The Myth of the Rational Voter

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The Myth of the Myth of the Rational Voter[1]

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The first time I heard about public choice theory was as a student in my Public Finance class, which back in those days was structured around Richard Musgrave's *Public Finance* book. My professor, Carl Shoup, mentioned an alternative approach to public finance that Gordon Tullock and James Buchanan were following down in Virginia. He said they called it public choice; he also said that it was kind of weird, and that he was not going to cover it, but that he thought we should be aware of it. I was intrigued. I like weird stuff, and I went out and read an article by Tullock on redistribution. I remember the irritation I felt upon reading it; it was wrong in so many ways. How did it ever get published?

The irritation was sufficient to lead me to submit an article outlining the many ways in which Gordon got it all wrong. The paper was rejected, with a comment from the reviewer that all my points were correct, but also obvious. He suggested that everyone knew that Tullock was wrong, but that Gordon was published because within his work every so often there was a pearl, or at least some pieces of sand that could lead to pearls. (Over the next 35 years, I discovered the insight of that reviewer, and agree that Tullock Irritation can produce not only hemorrhoids, but also pearls; and I have used Gordon as a role model for my writings in economics—I can see Gordon cringing.)

Public Choice has moved from Virginia and has taken up residence at George Mason, where it is now in the process of transferring the torch from the old public choice of Buchanan and Tullock to the new public choice of Bryan Caplan and Tyler Cowen, with Caplan playing the Tullock role and Cowen playing the broader, more reasonable, Buchanan role. Thus it is not surprising that I'm reminded of that history when reading Caplan's *Myth of the Rational Voter* (2007) because I felt the same irritation upon reading Caplan that I felt upon reading Tullock more than thirty years earlier. Caplan is wrong in so many ways.

In this paper I will summarize some causes of my irritation with Caplan's arguments and explain why I see the book as misguided at best and completely vacuous at worst. That said, I also now have the advantage of age, and like the earlier reviewer of my never-published paper on Tullock, I now recognize that within vacuous and misguided arguments, especially those that irritate the most, often are the sand that lead to later pearls.

I will concentrate my comments on three central differences I have with Caplan.

(1) Caplan's presumption that there is a generally accepted theory of democracy that tells us that democracies make good decisions.

[1] I would like the thank Tyler Cowen for helpful comments on an earlier draft of this paper.

(2) Caplan's presumption that there is a policy choice between the market and democracy.

(3) Caplan's presumption that economists' view of economic policy is sufficiently "better" than non-economists' view of economic policy to warrant a change in the constitutional structure of our democratic society to give economists more votes in the democratic decision process.

On the Limitations of any Theory of Democracy

Caplan's argument is a neat one: it is that the theory of democracy out there that tells us that a well-functioning democracy will arrive at "good" decisions, which he interprets as being decisions that society would arrive at were people fully rational and knowledgeable. Caplan argued that theory is wrong, and that well-functioning democracies cannot be expected to arrive at "good" decisions. Even if we accept his definition of "good," which takes an enormous leap of faith, I know of no such definitive theory. The last time I looked into such issues—admittedly some 30 years ago, while studying with Sen at Oxford--I thought that they had been explored in depth in social choice theory, and that no normative theorem of democratic choice leading to "good" decisions had been found, regardless of how "good" is defined.

About the only people I knew of who even thought it was worth searching for such a formal theory of democracy were some members of the old public choice school, which was one of my initial irritants with Tullock's work. But the old public choice quickly moved beyond that and started looking at more specific issues that were not dependent on such a theory existing. As it did so it became more interesting and relevant. After all, if you can't explain why rational people vote, you have a hard time developing a rational choice theory on democracy based on the assumption of rational people.

There is one strain of that rational choice school that did make an argument that democracy might lead to "efficient" results. That is the work in political science of Donald Wittman (1995), who has argued that democracy leads to "efficient" results. (Whether efficient equates with good is something else subject to debate.) Caplan's book seems to be a response to Wittman, and were it presented as a response, I'd accept it as part of the normal academic argumentation about angels on pins. But Caplan presents it as much more than that; he assumes that the argument for democracy stands on Wittman's argument and on acceptance of the entire rational choice justification for democracy. That I do not accept. The people I talk to have never relied on a rational choice justification for democracy, and the academics I talk to don't see Wittman's work as definitive or even especially persuasive. So, from my perspective, in terms of formal theory, Caplan is tearing down a toothpick, not a pillar.

