

## ***Introduction***

### THE PARADOX OF DEMOCRACY

A supporter once called out, “Governor Stevenson, all thinking people are for you!” And Adlai Stevenson answered, “That’s not enough. I need a majority.”  
—Scott Simon, “*Music Cues: Adlai Stevenson*”<sup>1</sup>

IN A DICTATORSHIP, government policy is often appalling, but rarely baffling. The building of the Berlin Wall sparked worldwide outcry, but few wondered, “What are the leaders of East Germany thinking?” *That* was obvious: they wanted to continue ruling over their subjects, who were inconsiderately fleeing en masse. The Berlin Wall had some drawbacks for the ruling clique. It hurt tourism, making it harder to earn hard currency to import Western luxuries. All things considered, though, the Wall protected the interests of elite party members.

No wonder democracy is such a popular political panacea. The history of dictatorships creates a strong impression that bad policies exist because the interests of rulers and ruled diverge.<sup>2</sup> A simple solution is make the rulers and the ruled *identical* by giving “power to the people.” If the people decide to delegate decisions to full-time politicians, so what? Those who pay the piper—or vote to pay the piper—call the tune.

This optimistic story is, however, often at odds with the facts. Democracies frequently adopt and maintain policies harmful for most people. Protectionism is a classic example. Economists across the political spectrum have pointed out its folly for centuries, but almost every democracy restricts imports. Even when countries negotiate free trade agreements, the subtext is not, “Trade is mutually beneficial,” but, “We’ll do you the favor of buying your imports if you do us the favor of buying ours.” Admittedly, this is less appalling than the Berlin Wall, yet it is more *baffling*. In theory, democracy is a bulwark against socially harmful policies, but in practice it gives them a safe harbor.<sup>3</sup>

How can this Paradox of Democracy be solved? One answer is that the people’s “representatives” have turned the tables on them. Elections might be a weaker deterrent to misconduct than they seem on the surface, making it more important to please special interests than

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the general public. A second answer, which complements the first, is that voters are deeply ignorant about politics. They do not know who their representatives are, much less what they do. This tempts politicians to pursue personal agendas and sell themselves to donors.<sup>4</sup>

A diametrically opposed solution to the Paradox of Democracy is to deny that it regularly delivers foolish policies. You could insist that the public is right and “the experts” are wrong, openly defending the merits of protection, price controls, and so on. That is straightforward, but risky: It is akin to putting your client on the stand and opening him up to cross-examination. A less direct but safer stance—analagous to keeping your client from testifying—is to pick holes in the alleged *mechanisms* of democratic failure. You don’t have to show that your client is innocent if the prosecution lacks a coherent account of how the crime was committed. In the same way, you need not show that a policy is good if there is no coherent account of how it could be bad.

Democracy’s cleverest enthusiasts usually take this safer route.<sup>5</sup> Especially in recent years, their strategy has been successful despite the intuitive appeal of stories about electorally safe politicians and ignorant voters. For reasons we will soon explore, these stories buckle or even break when critically analyzed. Without a credible account of *how* democracy falls short of its promise, the insight that it *does* fall short lives on borrowed time.

This book develops an alternative story of how democracy fails. The central idea is that voters are worse than ignorant; they are, in a word, *irrational*—and vote accordingly. Economists and cognitive psychologists usually presume that everyone “processes information” to the best of his ability.<sup>6</sup> Yet common sense tells us that emotion and ideology—not just the facts or their “processing”—powerfully sway human judgment. Protectionist thinking is hard to uproot because it *feels good*. When people vote under the influence of false beliefs that feel good, democracy persistently delivers bad policies. As an old computer programming slogan goes, GIGO—Garbage in, garbage out.

Across-the-board irrationality is not a strike against democracy alone, but all human institutions. A critical premise of this book is that irrationality, like ignorance, is *selective*. We habitually *tune out* unwanted information on subjects we don’t care about. In the same vein, I claim that we *turn off* our rational faculties on subjects where we don’t care about the truth.<sup>7</sup> Economists have long argued that voter ignorance is a predictable response to the fact that one vote doesn’t matter. Why study the issues if you can’t change the outcome? I generalize this insight: Why control your knee-jerk emotional and ideological reactions if you can’t change the outcome?

This book has three conjoined themes. The first: Doubts about the rationality of voters are empirically justified. The second: Voter irrationality is precisely what economic theory implies once we adopt introspectively plausible assumptions about human motivation. The third: Voter irrationality is the key to a realistic picture of democracy.

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. In economic jargon, democracy has a built-in *externality*. 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.

When cataloging the failures of democracy, one must keep things in perspective. Hundreds of millions of people under democratic rule enjoy standards of living that are, by historical standards, amazingly good. The shortcomings of the worst democracies pale in comparison with those of totalitarian regimes. At least democracies do not murder millions of their own citizens.<sup>8</sup> Nevertheless, now that democracy is the typical form of government, there is little reason to dwell on the truisms that it is “better than Communism,” or “beats life during the Middle Ages.” Such comparisons set the bar too low. It is more worthwhile to figure out how and why democracy disappoints.<sup>9</sup>

In the minds of many, one of Winston’s Churchill’s most famous aphorisms cuts the conversation short: “Democracy is the worst form of government, except all those other forms that have been tried from time to time.”<sup>10</sup> But this saying overlooks the fact that the governments vary in *scope* as well as form. In democracies the main alternative to majority rule is not dictatorship, but markets.

Democracy enthusiasts repeatedly acknowledge this.<sup>11</sup> When they lament the “weakening of democracy,” their main evidence is that markets face little government oversight, or even usurp the traditional functions of government. They often close with a “wake-up call” for voters to shrug off their apathy and make their voice heard. The heretical thought that rarely surfaces is that weakening democracy in favor of markets could be a good thing. No matter what you believe about how well markets work in absolute terms, if democracy starts to look worse, markets start to look better by comparison.

Economists have an undeserved reputation for “religious faith” in markets. No one has done more than economists to dissect the innumerable ways that markets can fail. After all their investigations,

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though, economists typically conclude that the man in the street—and the intellectual without economic training—underestimates how well markets work.<sup>12</sup> I maintain that something quite different holds for democracy: it is widely *over*-rated not only by the public but by most economists too. Thus, while the general public underestimates how well markets work, even economists underestimate markets' virtues *relative* to the democratic alternative.