CRITIQUE OF CAPLAN'S *THE MYTH OF THE RATIONAL VOTER*

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IN *THE MYTH OF THE RATIONAL VOTER: Why Democracies Choose Bad Policies*, Bryan Caplan attempts to forge a new direction for public choice theory by arguing that, contrary to accepted belief, voters make irrational political choices. Throughout his book, Caplan refers to particular anti-economic biases amongst citizens, which he feels challenge the commonly held assumption that voters are rational. Caplan asserts that democratic failure is thoroughly a result of these irrational biases, and that citizens are largely to blame for problems within the American political system. While Caplan's book should be praised as an engaging analysis that is accessible to both scholars and the learned public, ultimately it is far from the comprehensive theory and new direction that he had wished to establish (2007, 94–113). This is due to logical inconsistencies that are inherent in his concept of rational irrationality, his skepticism of democratic failure, and his apparent apologetic attitude towards politicians.

I. Caplan's Rational Irrationality

Early in the text, Caplan (2007) makes it clear that his intention is to demonstrate that voters make irrational political choices and deserve the share of the blame for our failures within the American democratic system. To provide evidence to support this claim, Caplan utilizes the Survey of Americans and Economists on the Economy (SAEE), which contrasts the public's views of economic issues with those of academic and professional economists. In doing this, Caplan assumes that economists have a more accurate understanding of the economy than the average citizen. He also assumes that citizens tend to hold more distorted views of the economy than do economists. Some of the more egregious examples of these disparities are

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that citizens attributed higher levels of foreign aid spending, higher levels of immigration, and larger tax breaks for businesses as significant causes of economic problems within the United States (2007, 58, 59). On the other hand, economists tend to criticize these variables much less, noting that foreign aid spending is only a fraction of the federal budget, tax breaks more or less help businesses, and immigration benefits everyone. In Caplan's view the public remains highly skeptical of market processes and lacks a thorough understanding of its benefits to society, while economists tend to have a more thorough understanding of the market and typically embrace it as a positive tool for societal progress.

Expanding on the disparities discovered in the SAEE, Caplan asserts that citizens possess four distinct anti-economic biases. The first, the anti-market bias, states that citizens feel skeptical about the ability of profit-seeking businesses to provide the socially optimal outcome (30). The second, the anti-foreign bias, states that citizens are distrustful of international trade despite the comparative advantage that is gained through such trade (36–38). The third, the make-work bias, states that citizens believe that any addition of labor contributes to overall social prosperity without considering if that labor actually adds to overall productivity. The fourth, the pessimistic bias, states that citizens tend to "overestimate the severity of economic problems and underestimate the (recent) past, present, and future performance of the economy" (44).

Caplan argues that by holding these biases, citizens possess an irrational outlook of how the economy functions which inevitably leads them to make irrational policy demands of their representatives. His rationale is that a more "enlightened" public (one with the same level of knowledge as economists) would look at the same issues and make more rational and less biased policy choices. For example, an "enlightened" public would believe that market forces provide socially optimal outcomes, trade benefits all parties involved, and efficiency is more important than full employment.

Caplan employs a utility function to demonstrate that it is rational for citizens to be politically irrational. He states that when one considers the minimal influence one has over the outcome of an election, the costs of being an educated, non-biased agent are excessive, while being irrational requires little effort or cost (133–34). One example he uses to explain this trade-off is tariffs (144–46); although citizens desire economic prosperity, their biases against foreigners induce them to support protectionism, even though limiting competition through tariffs maintains higher prices and burdens consumers.

While this thesis may be compelling, problems arise as a result of assumptions made in his methodology. Caplan equates bias with irrationality, but are these concepts interchangeable? Citizens may have "anti-economic" biases, but that does not preclude that they are irrational about economic affairs. Individuals may form opinions out of their inadequate understanding of the economy, but that does not make the individuals irrational. In the case of tariffs, as described earlier, an individual's support of protectionism stems from their insufficient understanding of market processes and their immediate self-interests rather than some form of irrational mentality. The citizen bias, as described by Caplan, points more directly to the ignorance of individuals rather than their irrationality. As Friedrich Hayek (1944) notes, no individual possesses a full understanding of the economy, not even economists. Economists may be more informed on how the economy functions, but that does not indicate that they are more rational than citizens. How are economists more rational than ordinary individuals? Moreover, where is the line between rationality and irrationality? Irrationality appears to be inherently difficult to prove. What is the standard by which we determine rationality? Caplan does not provide one. It seems easy to claim that citizens are irrational, but there must be substantial evidence to support this conclusion.

