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Introduction

The idea that the preferences of citizens should be taken into account to determine a government's public policies is a relatively new one in human history, only a few hundred years old. Until Enlightenment ideas became influential in the late seventeenth century, citizens were viewed – and viewed themselves – as subjects of their governments. The population was divided into two classes – the rulers and the ruled – and one duty of the ruled was to serve the interests of the state, as determined by its rulers. Enlightenment ideas offered an ideology that reversed that relationship. Rather than citizens serving the state, the state should serve its citizens.

Before the state can act to further the interests of its citizens, it must know what those interests are, and that is often viewed as one of the main functions of a democratic government. Democratic government works, first, to place the control of government in the hands of its citizens. But democracy is often also viewed as a mechanism for revealing and aggregating the preferences of its citizens so that government can carry out the will of the people. When democracy is viewed that way, as a mechanism that reveals the preferences of its citizens, the actions of democratic governments gain a legitimacy that can lead to an abuse of power.

The way that social scientists have analyzed how political institutions aggregate citizen preferences took a major step forward in the 1960s, which marked the beginning of the public choice revolution. Forerunners can be found, to be sure,¹ but a major premise upon which this revolution

¹ See Appendix 2 in James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962). This book could be viewed as initiating the public choice revolution, and Appendix 2 is titled “Theoretical Forerunners.”

in political thought was based is that there is little difference between the motivations of people in the private sector and people in the public sector. In contrast to the view (still widely held) that people in the private sector act to further their private interests while those in the public sector work to further the public interest, the public choice approach recognizes that while most people do want to do what is best for others, everyone responds to the incentive to do what is best for themselves.

Elected officials often take actions that help them to maintain their offices, or move up the political hierarchy, even when those actions may not further the public interest. Government bureaucrats will act to further their careers, and will avoid actions that threaten their job security, even when those actions may not further the public interest. The public choice assumption is that people in the public sector are no better and no worse than those in the private sector. The public choice approach to politics looks at the incentives people face when they make decisions and the information they have available to them when they make those decisions. This approach looks at the way political processes actually work, not how we might hope that they would work. When analyzing politics, objective analysis should replace wishful thinking. James Buchanan, one of the founders of the public choice movement, referred to this approach as “politics without romance.”²

Thinking about democratic institutions as a way of aggregating the policy preferences of individual citizens into some vision of the public interest requires an understanding of how those institutions aggregate individual preferences, which has been done extensively in the public choice analysis undertaken by political scientists and economists. Efforts along these lines will be discussed below. But it also requires an understanding of how citizens form the preferences they express through democratic institutions, and this has seen much less development. Political preferences are often assumed as given and exogenous, and the primary interest of this volume is to examine in more detail how those preferences are formed, and as a result, the implications for public policy.

Social scientists typically assume citizen preferences to be given, and examine how politicians and other government officials design their political platforms to correspond to the preferences of their citizens.³ There are

² James M. Buchanan, “Public Choice: Politics without Romance,” *Policy* 19, no. 3 (Spring 2003), pp. 13–18.

³ Anthony Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957), is a good example. Downs concludes that politicians design their platforms to conform to the preferences of the median voter.

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good reasons to believe that the direction of causation goes mainly in the other direction: that citizens adopt the policy preferences of the political elite, rather than the elite adjusting their platforms to conform to the preferences of their constituents. This idea is far enough away from the mainstream views in political science that much of this volume is devoted to explaining how this happens. If policy preferences ultimately are determined by the elite, this raises the further question of what determines the preferences of the elite. Answering those questions links political preferences and public policy.

1.1 THE IMPACT OF ENLIGHTENMENT IDEAS

For most of human history, societies were divided into the rulers and the ruled. Citizens were subjects of their governments and were obligated to obey the orders of their rulers. Thomas Hobbes, writing in 1651, argued that doing so was in the best interest of the citizens.⁴ Without a government to enforce order, Hobbes argued that life in anarchy would be solitary, poor, nasty, brutish, and short, and would be a war of all against all. Everybody would always be at risk from predation, both from others in their society and from outside invaders. Productivity would be low because people would have no incentive to produce things that would likely be stolen from them in a lawless society. The solution, Hobbes said, was for everyone to agree to abide by the government's rules. This would allow an escape from anarchy and enable an orderly society. Obeying the rules of the sovereign was a social contract that would be – and must be – agreed to by all members of society, according to Hobbes.

Several features of Hobbes's social contract point toward the pre-Enlightenment view of government. Hobbes argued that the sovereign had the right to put to death anyone who violated the rules of government. That is one way to ensure that everyone agrees to abide by the rules: kill those who do not! Hobbes saw no alternative to abiding by all of the sovereign's rules. People could not pick and choose which rules they wanted to follow; to do so would lead right back to anarchy. What if some of the sovereign's rules were in some way flawed? It did not matter. One could hope to live under a government that acted in the best interests of its subjects, but allowing people the discretion to decide that some rules are unjust or otherwise flawed would undermine the order created by a government's rules.

