

Does democracy work?

Day 5, Session 1

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Schumpeter (1943) on democratic (in)competence (*Capitalism, Socialism, and Democracy*)



“Without the initiative that goes with immediate responsibility, ignorance will persist in the face of masses of information, however complete and correct. . . . Thus the typical citizen drops down to a lower level of mental performance as soon as he enters the political field. He argues and analyzes in a way which he would readily recognize as infantile within the sphere of his real interests. He becomes a primitive again.” (235)



“There is truth in Jefferson’s dictum that in the end the people are wiser than any single individual can be, or in Lincoln’s about the impossibility of ‘fooling all of the people all the time’. But both dicta stress the long-run aspect in a highly significant way. . . . If all the people can in the short run be ‘fooled’ step by step into something they do not really want, and if this is not an exceptional case which we could afford to neglect, then no amount of retrospective common sense will alter the fact that in reality they neither raise nor decide issues but that the issues that shape their fate are normally raised and decided for them. More than anyone else the lover of democracy has every reason to accept this fact and to clear his creed from the aspersion that it rests upon make-believe.” (237)

Plan



- Some troubling evidence of voter incompetence
- Some constructive responses

What's wrong with voters (I): myopia



- **Myopia due to limited human lives:** Governments make decisions that affect future generations, but future generations don't vote.
- **Myopia due to human psychology:** Humans lack foresight and self-control — they smoke, procrastinate, etc., and later regret it

Evidence of myopia in democratic decision-making:

- Healy and Malhotra (2009): U.S. voters reward politicians for disaster relief spending but not for disaster preparedness spending
- Others: increasing size of government? failure to address climate change?

What's wrong with voters (2): paying attention to the wrong things



- **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*
 - Huber, Hill, and Lenz (2012) show evidence of the same phenomenon in a lab setting
- **Recency bias:**
 - Achen & Bartels (2004): U.S. pres. election results depend on very recent economic performance; voters ignore earlier performance (\Rightarrow political business cycle)
 - Huber, Hill, and Lenz (2012) show evidence of the same phenomenon in a lab setting

*But see Fowler and Montagnes (2015) who suggest this was a fluke

What's wrong with voters (3): partisanship and motivated reasoning

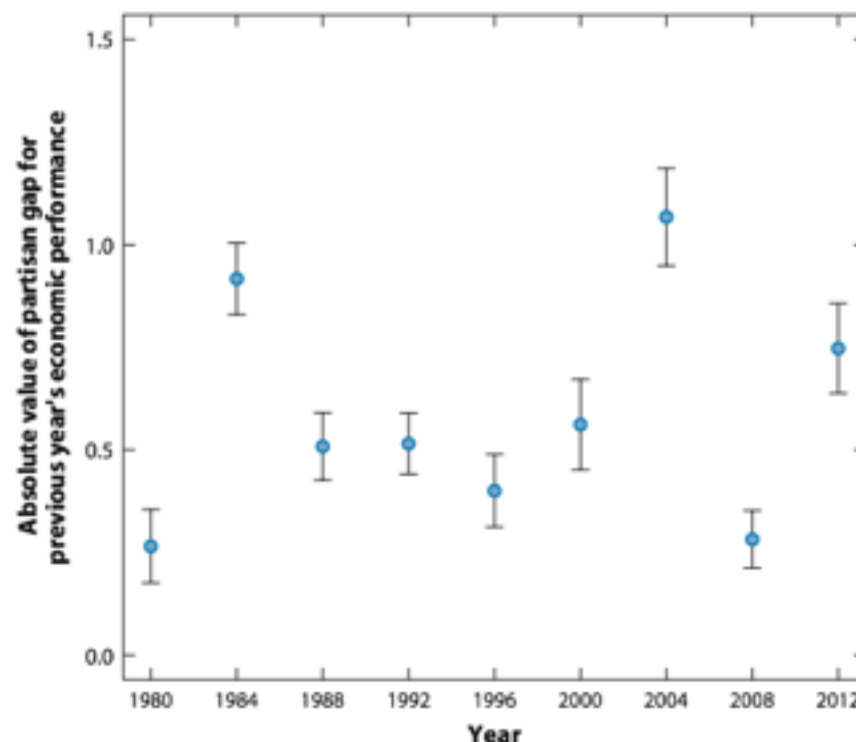


Survey research shows:
voters who think economy is
doing poorly are less likely to
vote for incumbent party.

