CENTRO DE ECONOMÍA APLICADA

Abstract

In a common-values election with two candidates voters receive a signal about which candidate is superior. Information is provided on an imperfectly competitive market. The paper studies how market structure affects the efficiency of the decision. Large elections behave in a similar way to "standard" markets. Competitive markets are efficient, while a low number of firms can generate relevant welfare losses. Markets with many media outlets are approximately efficient. Furthermore, imperfectly competitive markets provide an alternative explanation for the rational ignorance hypothesis.