⁴ Thomas Hobbes, *Leviathan* (New York: E.P. Dutton, 1950 [orig. 1651]).

Hobbes's vision of the social contract divided people into two classes: the rulers and the ruled. The rulers made the rules, and the ruled were required to follow them. Government's subjects had the obligation to act in the interest of their government, that is, in the interest of the ruling class, because as Hobbes described it, to do so was also in the interest of the government's subjects. It allowed them to live in an orderly society and escape from an anarchy that would be a war of all against all.

According to Hobbes, people got their rights from government. The ruling class made the rules and their subjects were obligated to follow them. This idea is difficult to comprehend in the twenty-first century because Enlightenment ideas have reinforced the notion that everyone should be equal in the eyes of the law and that in some cases governments violate people's human rights. When Hobbes wrote, even the world's most civilized nations assigned people to different classes based on their birth. Some people were born into royalty and enjoyed privileges associated with it. Commoners, simply as a result of the families they were born into, could never enjoy the privileges of royalty.

Slavery was common throughout the world, and people accepted these class divisions with Hobbesian reasoning. Government makes the rules and its subjects are obligated to follow them. If some people were born into higher status than others, the social contract obligated everyone to recognize the distinction. Slavery, rejected as immoral in the twenty-first century, was accepted in the seventeenth as a part of the orderly society enforced by the mandates of government.

Only a few decades later, John Locke published his *Two Treatise of Government* in 1690, with a very different view of the social contract.⁵ In contrast with Hobbes, who argued that people got their rights from government, Locke argued that people naturally have rights and that the role of government is to protect those rights. Locke begins with the idea that people own themselves. They have a right to their bodies, and therefore they have a right to their labor. Therefore, they have a right to own what they produce with their labor. Locke thus develops a theory of self-ownership that leads to the right to own property, and the social contract, as Locke saw it, is that people are obligated to not violate the rights of others.

Locke saw a problem similar to the one Hobbes saw, which is that opportunistic individuals might violate that social contract and infringe

⁵ John Locke, *Two Treatises of Government* (Cambridge: Cambridge University Press, 1960 [orig. 1690]).

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the rights of others. The role of government, Locke argued, is to protect people's rights. Here, Locke and Hobbes are in agreement. But Locke's vision of the social contract differed from Hobbes's vision in (at least) two important ways. First, Locke viewed that people naturally have rights, in contrast with Hobbes who said that the government makes the rules and determines what rights people have. Second, government is a party to the social contract as Locke describes it, whereas Hobbes's social contract is among government's subjects, who are obligated to abide by government's rules.

Locke put forward the revolutionary idea that if government fails to uphold its obligations under the social contract, citizens have a right to overthrow and replace their government. This idea was, quite literally, revolutionary. Prior to the American Revolution, pamphleteers were arguing that the king of England was violating the rights of the colonists, so the colonists had the right to replace that government with one that was dedicated to protecting their rights. While most Americans at the time would not have read Locke, pamphleteers advocating independence from Britain were referring to Locke's ideas, so the colonists would have been familiar with Locke's ideas.⁶

Throughout the eighteenth century, Enlightenment ideas changed the way that citizens viewed their relationship to government. The view that citizens were subjects of their governments and obligated to serve their governments was reversed, so people increasingly thought that government should serve its citizens rather than the other way around. A series of newspaper columns published in the *London Journal* under the name of Cato from 1720 to 1723 advocating Enlightenment principles of liberty was very influential, and the columns were ultimately compiled into a book, first published in 1755, titled *Cato's Letters*.⁷ By the time of the American Revolution in 1776, the idea that government should serve the interests of its citizens was well established, changing the dominant view from a century prior that citizens should serve their governments.

If governments should serve the interests of their citizens, what are those interests? One thought is that democratic decision-making processes can reveal those interests. The institutions of democracy serve as

⁶ The role of Locke's ideas in the American Revolution is discussed by Bernard Bailyn, *The Ideological Origins of the American Revolution* (Cambridge, MA: Harvard University Press, 1967).

⁷ The authors of the letters were Thomas Gordon and John Trenchard. The letters can be found in *Essays on Liberty, Civil and Religious, and Other Important Subjects*, Ronald Hamowy, ed. (Indianapolis: Liberty Fund, 1995).

a preference revelation mechanism that identifies the interests of its citizens. Democracy is widely viewed that way, and politicians promote the idea with claims, after winning elections, that they have a mandate to implement policies on which they campaigned. This vision points to a direct link between political preferences and public policy. As appealing as that idea might at first appear, thinking of democracy that way is problematic.