Sounds like electoral
accountability!

But: partisanship strongly
affects economic perceptions.
(Healy & Malhotra (2013) for
U.S.; Evans & Andersen
(2006) for U.K.)

Figure: Difference (on 5 point scale)
between incumbent party supporters' view
of the economy and non-incumbent party
supporters' view of the economy in U.S.
(Healy & Malhotra, 2013)



What's wrong with voters (4): ignorance



Echoing Schumpeter, many studies show that most voters don't know

- how well the economy is doing
- what is in the budget (e.g. proportion of budget devoted to foreign aid)
- names of any but most high-profile politicians
- what the right policies are (Caplan, 2007)

IPSOS-MORI Perils of Perception Poll (2014)

e.g. “the US public think 32% of the population are immigrants when the actual is 13%; in Italy the public think 30% are immigrants when it's actually 7%”. Average: 24% vs. 11%.



Is democracy hopeless?

(I) Modest visions of democracy: Schumpeter



Voters are not capable of choosing **policies**.

Safer to let them choose among a limited set of **leaders**.

Schumpeter's conception of democracy: "free competition among would-be leaders for the vote of the electorate" (253)



Key role for **parties**: "A party is a group whose members propose to act in concert in the competitive struggle for political power. . . Party and machine politicians are simply the response to the fact that the electoral mass is incapable of action other than a stampede, and they constitute an attempt to regulate political competition exactly similar to the corresponding practices of a trade association."

(I) Modest visions of democracy: retrospective voting



Perhaps accountability is possible without voters knowing *anything* about what politicians do.

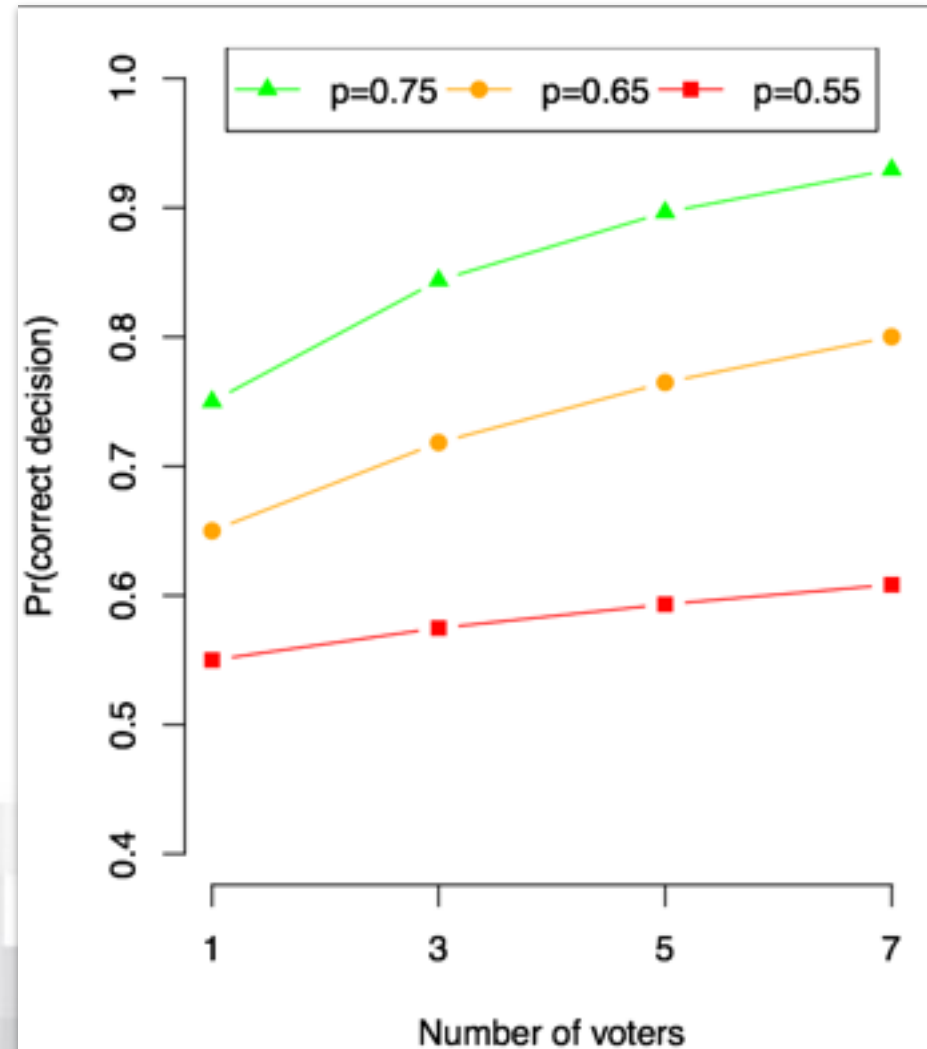
Suppose voters engage in **naive retrospective voting**: “I will vote for the incumbent when things are generally good for me (or around me); otherwise not.” (**Pocketbook** vs **sociotropic** voting.)

