

Jim Schummer (joint with Rakesh Vohra)

"Voting with Money"

Abstract:

Agents have single-peaked preferences over a 1-dimensional policy space, drawn from some distribution. We compare the surpluses of voting mechanisms that do (e.g.\ VCG) or do not (e.g.\ median voting) use taxation to implement an outcome. Subject to incentive constraints, the use of taxation allows a mechanism to choose more efficient outcomes. On the other hand, if taxation is sufficiently wasteful (e.g., the government/planner does not use the funds efficiently), then it is not clear whether the benefit from a more efficient outcome exceeds the cost of wasted tax dollars.