

Economics and voter irrationality¹

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Bryan Caplan's *The Myth of the Rational Voter* was originally titled "The logic of collective belief: the political economy of voter irrationality," and its basic argument goes as follows:

- (1) It is rational for people to vote and to make their preferences based on their views of what is best for the country as a whole, not necessarily what they think will be best for themselves individually.
- (2) The feedback between voting, policy, and economic outcomes is weak enough that there is no reason to suppose that voters will be motivated to have "correct" views on the economy (in the sense of agreeing with the economics profession).
- (3) As a result, democracy can lead to suboptimal outcomes--foolish policies resulting from foolish preferences of voters.
- (4) In comparison, people have more motivation to be rational in their economic decisions (when acting as consumers, producers, employers, etc). Thus it would be better to reduce the role of democracy and increase the role of the market in economic decision-making.

Caplan says a lot of things that make sense and puts them together in an interesting way. Poorly-informed voters are a big problem in democracy, and Caplan makes the compelling argument that this is not necessarily a problem that can be easily fixed--it may be fundamental to the system. His argument differs from that of Samuel Huntington and others who claimed in the 1970s that democracy was failing because there was too much political participation. As I recall, the "too much democracy" theorists of the 1970s saw a problem with expectations: basically, there is just no way for "City Hall" to be accountable to everyone, thus they preferred limiting things to a more manageable population of elites. Caplan thinks that voting itself (not just more elaborate demands for governmental attention) is the problem.

Bounding the arguments

I have a bunch of specific comments on the book but first want to bound its arguments a bit. First, Caplan focuses on economics, and specifically on economic issues that economists agree on. To the extent the economists disagree, the recommendations are less clear. For example,

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some economists prefer a strongly graduated income tax, others prefer a flat tax. Caplan would argue, I think, that tax rates in general should be lowered (since that would reduce the role of democratic government in the economic sphere) but it would still be up to Congress to decide the relative rates. This isn't a weakness of Caplan's argument; I'm just pointing out a limitation of its applicability. For another example, Caplan asks, "Why are inefficient policies like the minimum wage popular?" Isn't this a question of values? My impression is that some economists support a higher minimum wage, some don't.

More generally, non-economic issues--on which there is no general agreement by experts--spread into the economic sphere. Consider policies regarding national security, racial discrimination, and health care. Once again, I'm not saying that Caplan is wrong in his analysis of economic issues, just that democratic governments do a lot of other things. (At one place he points out that the evidence shows that voters typically decide whom to vote for based on economic considerations; see, for example, Hibbs (2008). But, even though the economy might be decisive on the margin, that doesn't mean these other issues don't matter.)

Another example is Caplan's discussion of toxicology, an area that I happen to have worked in. One of the difficulties is that people underestimate some risks and overestimate others. Thus, simple advice such as "worry" or "don't worry" aren't so helpful. Especially since there is typically a lag between exposure and health problems. In his discussion, Caplan ignores some of the political factors. On one side, industry has a lot of motivation to downplay the risks, and they do lots of lobbying in Congress. On the other hand, agencies such as the EPA sometimes are motivated to overstate risks. So these views don't occur in a vacuum.

Finally, Caplan generally considers democracy as if it were direct. But I think representative democracy is much different than direct democracy. Caplan makes some mention of this, the idea that politicians have some "slack" in decision-making, but I suspect he is understating the importance of the role of the politicians in the decision-making process.

Specific comments

Later on, he writes, "What is the full price of ideological loyalty? It is the material wealth you forego in order to believe." I think that's part of it but not all. For example, suppose I have a false belief that the economic policy of party A will be good for the country. I (and others like me) vote for A, the party wins the election, implements the policy, and things get worse (compared to what would have happened had party B won). I will be a little unhappy to hear about the problems in the national economy. To the extent I care about others (and, as Caplan notes, that's why I'm voting in the first place, also probably a big motivation of why he wrote his book), if I have loyalty to a bad ideology, I'll pay the price in terms of a negative national outcome, even if I'm not personally affected.