How well this works depends on correlation between **voters’ mood** and **politicians’ actions**.

(I) Modest visions of democracy: wisdom of crowds

Condorcet Jury Theorem
(1785): a large group is very likely to choose the right option by majority rule even if the individuals are only slightly informed.

More formally, if there are n individuals, each with an independent probability $p > 1/2$ of identifying the better of two options, then the probability of the group making the correct decision is increasing in n .

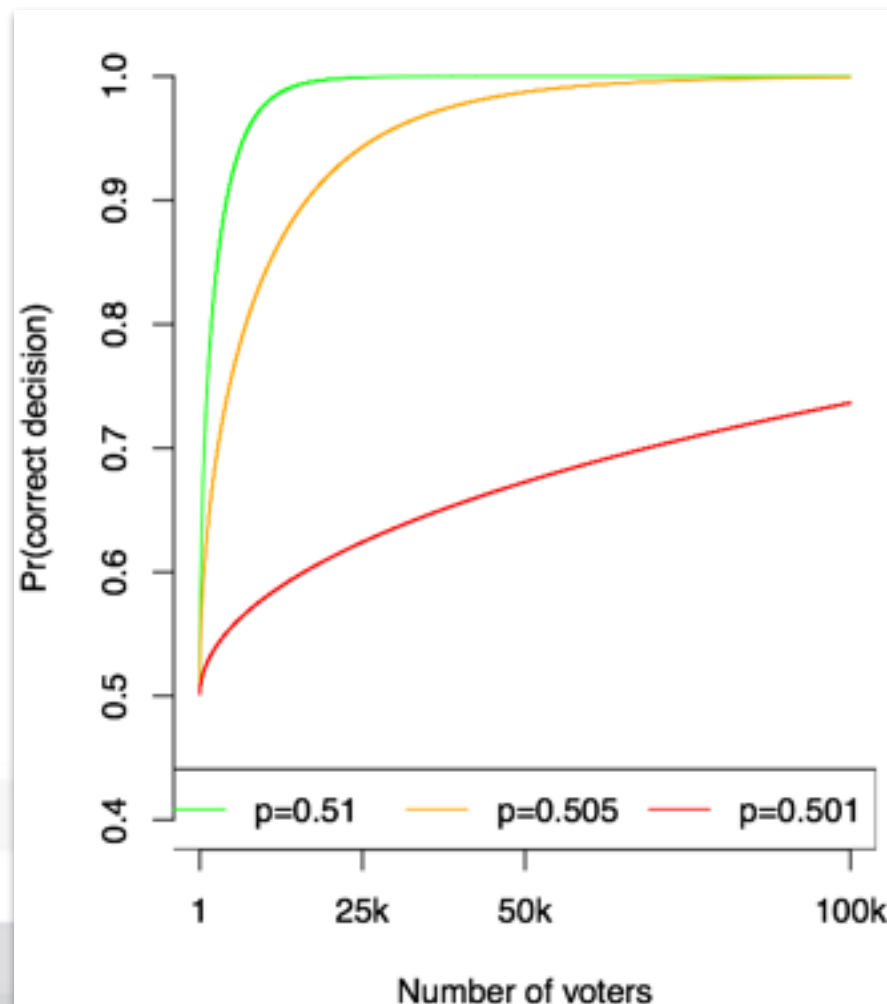


(1) Modest visions of democracy: wisdom of crowds (2)



Questions about Condorcet Jury Theorem and democracy:

- Are the assumptions likely to be met?
- Are the assumptions more likely to be met when choosing between parties than when choosing among policies?
- How much does this reassure us about voter incompetence?



