

How Much Democracy?

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LSE

Session 18, 10 January 2014

This session: People make mistakes.

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Two parts:

- ▶ Behavioral public policy (including “nudge”)
- ▶ Assessments of voter competence



Behavioral public policy

Behavioral politics

Unimpressive voters

Defenses of democracy

Rational choice theory



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- ▶ Only defensible roles for government:
 - ▶ redistribution, and
 - ▶ addressing market failures (e.g. externalities, asymmetric information, market power)



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Anything else is *misguided paternalism*.



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How do we resolve info asymmetries when there is no “neutral” way to provide information? Should we try to help people avoid bad decisions?

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Basic idea: Recognize people make some bad choices. Design policies that preserve choice but use framing and defaults to “nudge” people toward decisions that benefit them.

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Examples:

- ▶ Smarter defaults for employee savings plans
- ▶ Requiring credit card companies to issue detailed end-of-year statements detailing fees
- ▶ Gambling “self-bans”



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Contradiction?

Myopic voters



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Some evidence:

- ▶ Healy and Malhotra (2009) show that U.S. voters reward politicians for disaster *relief* spending but not for disaster *preparedness* spending (even though disaster preparedness spending is much more effective)
- ▶ Wagner's Law (increasing size of public sector over time) held in OECD countries until about 1990; operating in developing countries now

Arbitrary voters



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Voters respond to the wrong things. Two nice examples:

- ▶ **Attention to irrelevant events:** Healy, Malhotra, and Mo (2010) show that U.S. voters support incumbent candidates more when local college football team wins before the election
- ▶ **Recency bias:** Huber, Hill, and Lenz (2012) show in a lab that “voters” pay too much attention to recent “events” and their “vote” is affected by clearly unrelated events

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- ▶ In period 1, the tree is planted
- ▶ In period 3, the tree is fully-grown and ready to be cut down
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Bottom line: Government can offer commitment devices that people with poor self-control want. e.g. public pension system, Behavioural Insights Team.

Technocracy



Voters may be bad, but they don't rule directly in a representative democracy. This may make policy more forward-looking (Jacobs, 2011).

- ▶ Interest groups are more informed, future-oriented than voters.
- ▶ Party organizations may also be more future-oriented than voters.
- ▶ Inattentiveness of voters, complexity of issues may create space for technocratic policymakers to operate.

Lowering our standards



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This “works” if individuals' welfare is correlated with whatever you want voters to be choosing (e.g. effort, policymaking ability, etc.).

(See Diermeier and Li 2013 for a recent theory paper on this.)

Aggregation

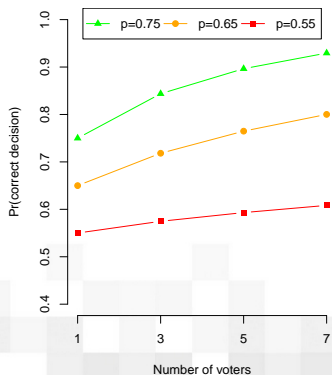


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Marquis de Condorcet;
photo from Wikipedia

⇒ voters don't even have to be that accurate!



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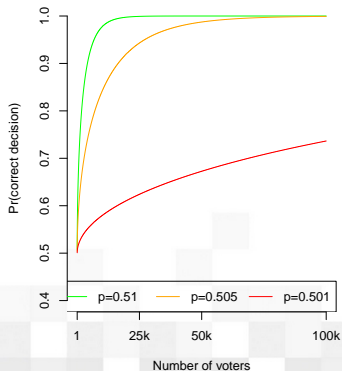
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Aggregation (3)



For discussion:

- ▶ How much does the Condorcet jury theorem reassure you about democracy?
- ▶ What is missing from the model?

Other ideas to debate (if time)



Two ideas from Steven Johnson *Future Perfect*:

- ▶ “Liquid democracy”: a “fluid” form of representation
- ▶ Crowdsourcing spending decisions: “Kickstarter” for local public works