

ABSTRACT

“LEFT, RIGHT, LEFT: INCOME DYNAMICS AND THE EVOLUTION OF POLITICAL PREFERENCES OF FORWARD-LOOKING BAYESIAN VOTERS”

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The political left turn of the Latin American electorate, which lagged Latin America’s transition to liberalized market economies by a decade, challenges conventional economic explanations of voting behavior.

This paper provides a theoretical framework to help understand these complex political-economics dynamics. To do this, we first build on forward-looking voter models and analyze political preferences under general families of income transition functions. We show that non-concave functions, which offer no prospect of upward mobility for segments of the population, may result in stronger support for redistributive policies than might otherwise be anticipated. Interestingly, numerical analysis of the model based on estimated transition functions, suggests much stronger support for redistribution than actually materialized over the first decade of economic liberalization. We thus eschew the assumption that voters had full information on their new economic reality, and model voters as Bayesians learners. We show that starting from a prior that was consistent with the so-called Washington Consensus vision of liberalization, voters would be expected to exhibit the sort of political dynamics observed in most of Latin America over the last two decades.