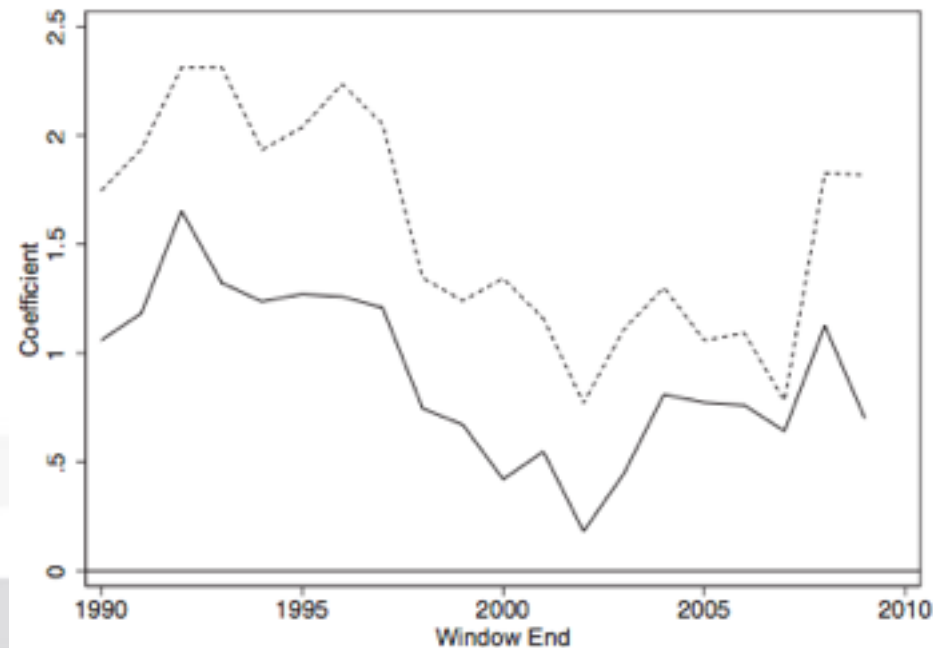
(2) An empirical defense of democracy



- **Distressing:** Wolfers (2009) finds that U.S. voters in oil-producing states reward the incumbent when world price of oil rises
- **Reassuring:** Kayser & Peress (2012) show that vote choice in OECD more correlated with “benchmarked” national growth than with raw national growth

(“Benchmarked” means controlling for growth in neighboring economies.)

Figure: Solid line shows degree of responsiveness of electoral support for incumbent to economic performance in OECD countries. Dotted line shows same thing for “benchmarked” economic performance.

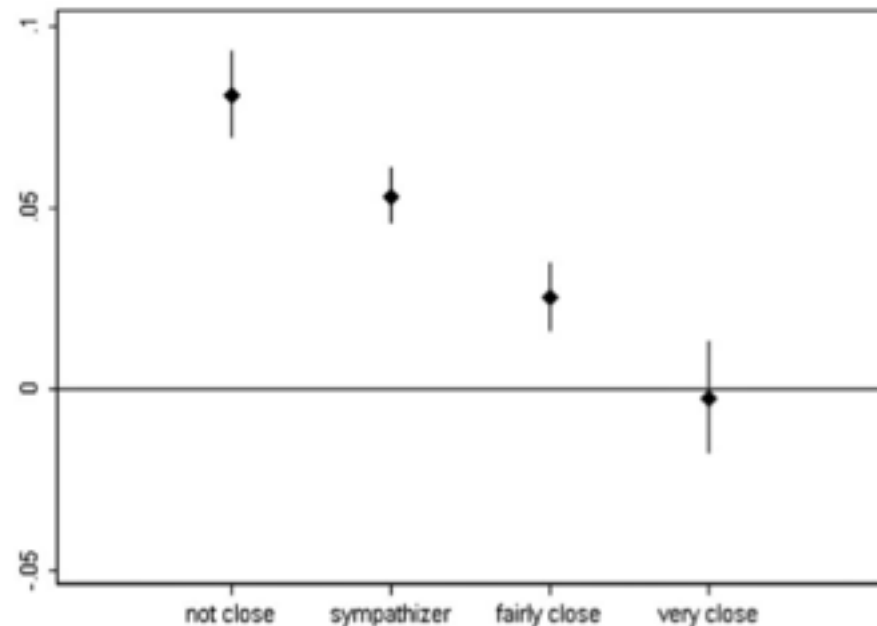


(2) An empirical defense of democracy (2)