For instance, in light of the recent financial crisis, some economists (notably Paul Krugman) argue that individuals should have anticipated a potential bubble formation and yet they still made poor investment decisions (Krugman 2009). For their blatant mistakes, Krugman is inclined to believe that consumers are irrational. But what Krugman forgets is that individuals act within their immediate context. Individuals do not have perfect knowledge of the market or the workings of monetary policy. It makes sense for individuals to act in an "irrational" way because under the circumstances, given the available information, they would be foolish to do otherwise (O'Driscoll Jr. and Shenoy 1976). This does not make individuals irrational, but rather they are acting rationally within the limitations of their current knowledge.

In a similar way, Caplan accepts political irrationality without fully taking into account both the complexities of political markets and the time preferences voters possess. Much as investors react to economic signals, voters respond to political signals. In an election these include candidate platforms, media coverage, polling data, and approval ratings amongst other indicators. Due to the often excessive levels of media bias and semi-deceptive campaign ads, individuals either do not receive the appropriate information they need to make an "informed" vote, or they receive it packaged with politically charged rhetoric that makes it difficult to filter. In this sense, individuals are largely unaware of important information and the information they do possess is already politically tainted in an effort to sway the individual to a particular agenda, which could quite possibly be a source for Caplan's observed individual biases. Furthermore, individuals are rarely cognizant of the influence of special interests on congressional campaigns and voting, the often-contentious relationships between particular branches of government, and the numerous negative effects government intervention has on the economy as a whole. Lastly, individuals' time preferences are relatively short, in that individuals are only actively encouraged to make substantive political choices once a year: i.e. voting. Therefore, individuals make decisions within the context of their environment at the time of an election.

At this point, it can be assumed that (1) a large portion of an individual's political knowledge is skewed, (2) one's scope of political knowledge is highly limited anyways due to the complexities of the political system, and (3) annual elections promote a sort of myopic approach to voting. Coupling these factors together, it is understandable that one could see voters as irrational; however, due to the difficulties in assessing irrationality, it is more plausible that the real problem seems to stems from the utter lack of sufficient knowledge voters posses.

II. The Myth of Democratic Failure

Caplan also asserts that citizen irrationality contributes to democratic failure. To explain his position, he builds on the work of economist Daniel Wittman. Wittman challenges three common explanations for democratic failure to demonstrate that democracies work efficiently. These are: "extreme voter stupidity, serious lack of competition, or excessively high negotiation/transfer costs" (Caplan 2007, 109). Overall, Caplan largely agrees with Whittman, although they are in disagreement on "extreme voter stupidity." With regards to transactions costs, Wittman states that democracies are established to decrease transactions costs in collective decision-making. Caplan points to the ease of voting to illustrate this concept. Wittman also notes that voters reward successful politicians by reelecting them. Therefore, high incumbency rates are due to the candidate being the voter's best available option (2007, 110). Caplan specifically points to the last of Wittman's sources, extreme voter stupidity, as the one source for which Wittman did not adequately refute. To Caplan, Wittman's failure to invalidate this criterion seems to demonstrate the plausibility of irrationality. Caplan states that extreme stupidity does not constitute ignorance because it implies more than just a "lack of information" (113). To Caplan, democracies would largely work efficiently if citizens did not make the irrational demands of their elected officials.

