

A Democracy of Dunces?

BY SHELDON RICHMAN



When pro-free-market critics of democracy explain why laissez faire is not a winning election issue, they usually say that voters have no incentive to research economic policy because one vote won't sway the election and the expected payoff to any individual voter is infinitesimal. So, quite rationally, they vote on other bases. This "rational ignorance" leaves space for special interests to have their way, although if the voters paid attention they wouldn't put up with it. That explanation leads to the conclusion that democracy does not work because outcomes diverge from what people really want.

On the other hand, fans of democracy think that the rejection of laissez faire shows the system is working just fine.

In other words, both sides agree that voters are rational under the circumstances.

Which story is true? Maybe neither.

The Myth of the Rational Voter: Why Democracies Choose Bad Policies, by George Mason University economist Bryan Caplan, offers another explanation for why pro-market policies don't do well at the ballot box: Voters feel that interventionist policies are good policies and have no incentive to acquire information that would upset long-held preferences. Caplan writes, "In the naive public-interest view, democracy works because it does what voters want. In the view of most democracy skeptics, it fails because it does *not* do what voters want. In my view, democracy fails *because* it does what voters want."

For Caplan, the basic problem is that in a democracy, individuals don't pay the price for their preferences: "In economic jargon, democracy has a built-in *external-*

ity. An irrational voter does not hurt only himself. He also hurts everyone who is, as a result of his irrationality, more likely to live under misguided policies. Since most of the cost of voter irrationality is *external*—paid for by *other people*—why not indulge? If enough voters think this way, socially injurious policies win by popular demand."

Caplan says lots of people systematically (not randomly) make foolish choices at the ballot box about economic policies because they dogmatically believe those policies are good for the country. They don't

understand the benefits of the free market and would resist the evidence. Moreover, "the price of ideological loyalty is close to zero. So we should *expect* people to 'sate' their demand for political delusion, to believe whatever makes them feel best."

Why do people have faith that bad economic policies are good? Because they incorporated biases into their worldview as they grew up and have no desire to examine them. Most people don't study economics, and most who do don't let their studies "corrupt" their biases. Market ideas are not intuitive. Caplan points out that while political scientists have been empirically

documenting voters' systematic bias against free markets, economists have failed to assimilate the findings.

He breaks the bias down into four varieties: anti-market bias, antiforeign bias, make-work bias, and pessimistic bias. Antimarket bias refers a "tendency to underestimate the economic benefits of the market mechanism." This comes from the counterintuitiveness of spontaneous order ("invisible hand"), win-win

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exchange, general good arising from self-interested action, the social role of profit, market pricing, and so on. I think this bias stems partly from the derogation of self-interest so common in religion and secular moral philosophy.

Antiforeign bias means underappreciation of the benefits of trading with people in other countries. This apparently results from some natural but unreasonable fear of foreigners, as well as a lack of understanding about the division of labor and law of comparative advantage. The result is a disposition against unconditional free trade.

The make-work bias, Caplan writes, is the “tendency to underestimate the economic benefits of conserving labor.” It shows up whenever something—technology, foreign competition, whatever—makes particular domestic jobs unnecessary.

The fact is that wants always exceed resources and labor. So when we can accomplish a task with fewer resources and less labor, the savings are available for new things we couldn’t afford yesterday. There’s no need to make work.

The final category of bias is the pessimistic bias—“a tendency to overestimate the severity of economic problems and underestimate the (recent) past, present, and future performance of the economy.” This is the prevalent belief that the present does not live up to some golden age. Of course, back in that supposed golden age, people were saying the same thing about some previous golden age, and so on, ad infinitum. Caplan notes that this belief has been attributed to the gradualness of progress (Smith) and to human nature (David

Hume). Regardless of the cause, the tendency toward pessimism seems resistant to facts. People think ours is an era of decline, while economists argue over whether the rate of *growth* is slowing or not.

Caplan’s thesis is more complex than I’ve indicated here, so interested readers should buy the book. I’ve not dealt with many questions, such as the role of special interests and whether government’s systematic historical intervention on behalf of business has tainted people’s

sense of what free markets and capitalism mean. But the core of the thesis strikes me as sound. It’s not what voters don’t know that brings them trouble, but what they know that isn’t so.

Caplan’s solution is to “rely more on private choice and the free market.” Good idea, though you’d have to get people to vote for that, so I’m not sure how effective it would be. Economic education for the public would also seem in order. But just straightforward teaching won’t be enough, for as Caplan elaborates, people hold fast to their errors through “emotional commitment.” He writes: “A good teacher could change some minds, but

the best teacher in the world would be lucky to convince half.” Dogma dies hard.

At the very least, this implies that the case for liberty must be pressed across the entire cultural front, especially in movies and novels where emotions as well as reason can be appealed to. We must find emotional commitments in the population that are consistent with freedom. Libertarian strategic wisdom may well begin with Jonathan Swift’s insight: “It is useless to attempt to reason a man out of a thing he was never reasoned into.”

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