomize.

- Centrist candidates: Centrist candidates engage in rent-seeking M and implement centrist policies when in office.
- Partisan candidates: Partisan candidates engage in rent-seeking \bar{m} and implement their preferred policies when in office.
- Partisan voters: If two centrist candidates are running, they vote for the incumbent party long as $m \leq \bar{m}$. If two partisan candidates are running or the partisan candidate whose preferences they share against a centrist candidate, they vote for the partisan candidate whose preferences they share. If a centrist candidate runs against the partisan candidate whose preferences the partisan voter does not share, the partisan voter votes for the partisan candidate if $(1 - \alpha\beta)M - \alpha\beta\gamma d_2 + d_2 \leq M + d_1$ or $(1 - \alpha\beta\gamma)d_2 \leq \alpha\beta M + d_1$, otherwise she votes for the centrist candidate.⁹

3.2.2 Conditions for equilibrium

Again, we only have to check if there is a deviation at only one stage of the game that makes a player better off. Showing that this is not the case is sufficient to establish that we have a subgame perfect equilibrium.

- Parties: It is easy to check that a party is always better off by winning the election in a stage game. Given the strategies of the other players, deviating by choosing a centrist candidate can lead to a victory in the elections in case $\alpha\beta M + d_1 < (1 - \alpha\beta)\gamma d_2$. However, in this case the decisive voter is a partisan with the party's preferences and the party would also win if it had run with a partisan candidate. The latter would have resulted in a higher payoff for the party.
- Centrist voters: When the same types of candidates run against each other, centrists are indifferent and consequently their voting decision must be optimal. The support of partisan candidates against centrist candidates is consistent with equilibrium because while a centrist takes rents of M , a partisan takes only $\bar{m} = (1 - \alpha\beta)M - \alpha\beta\gamma d_2$. Consequently, the centrist voter is better off

⁹This is not of great relevance for the equilibrium because it happens only off the equilibrium path and has no influence on the optimality of the strategies of the other players.

voting for the partisan iff $\bar{m} + d_1 \leq M$. Thus, we only have an equilibrium if the likelihood that a centrist is the decisive voter is large enough:

$$\alpha \geq \frac{d_1}{\beta(\gamma d_2 + M)}.$$

Given **assumption 1** this inequality always holds for $\alpha = 1$. Thus, the partisan equilibrium exists for large values of α . (In Van Weelden (2013) the centrist voter(s) is always decisive and consequently a partisan equilibrium always exists).

- **Partisan voters:** Partisan voters always vote for the candidate who maximizes their current period utility. If he is running this is their preferred partisan candidate. If a centrist is running against the partisan candidate who does not share their preferences current period disutility from voting for the partisan candidate is $\bar{m} + d_2 = (1 - \alpha\beta)M - \alpha\beta\gamma d_2 + d_2$. The disutility from voting for the centrist candidate, on the other hand, is $M + d_1$. Consequently, they are (weakly) better off in the current period with the partisan candidate and vote for him iff: $\alpha\beta M + d_1 \geq (1 - \alpha\beta)\gamma d_2$.
- **Centrist candidates:** Centrist candidates engage in rent-seeking M and implement centrist policy. This maximizes their current period utility what is optimal given that they are never reelected and have no influence on future policies.
- **Partisan candidates are reelected with probability $\frac{1+\alpha}{2}$ in equilibrium.** They have per-period utility \bar{m} when they are in office and per-period utility $-d_2$ when they are out of office. Moreover, being in office in period t and not taking a rent that is larger than \bar{m} increases their chance of being in office in period $t + 1$ from $\frac{1-\alpha}{2}$ to $\alpha + \frac{1-\alpha}{2}$. It follows that the difference in value of being in and out of office (as shown in the appendix) for them is given by:

$$D = \frac{\bar{m} + \gamma d_2}{1 - \alpha\beta}.$$

Consequently, restricting himself to equilibrium rent-seeking is consistent for a partisan politician as long as the utility from rent \bar{m} plus the discounted future value of the additional likelihood of being in office is at least as large as the

utility from the maximum level of rent-seeking M :

$$\bar{m} + \alpha\beta D = \bar{m} + \frac{\alpha\beta}{1 - \alpha\beta}(\bar{m} + \gamma d_2) \geq M.$$

This condition holds with equality for $\bar{m} = (1 - \alpha\beta)M - \alpha\beta\gamma d_2$ and consequently there is no profitable deviation for partisan candidates.

3.2.3 Discussion of the partisan candidates equilibrium

The disutility for centrist voters per period in the partisan candidates equilibrium is:

$$(1 - \alpha\beta)M - \alpha\beta\gamma d_2 + d_1.$$

The expected disutility for partisan voters in equilibrium depends on the party in power. The expected disutility for a partisan voter when her party is in office first is given by:

$$\frac{(1 - \alpha\beta)M - \alpha\beta d_2}{1 - \beta} + \frac{\beta(1 - \alpha)}{2(1 - \alpha\beta)(1 - \beta)}d_2$$

The expected disutility for partisan when her party is out of office first is given by:

$$\frac{(1 - \alpha\beta)M - \alpha\beta d_2}{1 - \beta} + \frac{2 - \beta(1 + \alpha)}{2(1 - \alpha\beta)(1 - \beta)}d_2$$

The calculations are provided in the appendix.