Regarding the views of economists and others, I was surprised to see Caplan write, "Out of all the complaints that economists lodge against laymen, four families of beliefs stand out . . . anti-market bias, anti-foreign bias, make-work bias, and pessimistic bias." I'm surprised to hear this,

because I thought that the two concepts that economists thought were most important (and ignored by noneconomists) were (a) opportunity cost, and (b) externalities. These two concepts arise in most of Caplan's examples so maybe it's just a labeling issue, I don't really know. It's also funny that Caplan mentions "pessimistic bias," since his book is itself so pessimistic!

On a similar point, he has a quote "ridiculing the 'abundance denial' of the developed world." I don't know what he's talking about! People in the U.S. have more cars, T.V.'s, etc, etc, than ever before! This doesn't look like "abundance denial" to me! Yes, there are poor people in the U.S., but on the average people consume a lot of material goods. Perhaps the problem here is that economist Caplan is judging psychological issues, whereas I (a political scientist) am trying to make an economic judgment.

In discussing the political consequences of his ideas, Caplan writes, "asymmetric information leads to less government." I see what he's saying, and this is a key part of his argument, but I don't know that this is often possible. For example, consider crime control. Ethnic-minority voters often don't trust the police, but having less police isn't considered a desirable outcome either. Similarly, if I don't think the government is doing enough to protect us from terrorism, I probably won't say the solution is to have a less active government. (Wanting less government protection from terrorism might be a legitimate view to hold, but it doesn't seem to me to be the natural view.)

To return to issues of psychology, Caplan correctly points out that preferences are unobservable. I'd go further and say that latent preferences (and "utility functions") don't even exist. We construct our preferences as need be to solve particular problems (see Lichtenstein and Slovic, 2006).

Caplan expresses surprise about "the political influence of great poets like Pablo Neruda"--why should people trust a poet's view on political issues? I think he's missing the point, which is that a poet can take a view that one might already have, but express it very well. More generally, celebrities symbolize a lot of things. I don't know why seeing Michael Jordan in an ad would make someone more likely to go to McDonald's, but they pay him a lot of money to create these associations.

One of the interesting things about this book is seeing an economists' perspective on issues of political psychology. Conversely, in discussing the views that political scientists and others have of economics, Caplan writes, "it is usually economists themselves who discover the exceptions [to 'market fundamentalism'] in the first place." Maybe it would be more accurate to write that some of these ideas are taken more seriously by economists, hence they take the trouble to note the exceptions. Scientists in other fields would often never even entertain "market fundamentalism" in the first place so they don't bother to refute it. For example, when I told my psychology-professor friend about my ideas on rational voting, he wasn't particularly interested because psychologists know all about how people are irrational. They don't see rationality as expected. I see rational-choice arguments as complementing rather than competing with psychological explanations of political behavior. Others have examined different ways in which

such models are useful. For example, Caplan writes, “A worker could always offer to work for a reduced salary in exchange for more on-the-job safety,” but Dorman (1996) argues convincingly that this does not actually happen.

Summary

It is too much to expect any player in the political system to be entirely rational--Ansolabehere and Snyder (2003) argue that even lobbyists are not particularly rational in their campaign contributions. Despite what is sometimes said, voting is *not* particularly irrational as compared to other social and political activities. Voting has low cost and a very small chance of making a difference, but in that unlikely event, the difference can have huge repercussions nationally and globally; hence, the expected return from voting is arguably on the same order of magnitude as its cost (see Parfit, 1984, and Edlin, Gelman, and Kaplan, 2007).

Much of the work on the rationality of voting focuses on the decision of whether to vote, and which candidates to vote for. Caplan usefully switches the focus to policy, and he does a good job at exploring the implications of the fact that people don't have an economic motivation for being good voters. Even when they are voting rationally (by their own views), the feedback mechanism for updating their preferences is pretty weak.

I'm not so convinced by Caplan's arguments in favor of the alternatives of rule by business or rule by educated elites. I think his main argument (theoretical and practical problems with democracy) can be separated from some of his more debatable stances.

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