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IS THE PUBLIC REALLY IRRATIONAL ABOUT ECONOMICS?

ABSTRACT: *Bryan Caplan's bold and challenging argument is weak on evidence and uses questionable assumptions. He does not prove that politicians go along with voters' biases, nor that these biases make voters feel good, nor that they cling to these biases tenaciously. And he assumes that the public's disagreements with professional American economists are "biases" in the sense of being incorrect, even though economists often disagree with each other, and economists in other countries may disagree even with the consensus views of American economists.*

The Myth of the Rational Voter challenges common sense. It irritates because it speaks disparagingly about lots of people, voters in general and economists in particular. It is a book that had to be written at George Mason University, where economists are still stimulated to think differently and attack firmly established opinions.

The dual thesis of the book is easily defined. One part concerns the irrationality of voters—people will systematically vote against their own interests—and the other part addresses the inability of economists to recognize the irrationality of voters. Were readers to go along with this reasoning, they would end up seriously doubting democratic processes, as well as the sanity of the science of economics. So brace yourself if you tackle the book.

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The conventional approach in political economy assumes the rationality of voters and of the voting process. Even if most voters are uninformed, their random errors should cancel each other out, such that only a few informed voters are needed to achieve rational outcomes. A problem occurs, however, when uninformed voters do not make random errors, but instead vote *consistently* against their own interests. And that happens, so Caplan argues, because people are systematically wrong about economics.

Caplan uses an extensive data set that contrasts the economic opinions of economists with Ph.D.s against the economic opinions of the general public and of the "enlightened" public, and shows that the uninformed public entertains opinions that are biased and go against economic doctrine. Specifically, the uninformed public tends to be biased against market solutions, against trading with foreigners, against labor-saving practices, and against positive economic forecasts. In other words, people bitch about markets, foreigners, and labor-saving technology and tend to have a pessimistic outlook on the economy. These biases do not serve them well, in Caplan's opinion, for he believes that economies, and therefore people, do better with free markets, foreign trade, labor-saving technology, and an optimistic outlook that dampens fervor for anti-market interventions. There you are.

Economists will want to know why people would cling to biases that hurt them in the end. Caplan claims that people have negative beliefs about foreigners, for example, and about market greed, and that they tend to hold onto these beliefs no matter what counterevidence or counterargument they encounter. (For the latter claim he does not provide evidence.) He concludes that people prefer not to know the truth.

Thus, politicians have good reason to go with the flow and to validate these systematic biases. "So you want to cut taxes, wage a war, and balance the budget at the same time? Sure, I'll do it for you." The fact that voters prefer to be uninformed might, however, allow a somewhat enlightened politician to do the right thing, as long as he is able to tell a good story about it—a story that accords with the voters' biases. Unfortunately, too few politicians take advantage of that opportunity, at least so Caplan argues (again, without much empirical support).

Caplan does not mind climbing the barricades to proclaim his faith in markets, even if he runs the risk of being called arrogant by those who are biased against the market. But his real opponents, in his view, are those who stand for "democratic fundamentalism," who see in democracy the solution for whatever problem society is facing.

Against them, Caplan can see little reason for faith in a democratic system that is, in fact (he claims), driven by irrational voters and weak politicians. The upshot is that people should listen more to economists, and preferably to economists like himself, that is, the principled ones, the free-marketeers. His hero is Bastiat, who took no prisoners in fighting prejudices against economic sense. Fair enough.

Who, if Anyone, Is Really "Irrational"?

Yet Caplan may very well be biased himself.

For one thing, his argument lacks nuance and fails to account for the complexity of social and democratic processes. It is fun to make a fierce case with a few simple presuppositions, but the real world contains more than those. Democracy is not so much about voting as about the endless discussions that are carried on in the corridors of power, in the media, in the coffee houses, over lunch and in front of the television. Caplan (2007, 2) contends (without evidence) that voters' biased opinions make them feel good, but it is quite possible that what is really happening is that it makes Caplan feel good to dismiss voters and their means of acquiring and discussing political information. If voters really "don't care about the truth" (ibid.), after all, then why do they engage in all that political talk?

It might be, however, that all that talk is about sustaining society, about being part of the political community. When people talk about the weather, the point is not so much the truth, as professional meteorologists would see the truth, but just to have something to talk about. The same may be the case when it comes to economics. Apparently, it is fun to bitch about greedy capitalists and foreigners. (See for this point also Klamer 2007.)

More importantly, Caplan's argument rests on the assumption that the biases of average voters are systematically wrong. But are they?

If Caplan were to live in the Netherlands, he might have to take into account the characteristics of a corporatist society, with its "bias" to endless negotiation, rather than formal market transactions. Dutch economists have come to acknowledge the benefits of such a structure. Ask them, and you will get opinions that deviate quite a bit from the opinions of economists in the American data set. Does that mean that Dutch economists are biased, mistaken, and, even worse, irrational?

I fear that Caplan will now nod his head in the affirmative. But according to his own argument, his opinion is irrelevant: ostensibly, his benchmark of the truth about economics is the consensus view among economists, not the view of Bryan Caplan. It is against the former benchmark that the (American) public fails to measure up. What, then, do we make of the fact that Dutch economists disagree with American economists, and that American economists do not all have the same opinions (even in Caplan's data set)?

Indeed, what happens when Caplan himself disagrees with his colleagues? One might suppose that, were Caplan to take his benchmark seriously, he would never disagree with the consensus views of his colleagues. But in fact, we know of at least one instance in which he does disagree with the consensus view of his colleagues: in regard to the irrationality of voters. Are his colleagues stupid for failing to acknowledge the irrationality of voters? Is Caplan irrational for disagreeing with the consensus? Or might the truth, here, be a matter of opinion? If so, then might it not also be the case that such matters as the truth about free markets, foreign trade, labor-saving technology, and whether the economy looks "good" at a certain time are also subjects for disagreement, even among economists? But if disagreement among economists is possible, then some people with economics Ph.D.s must be wrong.

Is it not, therefore, also possible that they are wrong even when they agree with each other?

Perhaps, then, an (American) economists' consensus represents nothing more than their commonly held *faiths,* which amount to a "bias" *toward* the market, labor-saving technology, and so on. In that case, the public whose opinions Caplan condemns could be right—even though the public lacks economics Ph.D.s.

Bias vs. Bias

I do not share Caplan's faith in the market. With my northern-European perspective, I am "biased" to look beyond markets and perceive social interactions among people that are neither of the quid-pro-quo kind, as in markets, nor of the rule-based kind typical of the government sphere. Cal

We interact socially, on the basis of reciprocity, with colleagues, friends, neighbors, family members, in clubs, parties and on the street.

It is the bias of economists to perceive mainly market-type transactions where others will mainly perceive themselves in social situations. To protect social arrangements, however, people may even want to keep the logic of the market at bay (no buying and selling within the household and among friends and colleagues) and try to maintain the integrity of their own society—and therefore remain on guard when it comes to dealings with foreigners.

I say these things even while possessing a doctorate in economics. Am I nonetheless indulging my "preference for irrationality" because these views make me "feel good," even though, supposedly, I know they are not true?

While I think that Caplan's argument is misguided, I consider *The Myth of the Rational Voter* a great book for the very reason that it irritates and forces me to rethink my own biases.

REFERENCE

Klamer, Arjo. 2007. *Speaking of Economics: How to Get into the Conversation.* London: Routledge.