

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.

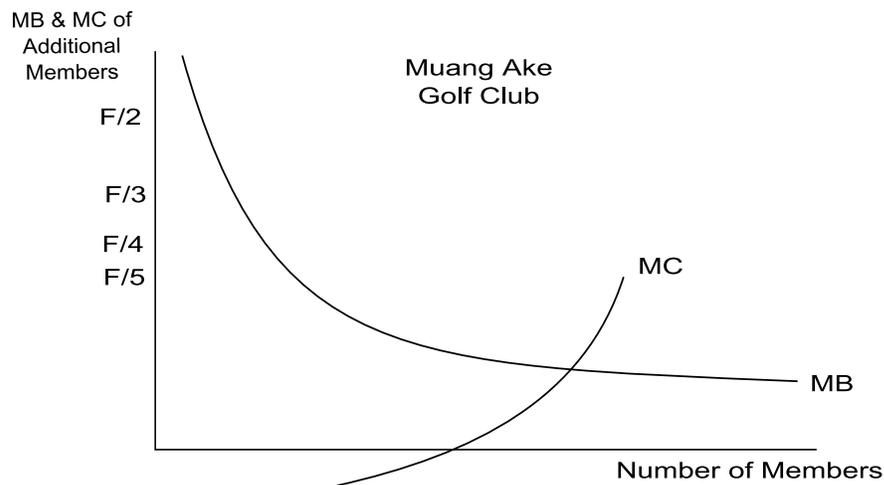
Examples: Sport clubs, social clubs, Co-ops, Condominiums

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



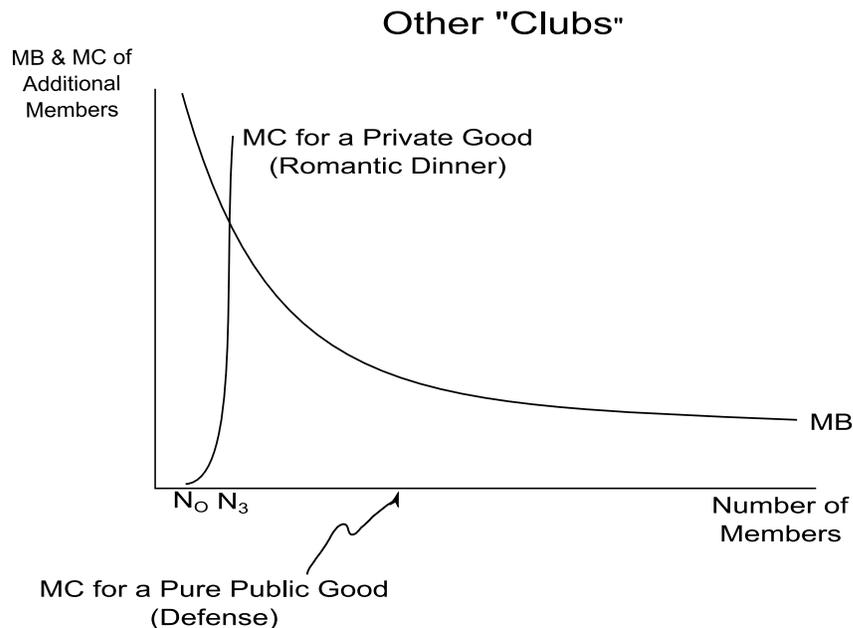
Explanation of the Graph.

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