Exit, and the Theory of the Club

Economics models choices at the margin as about price. (continuous functions)
Public choice models choices of voters as Either/Or (Binary)

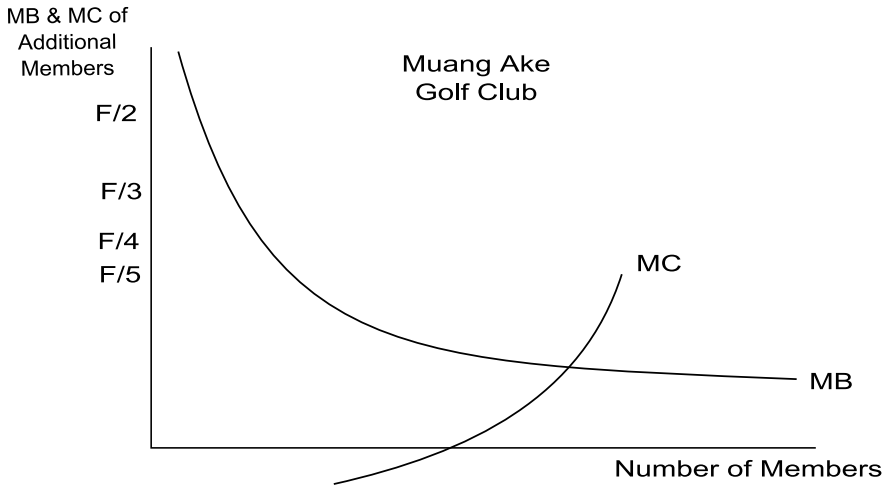
But voters (consumers) have an additional choice: Non-Participation, or exit
In Public Choice, this is 'Tiebot Voting", in Poly Sci, "voting with the feet"
Out voting models to date have assumed a fixed polity
But often, you can vote through decisions about participation

Quasi-Public Goods: Jointness of Supply, but Excludability
Can a non-rival public good be provided privately?
Yes, it can, if the public good is still excludable.

Examples: Sport clubs, social clubs, Co-ops, Condominiums

Example of a privately provided quasi-public good: a golf Club

Assume that all costs are fixed, at a certain optimal level, F
In that case, the only thing to consider is the size of the club, i.e. how many members
The graph below shows the MC and MB of additional members

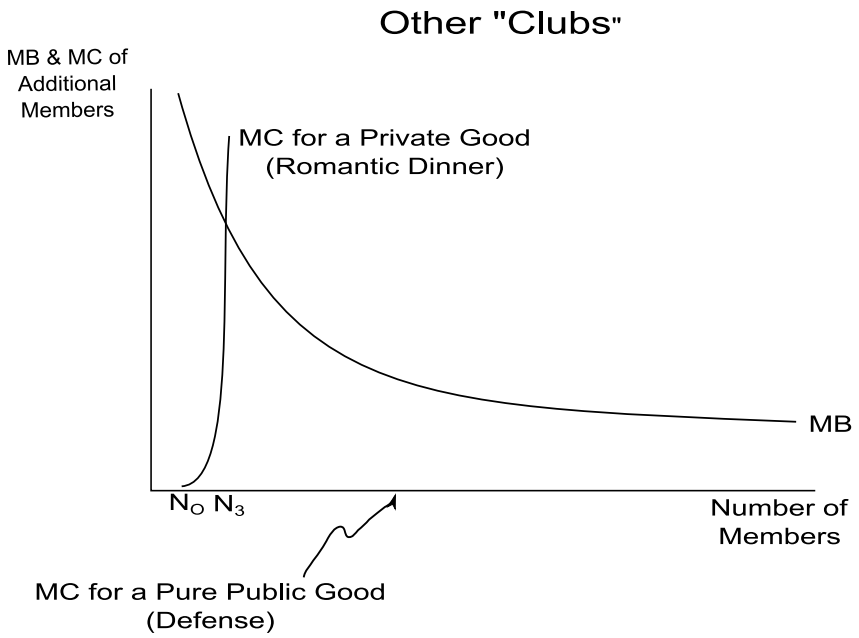


Explanation of the Graph.
As the number of members increases, the fixed costs are spread out over a greater number of people. MB (of a new member) thus slopes downward – the additional benefit of a new club member is always positive, but is decreasing as new members are added.