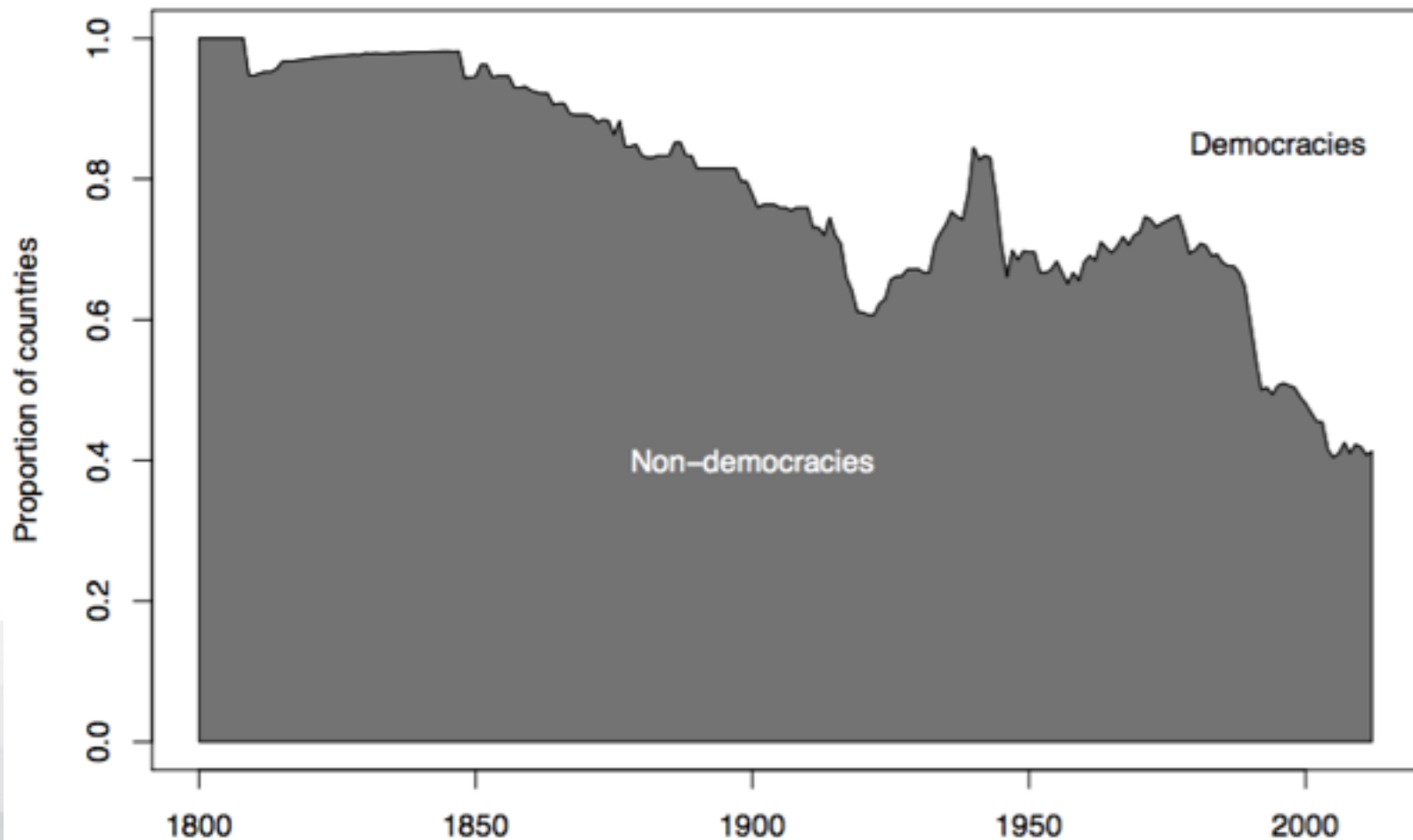
- **Distressing:** Many studies show disengagement of voters from politics: membership in parties declining, dropping turnout, lower identification with parties
- **Reassuring:** Kayser & Wlezien (2011) show that voters are more responsive to economic performance when they have weaker partisan attachments

Figure: The responsiveness of individual support for the incumbent to economic performance in OECD countries. Less partisan voters are more responsive to incumbent performance.