One of the bugaboos of the old public choice theory is that picturing individuals as selfish maximizers cannot explain why people vote in large electorates, since the probability of affecting the outcome is so small. The answer to that, which most economists accept, and that is now starting to get some theoretical consideration in the behavioral economics work, is that individuals are not pure selfish maximizers; they have multiple motives—some selfish, some altruistic, and some reflecting bounded rationality. That more realistic sense of individuals, which behavioral economists are working on formalizing, has no formal theory, and thus does not offer any way of justifying democracy. But as I argued in Colander (2004), while rational choice theory may sometimes be used as a justification for democracy, it is neither necessary nor sufficient.

How then do we justify democracy, if not with formal rational choice theory? For most people the answer to that question is that we don't have to justify it—it exists, and we accept what exists. (It is hard to imagine how a society would function if most individuals did not accept what exists simply on the basis of existence, but instead tried to super-rationalize everything.) The existence argument is, in my view, extraordinarily strong; it states that we know that the systems that exist work, however badly they might work, and that we do not know that any other system will work in practice. For those who want a "stronger" justification, that justification is not to be found in theory, but in history; most people who have studied the issue have concluded that the democracy we have works better than the alternative forms of government that have been tried.

Caplan doesn't like that "works better" justification. His dislike of it is understandable since it undermines his argument. The problem for Caplan is that someone who accepts the "works better" argument can also accept that democracy often comes to "bad" and not "good" results—interpret "good results" as results that an individual believes society would have arrived at if all members of society had that individual's understanding of the issues—and still support democracy as our system of governance. That's the case for me.

Caplan suggests that anyone who holds the "works better" justification for democracy (such as I do) is a democratic fundamentalist, by which I assume he means that we uncritically support it. I don't see it that way; my support for democracy is far from absolute. It works in Western societies with relatively homogeneous populations, and a large number of supporting institutions. Its success is fragile, and not necessarily transferable to other institutional settings. They believe that establishing a democracy will "solve" a divided society's problems is ludicrous.

Democracy comes under too little scrutiny from scholars, who should have been in the lead cautioning against flag waving attempts to impose democracies on other societies and cultures. To the degree that Caplan's book contributes to undermining that unthinking democratic fundamentalism and leads to more scrutiny of democracy, I applaud it; his criticism might just be the sand that leads to a pearl.

Since I am an economist, in terms of what would be good policy I find myself in broad agreement with Caplan's views of what would be good policy. Thus I can accept his argument that from an economist's point of view, democracy often comes to "bad" results. But I draw no policy implication from that argument, just as I would not draw any policy implications from the fact that psychologists, lawyers, doctors, and military scientists often think that democracy comes to "bad" results from their perspectives. Where I disagree with Caplan is in whether that sense that democracy isn't following the "best" path suggests that economists should somehow have their voices given more weight on economic issues in the democratic voting process. He believes they should. I disagree.

For those, such as me, who hold a "works better" justification for democracy, the fact that democracy often comes to "bad" results does not necessarily mean that we should change the institutions of democracy so that democracy comes to "better" results. Doing so would undermine the justification one has for its coming to better results. Any discussion of changing the core aspects of an ongoing democratic system needs to take into account Buchanan's important distinction between the constitutional foundations of a polity and the laws of a polity. Those principles embodied in the constitution are part of our democracy's hardware. Changing the constitution should only be done with extreme care since changing them runs a high risk of undermining the entire system. The laws of a democracy are somewhat more changeable. The one-person, one vote principle is, in my mind, part of the constitutional core of our democracy. Caplan does not seem to make that distinction, and thus he is open to changing anything.

My view is that Caplan's policy suggestion that we give "extra votes to individuals or groups with greater economic literacy" (p. 197) or that we "reduce or eliminate efforts to increase voter turnout" (p. 198) are, and should be, non-starters precisely because they undermine the constitutional myth of our democracy and equality. It is that myth that is central in holding our political structure together.

There is No Policy Choice between the Market and Democracy

A second pillar of Caplan's argument is that society can choose between democracy and the market. He writes, "In democracies the main alternative to majority rule is not dictatorship, but markets." This choice is, in my view, a false choice. The policy choice democracies face is not between government democracy and the market. The policy choice is between direct control of individuals through some form of direct regulatory control (which has many shades and variations) and indirect control of individuals through the market (which has many shades and variations as well.) Both the market and regulation involve control by society of individuals' actions; the market just hides that control in its enforcement of the property rights upon which markets are built.

In a democracy, the people, through government, determine how those methods of control work out in both direct and indirect control, and thus democracy is fully consistent with the market, if a democracy chooses to exert control through the market. The market is a type of automatic control that the government has developed. The advantage of the market is that it removes a set of questions from direct democratic decision, in the same way that the creation of an independent regulatory body that operates separately from democratic control, such as the Fed, removes a set of questions from direct democratic decisions while controlling the aggregate. I think of the market as a type of automatic control for societies. Since addressing questions in the democratic process is costly and often raises constitutional questions, the consideration of which may well undermine the stability of the society, this automatic control offers enormous advantages for democracies. Government control through markets means that the government cedes some of its everyday control to the market, by establishing and enforcing property rights and rules of trading.