Assume the equilibrium would be selected without a partisan voter being aware of her candidate first being in office or not. Her expected disutility in every period is:

$$(1 - \alpha\beta)M - \alpha\beta\gamma d_2 + d_2/2 = (1 - \alpha\beta)M + \left(\frac{1}{2} - \alpha\beta\gamma\right)d_2$$

3.3 Comparison of the two different equilibria

For the moment and for easy comparison with Van Weelden (2013), we assume that the partisan candidate equilibrium is played whenever it makes the centrist voters better off. Centrist voters are better off with the partisan equilibrium as long as:

$M(1 - \beta) \geq (1 - \alpha\beta)M - \alpha\beta\gamma d_2 + d_1$ or: $\alpha \geq \frac{d_1 + M\beta}{M\beta + \beta\gamma d_2}$. Rents are thus given by:

$$\begin{aligned} m &= (1 - \alpha\beta)M - \alpha\beta\gamma d_2 & \text{if } \alpha \geq \frac{d_1 + M\beta}{M\beta + \beta\gamma d_2} \\ m &= M(1 - \beta) & \text{if } \alpha < \frac{d_1 + M\beta}{\beta(\gamma d_2 + M)} \end{aligned}$$

And it is easy to see that rents are weakly decreasing in α , which can be interpreted as a measure of ideological divergence. The larger α , the smaller the ideological divergence. The more divergent the preferences of the voters, the more likely is one of the two partisan groups to achieve a majority in an election. The exact outcome of an individual election will depend on things that are not explicitly modelled like turnout as in (Aidt and Dutta 2009).

The utility of centrist voters is given by:

$$\begin{aligned} m &= (1 - \alpha\beta)M - \alpha\beta\gamma d_2 - d_1 & \text{if } \alpha \geq \frac{d_1 + M\beta}{M\beta + \beta\gamma d_2} \\ -m &= -M(1 - \beta) & \text{if } \alpha < \frac{d_1 + M\beta}{\beta(\gamma d_2 + M)} \end{aligned}$$

It is less straightforward which of the two equilibria partisans voters prefer. The reason is simple: Their utility depends not only on the type of equilibrium that is played, but in case of the partisan equilibrium, but also on the party in office.

However, we need to discuss more carefully which equilibrium we actually expect to be played...

3.4 Equilibrium selection

While we have shown the existence (under some conditions) of two equilibria with voter coordination, the question remains which of the two we can expect to be played. Because the partisan voters of both types together constitute a majority, they alone are sufficient to guarantee a centrist candidate who complies reelection. Consequently,

4 Conclusion

...

5 Appendix

5.1 The value of office in the partisan equilibrium

We call O the value of being in office and N the value of not being in office and they are thus given by:

$$\begin{aligned} O &= \bar{m} + \beta\left(\frac{1+\alpha}{2}O + \frac{(1-\alpha)}{2}N\right) \\ N &= -\gamma d_2 + \beta\left(\frac{1+\alpha}{2}N + \frac{(1-\alpha)}{2}O\right) \end{aligned}$$

Consequently:

$$D = O - N = \bar{m} + \gamma d_2 + \beta\left(\frac{1+\alpha}{2}(O - N) - \frac{(1-\alpha)}{2}(O - N)\right) = \gamma\bar{m} + d_2 + \alpha\beta(O - N)$$

And it follows that the solution is:

$$D = \frac{\bar{m} + \gamma d_2}{1 - \alpha\beta}.$$

Consequently, restricting himself to equilibrium rent-seeking is consistent for a partisan politician as long as:

$$\bar{m} + \alpha\beta D = \bar{m} + \frac{\alpha\beta}{1 - \alpha\beta}(\bar{m} + \gamma d_2) \geq M.$$

Solving for \bar{m} gives:

$$\bar{m} \geq (1 - \alpha\beta)M - \alpha\beta\gamma d_2.$$

5.2 The expected disutility for a partisan in the partisan equilibrium.

We denote the disutility when the partisan's party is in office by O and when it is not in office N . The rent level is a constant $(1 - \alpha\beta)M$ while disutility from the wrong party being in office d_2 occurs only in periods in which the partisans party is out of office. Consequently, we need to solve the following system of equations:

$$\begin{aligned}
O &= (1 - \alpha\beta)M - \alpha\beta d_2 + \beta\left(\frac{1+\alpha}{2}O + \frac{1-\alpha}{2}N\right) \\
N &= (1 - \alpha\beta)M - \alpha\beta d_2 + d_2 + \beta\left(\frac{1+\alpha}{2}N + \frac{1-\alpha}{2}O\right)
\end{aligned}$$

The solution is:

$$O = \frac{(1-\alpha\beta)M - \alpha\beta d_2}{1-\beta} + \frac{\beta(1-\alpha)}{2(1-\alpha\beta)(1-\beta)} d_2$$

$$N = \frac{(1-\alpha\beta)M - \alpha\beta d_2}{1-\beta} + \frac{2-\beta(1+\alpha)}{2(1-\alpha\beta)(1-\beta)} d_2$$

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