1.2 DEMOCRACY AS A MECHANISM FOR AGGREGATING PREFERENCES

James Buchanan and Gordon Tullock depict democracy as a mechanism for revealing the collective preferences of groups of individuals. They say, “Collective action is viewed as the action of individuals when they choose to accomplish purposes collectively rather than individually, and the government is seen as nothing more than the set of processes, the machine, which allows such collective action to take place.”⁸ They recognize, however, that groups have no preferences; only individuals have preferences. So, to say that some policy is in the interest of a group of people can mean nothing more than that it is in the interest of the individual members of the group. Democracy can aggregate preferences to make a collective choice, but it is misleading to say that the group, as such, has expressed a preference.

Buchanan and Tullock use agreement as a benchmark to judge whether collective action is in the best interest of members of a group, recognizing that individuals cannot expect that every collective action a group takes will benefit every single individual. Rather, the expectation of group members is that everyone is better off with collective action undertaken by government than without it. If this is not the case, then the ideas of Locke and other Enlightenment thinkers would lead citizens to work to replace their government with one that does improve their welfare.

Consider, for example, a system of traffic lights that regulates the flow of traffic. In some cases, an individual may come to a red light and have to stop even though there is no other traffic at the intersection. The individual is worse off for having to stop, and nobody is better off because there is no conflicting traffic, so in this specific instance, stopping at that intersection imposes a cost on the driver, but nobody benefits. Social

⁸ James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962), p. 13.

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welfare is reduced. But overall, drivers are better off with the system of traffic lights than without that system, even if in specific cases the system imposes some costs in excess of their benefits. In the aggregate, everybody benefits from an orderly flow of traffic. The example extends to collective decision-making more generally. Ideally, democracy produces a set of institutions that improves the welfare of everyone.⁹

There is no guarantee that this is the case, and when public policies are enacted that benefit some, even if it is a large majority, but harm others, there is no way to compare the gains for some against the losses of others, so any suggestion that the outcome of democratic decision-making reveals the public interest is problematic. Even if somehow such a determination could be made, one would still be hard-pressed to say the outcome is in the public interest. If one person were to gain more utility from owning a slave than another would lose from being enslaved, could we say that enslaving the second person would be in the public interest? Ultimately, the hope is that even if some individual policies go against the interest of some individuals, everyone agrees to the process by which those policies are made. They agree to the rules and institutions, even if they do not always agree with the outcomes those rules and institutions produce.

Democracy does not always work that way. John Stuart Mill refers to a “tyranny of the majority” in which “society is itself the tyrant – society collectively, over the separate individuals who compose it,”¹⁰ which suggests the possibility that democracy and freedom can be at odds with each other. People do benefit from collective action to produce goods that are collectively consumed, such as roads, municipal water supplies, wastewater treatment, and more. The challenge is to design a system of collective decision-making that enables people to cooperate to produce those goods, without enabling some people to use that same system to benefit themselves at the expense of others.

Daron Acemoglu and James Robinson describe such a system as a narrow corridor between a government so weak that it fails to protect people’s rights and a Leviathan government that abuses its power to violate people’s rights.¹¹ Similarly, James Buchanan describes the limits

⁹ This example is taken from James M. Buchanan, “The Relevance of Pareto Optimality,” *Journal of Conflict Resolution* 6, no. 4 (December 1962), pp. 341–354.

¹⁰ John Stuart Mill, *On Liberty*, People’s Edition (London: Longmans, Green, and Co., 1913), p. 8.

¹¹ Daron Acemoglu and James A. Robinson, *The Narrow Corridor: States, Societies, and the Fate of Liberty* (New York: Penguin Press, 2019).

of liberty as lying between anarchy and Leviathan.¹² It should be obvious that if citizens' preferences are aggregated through any mechanism in which some people – a majority, or even a powerful minority – can impose their decisions on others, public policies may not reflect the political preferences of the citizens they affect. Without unanimous support, it is obvious that they do not reflect the political preferences of everyone. The risk is that democratic governments might slip out of that narrow corridor, beyond the limits of liberty, to become an oppressive Leviathan.

1.3 MAKING SOCIAL CHOICES

Democratic decision-making is more than just majority rule voting. Democratic institutions vary substantially from one government to another, and those differences can make nontrivial differences in the scope and nature of government activity. Differences among democratic governing institutions include presidential versus parliamentary systems of government and plurality versus proportional voting mechanisms, but many smaller nuances also differentiate various democratic governments.¹³

Presidential systems, as in the United States, elect the executive and legislative branches of government separately, whereas the parliamentary systems that are commonly used in Europe elect a parliament which then chooses government ministers who lead the executive branch. Plurality voting selects the candidate who receives the most votes as the single winner in an election, whereas proportional voting elects party members in proportion to their total votes. In plurality voting, a candidate who gets 20 percent of the vote loses the election. In proportional voting, a party that receives 20 percent of the votes gets 20 percent of the seats in the parliament. These nuances are important, but an analysis of the basic framework underlying democratic decision-making reveals issues that call it into question as a mechanism for revealing collective preferences.