As the number of members increase, we are sharing the club with more members. At NC, the number of members is such that each new member begins to negatively effect our day – the club is becoming congested.

At N, we have the optimal number of members. Beyond this point, the lower price I pay because the costs are being spread out among more members is exceeded by the costs of waiting for them to get out of my way.

We can use this to model other clubs.



If we are talking about a pure public good, such as national defense, then our MC curve is on the horizontal axis. Our optimal club size is N

The optimal size of a club

Assumptions: are tastes homogenous

Often times, they are

Golf club, scuba club, rock climbing club, miniatures club

For larger clubs, more diversity

But part of club behavior is exit

In economics, we call this Tiebot Voting

"voting with the feet"

Do you hate crowds and traffic? How to make Bangkok less crowded

Solution: Move to Muang Ake

When does tiebot voting work?

Full mobility of all citizens

Perfect knowledge of club (state, district) characteristics

Availability of a range of options (differing combos) to select from

Absence of scale economies in the production of public goods (Federalism)

Absence of spillovers across communities

Absence of geographic constraints on earnings

Empirics

Do you see voting with the feet

In extreme cases, yes. Cuba and the U.S.

Anecdotal Data: Washington D.C., NYC "white flight"

Farang in Thailand

Exit and the Median voter Theorem

Up to now, we have assumed in the Median voter theorem that all voters vote

In fact, many voters choose to not vote

This can be due to

The high cost of voting

Rational ignorance

The irrelevance of the issue being voted on

Alienation

Assume again, our eleven representative voters

Eleven Voters, arranged on a High spending – Low spending axis (Left – Right)

Eleven voters deciding on spending levels for a Local School											
Voter	A	B	C	D	E	F	G	H	I	J	K
Desired Spending	20	17	13	12	11	9	8	8	5	5	4

Now, assume that nobody will bother to vote for any proposal that is more than 2 million baht above or below their ideal point.

Which would win with this additional restriction, 7 or 10? In that case, A, B, C and K all sit out the elections, they are "alienated". So our remaining voters are D to J. The median voter of this limited set is G, not F. G votes for 7, F votes of 10. 7 Gets more votes.

7 could be defeated, if we countered with 11. In that case, voter C takes an interest in the vote, and will also vote. Assuming F votes for 11 (not 7), it is now a 4 vs. 4 tie vote.

This is one way that vote systems incorporate Voter Intensity into the system.

In deciding how to vote, we actually have three choices

Yes, No, not going to bother.

Clubs can deal with this issue easily, people only join clubs they want to

Can a club discriminate?

"I would never join a club that would let me be a member"

Electoral Politics and Probabilistic Voting

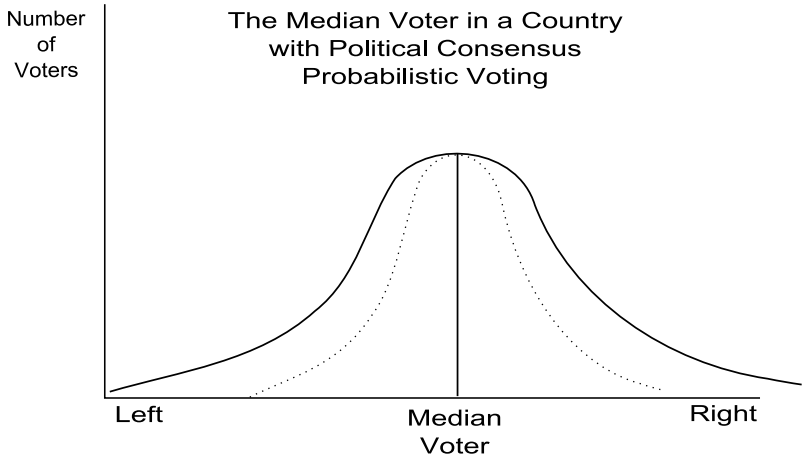
When voters have the option of not voting, the relative importance of the median voter goes down.

The importance of single issue voters goes up.

Graphic Example:

As we move away from the ideal point of any group of voters, their probability of voting for a candidate declines. They will still only vote for a candidate who is closer to their ideal point, but they may just not bother to vote.

In a normal distributions, nothing has changed



In a situation were one tail is larger than the other, our median "likely" voter has changed

In a situation where we have a divided electorate, running to the center
May end up being counter-productive