

**Seminar on
“The Myth of the Rational Voter”**

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Dr Caplan began his lecture by outlining the idea of the “Miracle of Aggregation”—a concept similar to James Surowiecki’s “Wisdom of Crowds”, which suggests that large numbers of people tend only to make random, as opposed to systematic, errors of judgment. In reality, there is little empirical evidence of such random error, yet belief in it is widespread. Economists justify the assumption of random error through a circular or definitional argument—actions are irrational if errors are not random—while political scientists believe in the assumption mostly because economists do.

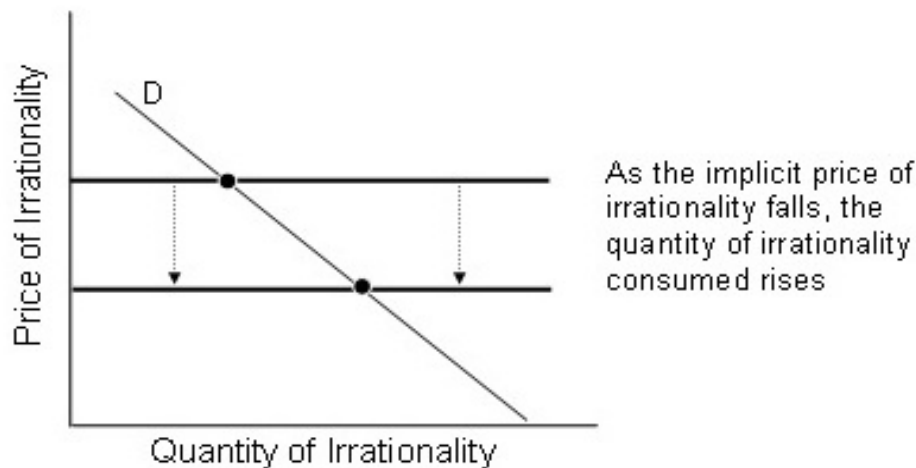
Given the widespread belief in random errors, it is important to be able to test whether they do indeed occur, or whether public opinion tends towards more systematic errors. Various tests are possible:

- *Objective Quantitative Comparison:* Comparing average public opinion to objective facts. The result of such tests suggest that many systematic errors occur on important questions, for example, public opinions on welfare or pensions/health spending and other issues related to national budgets.
- *Enlightened Preferences:* Administering a political IQ (PIQ) test and a survey of policy preferences (including data on non-cognitive factors that affect policy preferences). Results of such tests show large “knowledge effects”, or systematic effects of PIQ on policy preferences, contrary to the Miracle of Aggregation. For instance, in a comparison of views on free markets versus strong government, highly informed groups tend to be more supportive of free markets. The effects of knowledge seem largest at lowest levels of income.
- *Layman Expert Comparison:* Testing whether laymen and experts systematically disagree, controlling for other factors. An implicit assumption is that experts are “right” while laymen are “wrong”. Results of such tests show large disagreements on important questions. For instance, laymen have biased beliefs on whether economics is relevant to most modern policy debates; this is reflected in how expert economists have long complained about the public’s misconceptions of their discipline. Dr Caplan shared his method of doing a layman-expert comparison using the dataset “Survey of Americans and Economists on the Economy (1996)”. The findings reveal that the Miracle of Aggregation failed again, with large systematic disagreements between laymen and experts. The patterns of such errors include an **anti-market bias**. For instance, the rational answer to traffic jams is to raise price of driving during peak hours, but most Americans are opposed to such actions. The rational response to organ shortage is to allow for the sale of organs like kidneys, since most of us do not need two kidneys and such a sale would generate a great surplus for others willing to pay. There are also **anti-foreign bias** (e.g., suspicion of China in trade policy), a **make-work bias** and a **pessimistic bias**. Dr Caplan noted that experts can be biased too, with a self-serving

ideological bias. Even with control for such bias, there is still an 80% gap between laymen and experts.

Overall, Dr Caplan felt that the theoretical explanation of “rational ignorance”, often used to explain away bias, does not work as it rules out systematic error; it does not explain why the uninformed are not agnostic and fails to account for emotionalism (e.g., nationalism or anti-foreign sentiments, which are issues generating strong opinions but not necessarily amenable to logical and rational argument). An example is the issue of tariffs, where much popular opinion is misguided, but still influenced by strong, often emotional, opinions.

Dr Caplan suggested the alternative hypothesis of “Rational Irrationality”, to explain why people might be rational some of the time but not all the time (see diagram below):



The Demand for Irrationality

If we think of irrationality as a “good”, then it has an implicit price: some errors are costly, while others are not. In areas like religion, philosophy and politics (e.g., belief in creationism versus Darwinian evolution), errors are basically cost-free to an individual. However, the social cost can be big, and voter irrationality can be seen as “political pollution” because the majority of voters would easily be better off if they do not get the policies they voted for in the first place. Possible remedies include getting people to recognise that majority support does not necessarily equate with ‘correctness’, or popular support with something being a good idea. Dr Caplan concluded that on issues where the public lacks sufficient knowledge, it might be possible for policymakers to plug relevant gaps in policy making, and to improve economic literacy among the populace to reduce systematic errors or biases.
