



INTERDISCIPLINARY RESEARCH SEMINAR



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“Policy-advising competition and endogenous lobbies” (joint with Daniel Habermacher)

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Abstract

We present a general model of Bertrand competition between experts in a policy-advising market. A policy-maker can hire one of the experts or acquire information himself. We first characterize equilibria and show that an expert is never hired under centralization under a weak condition on the uncertainty about the environment. Second, competition reduces the costs of advice and may even cause an expert previously hired at a positive price to then engage in lobbying. Finally, hiring (competition from) a good expert may decrease social welfare if the policy issue is narrow and mainly concerns the policy-maker's own voters.