One commonly used framework for describing the results of democratic elections is the median voter model, which concludes that when

¹² James M. Buchanan, *The Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975).

¹³ Torsten Persson and Guido Tabellini, *Political Economics: Explaining Economic Policy* (Cambridge: Cambridge University Press, 2000), discuss the different outcomes that tend to result from presidential versus parliamentary democracy, and from plurality versus proportional voting.

TABLE 1.1 *Preferences that produce a cyclical majority*

Voters		
1	2	3
A	B	C
B	C	A
C	A	B

preferences are aggregated by majority rule, the aggregated preference of the group is the preference of the median voter.¹⁴ The model assumes that voter preferences can be arrayed on a single-dimensioned continuum, and concludes that the outcome preferred by the median voter can defeat all other alternatives by simple majority rule. Looked at in this way, majority rule voting is a system of preference aggregation. The group wants to make a collective decision, and if the model is descriptive, aggregating the individual preferences of group members through majority rule voting means that the collective choice will be the outcome that the median voter prefers.

The model is likely to be descriptive in many but not all situations. Voter preferences are often viewed as existing on a left-to-right continuum, and the model concludes that in representative democracies, candidates and parties tend to design platforms that appeal to the median voter.¹⁵ However, under some circumstances there may be no option that can win the support of a majority over all others. Table 1.1 gives a well-known example in which preferences are aligned so that there is a cyclical majority.

The table represents the rank-order preferences of three voters for three different alternatives, A, B, or C. For example, voter 1 prefers A to B and B to C. In a majority rule vote pitting A against B, voters 1 and 3 would vote for A, so A defeats B. But if A runs against C, C gets the votes

¹⁴ This model was introduced and developed by Howard R. Bowen, “The Interpretation of Voting in the Allocation of Economic Resources,” *Quarterly Journal of Economics* 58, no. 1 (November 1943), pp. 27–48; Duncan Black, *The Theory of Committees and Elections* (Cambridge: Cambridge University Press, 1958); Anthony Downs, *An Economic Theory of Democracy* (New York: Harper & Row, 1957).
¹⁵ I discuss the model in more detail in Randall G. Holcombe, *Advanced Introduction to Public Choice* (Cheltenham, UK: Edward Elgar, 2016), but this simple description is sufficient to give the flavor of the conclusions the model draws.

TABLE 1.2 *Value of preferences
that produce a cyclical majority*

	Voters		
	1	2	3
Alternatives			
A	\$1000	\$1	\$2
B	\$2	\$3	\$1
C	\$1	\$2	\$3

of voters 2 and 3, so C defeats A. And if B runs against C, B gets the votes of 1 and 2, so B defeats C. B defeats C, A defeats B, and C defeats A, so no alternative can defeat all others in a majority rule vote.¹⁶

This example shows that under some circumstances there will be no equilibrium outcome under majority rule voting. If democratic decision-making is used to select among policies A, B, or C, none of those alternatives is preferred by a majority over all others. That does not imply that none of the alternatives is better than the others. One possibility, illustrated in Table 1.2, is that voter 1 places a high value on alternative A (\$1000), and voters 2 and 3 place values of only \$3 on alternatives B and C, respectively. The rank order of preferences in Table 1.2 is the same as in Table 1.1, so the same cyclical majority exists, but with the values in Table 1.2, A would clearly be the highest valued choice. Majority rule voting will not reveal that. The democratic choice is as likely to be the lower-valued alternatives B or C as the higher-valued alternative A.

Furthermore, once an alternative is chosen, there will always be another one that a majority of voters prefer to the chosen alternative. Even if A is chosen, a majority would prefer C over A. This suggests the possibility of instability in democratic government. If preferences resemble those in Table 1.1, regardless of the status quo, a majority would always prefer something different. In light of this possibility, it is remarkable that democratic governments (often) appear to be so stable.¹⁷ Reasons for this remarkable

¹⁶ This example is given early in Kenneth J. Arrow, *Social Choice and Individual Values* (New Haven, CT: Yale University Press, 1953), and is sometimes referred to as the Arrow paradox.
¹⁷ R. D. McKelvey, “Intransitivities in Multi-Dimensional Voting Models and Some Implications for Agenda Control,” *Journal of Economic Theory* 12, no. 3 (June 1976), pp. 472–482, suggests that instability in democratic government may be a common