Caplan, by building on Wittman's framework, neglects the extreme inefficiencies inherent in the American political system. Transactions costs, while low to the voters can be quite high amongst bureaucratic bodies, regulatory agencies and legislatures, which may possess conflicting agendas that require competition for finite resources (Rowley and Vachris 1995). Upon a brief examination, these costs should become evident to even the most politically uninformed individual. Moreover, the successes of incumbents are not always due to their political merits. Even if one takes into account the effects special interest campaigning has on electoral success, there are factors, beyond merits, that potentially contribute to re-electability. Throughout each aspect of the political process, there are numerous factors that can create inefficiencies and unexpected outcomes. In this sense, Caplan's understanding of political dynamics seems overly simple. While intended to provide a clear avenue to understand the negative effects citizens have on public affairs, it is largely incomplete in that it fails to account for numerous other negative factors, both inside and outside the state, that contribute to democratic failure.

III. Politicians: The Undoing of Caplan's Argument

A question that stems from Caplan's "rational irrationality" is how it pertains to the relationship between citizens and their representatives. Caplan asserts that the citizens' irrational beliefs lead to conflicting demands of their elected officials. He uses the example of President Clinton and the issue of NAFTA. He argues that while Clinton believed that NAFTA would raise the standard of living, which citizens would appreciate, citizens would ultimately be opposed to NAFTA because of their distrust of foreigners (159). Clinton in this sense was caught between two unappealing options. The first was that he could pass NAFTA and risk losing public support in the upcoming election, and the second was that he could reject NAFTA, subsequently lowering the standard of living, which could also cause him to risk losing the election. In this sense, politicians are "slaves" to public opinion, in that their available choices limit them to outcomes that can/will alienate them from the populous.

To Caplan, politicians choose between economic "reality" and political expediency, a catch-22 in which they potentially risk losing face with the public. Choosing economic reality (supporting the alleged benefits of trade in NAFTA) results in an immediate loss of face with the public. On the other hand, choosing political expediency (opposing NAFTA due to public opinion but forgoing an increase in the standard of living) results in a loss of face at a future date.

Caplan describes politicians as the "rational" actors, as opposed to the irrational citizens, in the political game. His rationale is that politicians need to understand the ins and outs of politics and constantly evaluate their popularity amongst the public. Caplan notes that politicians may understand the benefits of trade, but are more concerned about getting reelected and must always remain one step ahead of the public, even at times feeding into its irrational beliefs (167). As noted earlier, Caplan states that democracy would work more efficiently, if it weren't for the irrational citizens involved in it. Politicians would still be self-interested vote-seekers, but they would at least support rational policies. They would generally be concerned with the public good, but since citizens are irrational, they are forced to pursue irrational policies in order to maintain their elected status.

But is this actually the case? If one looks further into Caplan's statements, one finds evidence that states the contrary. In his critique of classical public choice, Caplan states that politicians could entirely ruin their political career by breaking every campaign promise and yet still maintain a comfortable living by working in a law firm following their political defeat (105). This seemingly more realistic statement calls into question the very foundations of his argument: that politicians are vote-seekers and that if left unrestrained by public opinion would promote rational policies. If finances were not the primary motivator, why would a politician seek office? Do they need to be elected to have an influential career? Likewise, is there any reason why politicians should listen to the public or pursue rational policies? Caplan does not provide answers to these inconsistencies.

Caplan's lacks a motivation for politicians to seek office in the first place. If politicians could have a lucrative career outside of politics, then why would they spend the time and resources to pursue being elected? Furthermore, once elected, if they chose to abandon their promises entirely, assuming that they lose as an incumbent, there is little punishment for their betrayal. Caplan falls short by factoring politicians into the equation without fully assessing their self-interested motives both prior to and while in office. If this were done, the cause of democratic failure would be placed more thoroughly on the politician, therefore providing evidence against Caplan's claim.

Conclusion

While intellectually engaging, Caplan's The Myth of the Rational Voter does not provide a consistent enough argument to establish a comprehensive paradigm. Furthermore, if Caplan's "rational irrationality" were to be adopted, he would need to account for the effects of special interests, bureaucrats, and self-interested politicians, which have been described in detail by the public choice paradigm. Despite some of Caplan's deficiencies, his book does shed light on one aspect of democratic failure that is often neglected, the role of the citizen. To the extent to which citizens also play a role in the decline of American democracy deserves further examination.

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