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Voters' Incentives and Terrible Public Policy

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Public policy presents a puzzle: why is so much of it so bad? It seems like every day in a principles of economics class becomes "Let's see the disastrous unintended consequences of ostensibly-well-intentioned government interventions." To be fair, economists disagree about a lot, but there are a lot of issues on which there is a professional consensus that transcends ideologies and schools of thought. In 2012, NPR put together a "No-Brainer Economic Platform" with input from economists across the ideological spectrum. In 2008, Nobel Laureate Paul Krugman—who is no free-market fundamentalist—wrote of ethanol that it's "bad for the economy, bad for the consumers, bad for the planet—what's not to love?" As Krugman has written elsewhere, "If there were an Economist's Creed, it would surely contain the affirmations 'I understand the Principle of Comparative Advantage' and "'I advocate Free Trade.'"

A 2017 episode of NPR"s Planet Money interviewed Krugman's fellow Nobel Laureate Joseph Stiglitz (2001)—also not a free-market fundamentalist—on the little-known Jones Act, which, according to the Cato Institute, requires that "water transportation of cargo between U.S. ports" be limited "to ships that are U.S.-owned, U.S.-crewed, U.S.-registered, and U.S.-built." According to a 2008 paper by Dennis Coates and Brad R. Humphreys, economists *do* "reach a conclusion on subsidies for sports franchises, stadiums, and mega-events:" they're economically wasteful. Even a lot of the economists who support higher minimum wages think that they will cause at least modest job losses but believe this to be an acceptable price to pay for an important social signal.

So what gives? Why do we have so much public policy that flies in the face of consensus views among professional economists? It might very well be that we economists are wrong, but I doubt it. The laws of comparative advantage, demand, and supply are anvils that have worn out many hammers. "Nuh-uh" doesn't seem like a very convincing refutation of the claim that free international trade actually makes people in both trading countries better off. Economists and political scientists who study the issue have come up with a few explanations.

One explanation is pretty straightforward: a lot of public policies have concentrated benefits and dispersed costs. Sugar tariffs and quotas, to use just one example, take millions of dollars out of the pockets of American sugar consumers and put them in the pockets of American sugar producers with inefficiencies coming first from the fact that we are wasting resources producing sugar domestically when we could have gotten it cheaper by trading for it and second from the fact that higher sugar prices mean we get to enjoy less sugar than we otherwise would. These millions of dollars are spread out among some millions of sugar consumers, hardly any of whom spend enough on sugar every year to keep careful track of it and tell you how much the tariffs and quotas are costing them. They are lavished upon a small number of sugar producers who have a powerful incentive to lobby Congress in order to keep the tariffs and quotas in place and, therefore, to keep those millions coming. With a bit of imagination or five minutes spent perusing the Federal Register, you can no doubt come up with dozens of other examples. When benefits are concentrated and costs are dispersed, it's a lot easier to organize support for an inefficient policy and a lot harder to organize opposition.

In addition, vote-trading or "log-rolling" in a majority-rule system makes it fairly easy for groups that are part of a majority coalition to secure benefits at the expense of the minority. James M. Buchanan and Gordon Tullock explore this in *The Calculus of Consent*, particularly in this chapter. Log-rolling can lead to better outcomes, but it also means that there is no end to the ways in which majorities can exploit minorities by exchanging support for one another's preferred policies.

Importantly, people need not be devious, evil, or self-absorbed. They might simply disagree about what constitutes "the common good." Imagine two representatives, Ronny Red and Barry Blue. Ronnie Red has a military base in his district. Barry Blue has a regional university in his. Ronnie and his constituents may genuinely believe deep down in their heart of hearts that their base is an unalloyed good for the larger society. Barry Blue and his constituents might believe the same about the research that goes on at Directional State U (each, of course, thinks the other is a knave or an imbecile). Ronnie and Barry might be able to reach an agreement where Ronnie agrees to vote for an appropriation to Directional State U and Barry agrees to vote for an appropriation to the military base in Ronnie's district. Even if these are unambiguous wastes of resources, they might nonetheless be approved because of the voters' and legislators' incentives.

And what are the voters' incentives? They are not exactly consistent with our idealized vision of an informed electorate. In a 2016 interview, Ilya Somin pointed out that "only 34 percent of the public even knows the three branches of the federal government." My students do pretty well when I ask things like "What are the three branches of government?" and "Who is the President of the United States?" Their performance drops considerably when I ask "Who represents you in the US Senate?" and "Who represents your district in the US House of Representatives?" Political ignorance becomes even more apparent when I ask about their representatives' voting records. I was surprised when I showed up to vote in 2016 and saw that I live in Alabama's 7th District (represented by Terri Sewell) rather than Alabama's 6th District (represented by Gary Palmer). In my defense, we had moved from Palmer's district to Sewell's district in 2015, but even still, I couldn't tell you the last legislation they voted on or how they voted.

These are examples of *rational ignorance*, a concept a lot of people might find offensive. After all, how could it be *rational* to be *ignorant*? Basically, people will obtain information as long as the benefits exceed the costs and they will stop obtaining information once the costs start to exceed the benefits. Unless you follow politics as a hobby (akin to sports fandom) or out of a sense of civic virtue, you have a pretty weak incentive to be informed. I can say with some confidence that Terri Sewell will be reelected, Donald Trump will win Alabama, and former Auburn football coach Tommy Tuberville will be elected to the US Senate no matter how I vote or what I do. Taking everyone else's actions as given—if you're thinking "what if everyone thought that way," note that for purposes of analyzing an individual's incentives it's sufficient to know that they don't—working hard to get informed is almost all cost and no benefit. It's hard to motivate yourself to do that when the alternative is playing *Civilization Revolution* on your iPhone, going on a long walk in the woods, watching paint dry, or just about anything else.

There is another important problem here. Being “informed” isn’t enough if you want to exercise the franchise responsibly. There are a lot of voters who are “informed” but who have beliefs that are at odds with their stated goals. Trump voters might want to “Make America Great Again,” but they might not know that Trump’s views on international trade and immigration are indefensible. Similarly, Biden voters who are taken with Biden’s empathy may not know that raising the minimum wage for disabled workers will make it harder for the disabled to find work. They are, in Bryan Caplan’s phrase, *rationally irrational* in that they cling stubbornly to beliefs that are *irrational* in that they will make the problems voters wish to solve worse. Given first that a single vote almost certainly will not be decisive and second that one runs the risk of alienating friends and family by suddenly switching political views, irrational views remain stubbornly persistent. It is *rational* to keep them, Caplan argues, because the cost of changing irrational beliefs is very high while the benefit (in terms of better public policy) is basically zero. Caplan identifies four specific biases in survey data that allow him to see how people’s views differ systematically from economists’ views: anti-market bias, anti-foreign bias, make-work bias, and pessimistic bias. These biases explain why voters make the choices they make. Their incentives explain why these biases remain in spite of evidence that we would all be better off if we discarded them.

In about a month, Americans will elect a new President and a new Congress. In our ideal world, they would do so by very carefully weighing the costs and benefits of different policies and choosing the combinations that they reasonably believe to be in everyone’s best interests. In the world we inhabit, though, they will go to the polls and vote enthusiastically for policies that create more common harm than common good. In some cases, it will be straightforward pocket-picking where they vote for someone who promises to give them stuff at someone else’s expense. In other cases, they might vote for policies that don’t affect them directly but that impoverish us all, on net. To understand why, we only need to consider their incentives.