

A Theoretical Approach on Electoral Competition, Lobby Formation and Equilibrium Policy Platforms

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Abstract : The paper develops a theoretical model of electoral competition with purely opportunistic candidates and a uni-dimensional policy using the probability voting approach while focusing on the aspect of lobby formation to analyze the inherent complex interactions between centripetal and centrifugal forces and their effects on equilibrium policy platforms. There exist three types of agents, namely, Left-wing, Moderate and Right-wing who comprise of the total voting population. Also, it is assumed that the Left and Right agents are free to initiate a lobby of their choice. If initiated, these lobbies generate donations which in turn can be contributed to one (or both) electoral candidates in order to influence them to implement the lobby's preferred policy. Four different lobby formation scenarios have been considered: no lobby formation, only Left, only Right and both Left and Right. The equilibrium policy platforms, amount of individual donations by agents to their respective lobbies and the contributions offered to the electoral candidates have been solved for under each of the above four cases. Since it is assumed that the agents cannot coordinate each other's actions during the lobby formation stage, there exists a probability with which a lobby would be formed, which is also solved for in the model. The results indicate that the policy platforms of the two electoral candidates converge completely under the cases of no lobby and both (extreme) formations but diverge under the cases of only one (Left or Right) lobby formation. This is because in the case of no lobby being formed, only the centripetal forces (emerging from the election-winning aspect) are present while in the case of both extreme (Left-wing and Right-wing) lobbies being formed, centrifugal forces (emerging from the lobby formation aspect) also arise but cancel each other out, again resulting in a pure policy convergence phenomenon. In contrast, in case of only one lobby being formed, both centripetal and centrifugal forces interact strategically, leading the two electoral candidates to choose completely different policy platforms in equilibrium. Additionally, it is found that in equilibrium, while the donation by a specific agent type increases with the formation of both lobbies in comparison to when only one lobby is formed, the probability of implementation of the policy being advocated by that lobby group falls.

Keywords : electoral competition, equilibrium policy platforms, lobby formation, opportunistic candidates

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