My point is that in a democracy there is no choice between the market and democracy; democracy rules over the market; it determines the property rights that allow markets to operate smoothly. If a democracy chooses not to have legal markets, then it will not have legal markets.

The choice society faces is not between democracy and the market, the choice is between anarchy, autocracy, and democracy and the many blendings of these that exist. Each of those systems can have varying degrees of, and different types of, markets. China is an example of a country that is currently ruled by autocracy and that is using markets. Iraq is an example of a country that is operating under almost anarchistic conditions, which severely limits the use of markets. Since this supposed choice between democracy and the market underlies many of Caplan's arguments throughout the book, he is building his argument on a non-existent foundation.

One can fully support markets (something I do) and also support a different set of property rights than we currently do. Thus, with markets, there is a twofold debate that Caplan conflates. The first is whether one supports markets as an alternative to direct control through some central authority. The second is whether one supports the existing set of government-protected property rights as the basis for current market relationships.

If one does not accept existing property rights as appropriate, one is led to a third question—whether one can change property rights within the existing democratic system while maintaining the aspects of markets that one supports. The answer I come to is that the degree to which already granted property rights can be changed explicitly in a democracy is highly limited, but that property rights are continually changing with changing technology. One of the economist's roles in society should be to help society choose that set of property rights that are most beneficial to society. This is necessarily a normative issue, and applied economics' attempt to avoid normative issues has limited their effectiveness in helping guide the society to an efficient set of property rights.

Economists' View of Policy Is Better than Others' View of Policy

Let me now turn to my third objection to Caplan's argument, which is his implicit presumption that economists know best about economic policy. He supports this view by arguing that, after all, economists are experts, and experts know better. I have two problems with that argument.

The first problem is that there is no reason to believe that economists are experts about economic policy. They don't get trained to do policy, so why should they be experts in policy? Policy is complicated. It involves making difficult tradeoffs that requires a strong understanding of the economy's institutional structures. Unfortunately, institutional structure is not taught in graduate school. Economists' graduate training is in economic theory, and in how to handle statistical data in preparation to become economic scientists, not in how to do policy analysis. As an example of their lack of training in policy, consider the views on monetary and fiscal policy of graduate economics students at top graduate schools in two studies that I did. (Colander and Klamer, 1987; Colander, 2006). In those studies I found that students' policy views had changed significantly over the past 20 years. For example, whereas twenty years ago Chicago students strongly believed in a monetary rule, and disagreed that fiscal policy would be effective, while Yale, Harvard and MIT had fundamentally different beliefs, 20 years later they no longer differed in their views. Views of policy were similar among all schools.

Caplan refers to my result in his book, suggesting that the results demonstrate that economists do have a preferred view, and that the experts come to a single view on policy over time. That is not the way I interpret the result. Specifically, when I asked students why there has been a convergence of views, the students at all schools said that their graduate macro courses had never mentioned either monetary or fiscal policy. As one student stated, "Monetary and fiscal policy are not abstract enough to be a question that would be answered in a macro course." Since their views on policy did not come from their graduate training, there is no reason to even think that the training will give them expertise in policy.

Reiterating my point: policy depends on much more than the theory and statistical analysis that economists learn. It depends upon non-economic elements that economists have no specialization in; it has to do with normative goals—what if society is not interested in maximizing total output regardless of who gets that output? What if society does not like comoditization of certain activities? It is not for economists to tell people what they like, and yet that is precisely what they would be doing if they draw policy conclusions from their arguments.

Because policy analysis and the science of economics are fundamentally different, Classical economists maintained a strict demarcation between the two. J.N. Keynes (1891) captured the Classical demarcation in his *Scope and Method of Economics*, in which he made it clear that policy discussions belonged not in positive economics, not in normative economics, but in the art of economics. (Colander, 2001) Lionel Robbins (1981) later reaffirmed Keynes' position when he advocated a separate "political economy" branch of economics. More recently, in this journal, Peter Ordeschook (1995) made a similar distinction between science and engineering. Science helps understand how the economy works; engineering helps solve problems. Policy belongs in the engineering branch, and graduate economics students today are not trained to be policy engineers, rather they are trained to be theorists and statistical technicians. Thus, they do not have training in policy to warrant their being considered experts in economic policy.