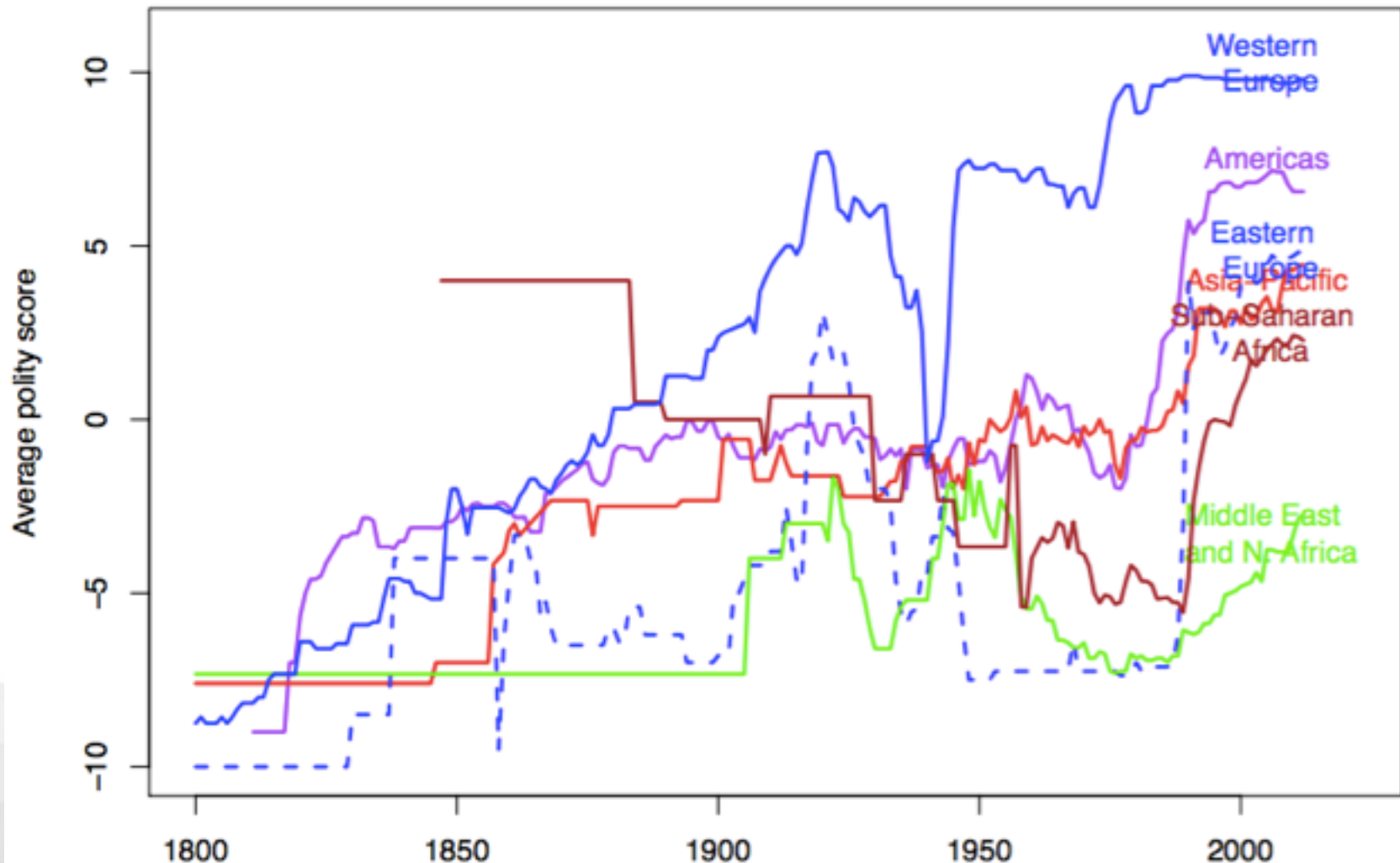


(2) An empirical defense of democracy (3)

Whatever its flaws, democracy is increasingly popular



(2) An empirical defense of democracy (3)



(3) A vision of public policy that recognizes voters' shortcomings: libertarian paternalism



If people invariably act in their own self-interest, then the only role for government is

- redistribution
- addressing market failures (externalities, asymmetric information, market power)

If people make systematic mistakes (e.g. due to lack of self-control), then government has responsibility/opportunity to help.



Sunstein and Thaler

(3) A vision of public policy that recognizes voters' shortcomings: libertarian paternalism



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.

Examples:

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



Sunstein and Thaler

Discussion/wrapping up



- How worrying is voter incompetence?
- How much democracy is too much?
- Do leaders win political power by offering bad policies?