My above arguments mean theorists shouldn't play around with ideas and how they might relate to policy; it simply means that theories should not take that playing around too seriously. When grand theories not fully grounded in empirical, institutional, and real-world understanding are used for to engineer and design policy it's a recipe for disaster. That's why Lionel Robbins wanted to make it clear that economic science had nothing to say about policy. In a comment that holds as true today as it did then, Robbins wrote:

> What precision economists can claim at this stage is largely a sham precision. In the present state of knowledge, the man who can claim for economic science much exactitude is a quack. The problems of human motive we have to analyze with the "vast amorphous phantoms" of psychology at their back, are nebulous enough in all conscience. It is not because we believe that our science is exact that we wish to exclude ethics from our analysis, but because we wish to confine our investigations to a subject about which positive statement of any kind is conceivable. (Robbins, 1927, 176)

My point is that social science theory may help us to understand issues, but that that understanding is far too meager for us to move to informed practical policy suggestions. That movement requires wisdom, knowledge of institutions, and an instinct, none of which is required for academic theoretical work. To call an economist who is trained and statistical techniques in theory an expert in economic policy is similar to calling a chemist a good cook because he has studied the chemical makeup of food.

But let's say, for argument's sake, that economists were actually trained in policy, and thus had some claim to be policy experts. Let's also say, again for sake of argument, that giving more votes to economists would not violate the constitutional hardware of our society. Even then I would not support Caplan's argument giving more votes to economists in a democratic decision process. The reason is one of framing and the limitations of experts. Real-world economic problems all have significant non-economic dimensions in which economic experts cannot be expected to be specialists. They are trained in a sub area, which means that they frame highly complex issues in a certain way, even though almost any policy problem could be framed in many ways. Specialists, such as economists, develop a frame, and train future economists in that frame. Their training makes them specialists in certain aspects of a question, but it also blurs aspects of the question that would be perfectly clear in another frame. Society cannot rely on experts in any sub-field for a "correct" answer—only for a correct answer given their frame.

As an example of the problem that can develop when economists become too confident of their frame, consider their history with eugenics, which David Levy and Sandra Peart have explored. (Levy and Peart, 2005) They point out that economists at the turn of the 19th century were strong supporters of eugenics, because it offered a way to efficiently improve our species and, within their frame, improve society. Society chose not to follow their frame, and that turn-of-the-century economists' support for eugenics looks strange today. That history should provide a cautionary note to any who rely on an expert's judgment about policy. Caplan, unlike some of his fellow George Mason economists, seems unaware of that cautionary note.

While I object to giving more weight to economic experts in the voting process, I would strongly support economists having more weight in the decision process by which our society makes its choices about economic policy. By that I mean that in real world democracies, while all people have an equal vote, all people do not have an equal influence. All real-world democracies are guided by an elite that has an unequal say in the policies that are chosen by the democracy; they frame the questions. In my view the openness of a democracy's elite to competition and change is a fundamental aspect of a well-functioning democracy. Economists are a part of that elite, and how influential their ideas are depends on how they interact with others in that elite. The dissatisfaction of economists with their influence on policy, that Caplan is taping into with his book does not involve the functioning of the democracy and of the intelligence of lack of intelligence of the voters, but instead, the failure of economists to advance their views within the elite. If economists were more persuasive in their policy argumentation, which they could be if they focused their work on policy relevant research and writing, and not on esoteric academic debates that advance them in their careers, but are not specifically directed at solutions to real world problems, they would have more influence. If Caplan's book leads economists to change their focus away from academic game playing, then it may well have spread some sand that might one day lead to a pearl.

Conclusion

Let me conclude. The myth of the rational voter is itself a myth—a play in theory that has little relevance to the real world. But so too, in my view, is almost all rational choice political theory. It is academic game playing. To understand that game playing, one merely needs to turn the rational choice framework upon itself. If one assumes all agents in the model exhibit rational choice, then one must also assume that the theorists such as Caplan are exhibiting rational choice behavior. As I have argued elsewhere (Colander, 1991) in today's environment, academics' incentives are to gather publications, not to provide insight, and that while there is some relationship between the two, that relationship is tangential.

This book will advance Caplan's career and thus should be seen as a success. It will provoke discussion among academics and therein lies the sand that may ultimately lead to a pearl. It will do so because it demonstrates a wonderful irreverent attitude, and a willingness to attack sacred cows in the Tullock tradition. The economics profession needs more such academic dogs who see the pillars of the established wisdom as fire hydrants to water, not as sacred pillars to worship. It's the watering that creates the potential for some later pearl. It is my hope that the Cowen/Caplan reign in public choice creates as many pearls as did the Buchanan/Tullock reign.

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