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Introduction

Albert Breton, Gianluigi Galeotti, Pierre Salmon, and Ronald Wintrobe

Democracy is widely accepted today, perhaps as never before, as the most suitable form of government. But what is democracy, and does it always produce good government? There is a tradition in popular thinking and in political science that associates democracy with the existence of competitive elections. This follows the tradition of Schumpeter (1950) and Downs (1957) in public choice. Competitive elections are undoubtedly a necessary condition for democracy. But they are not sufficient for true democracy or for democracy to function reasonably well. For example, the fathers of the American Constitution expressed their fear of factions and of mob sentiments. One problem with competitive elections is that they provide no protection for minorities. A second is that they may not express the long-term interests of the electorate itself, or their attitudes in sober second thought. Yet a third is the well-known Arrow problem of cyclical majorities – perhaps one of the central discoveries of modern public choice. A fourth is the recurring tension between the two principles of government by majority on the one hand and the rule of law on the other.

Contemplating the failures of democracy in theory, one early tradition in public choice theorizing was based on the idea that, whatever its failings in theory, democracy works well in practice. This puzzle arose early in public choice theory,[1] and the question, "Why so much stability?" that is, specifically, "Why do democracies appear so much more stable in practice than in theory?" became an early preoccupation of public choice theory.

More recently, the notion of "civil society" has been advanced to explain why some democracies seem to function fairly well, while others do not. The experience of the Russian transition to democracy has been sobering for many, as a country that seems to possess at least some of the requisites for democracy – for example, competitive (more or less) elections and a very high level of literacy – appears as of this date (2002) at least to be drifting again toward

[1] The question was raised this way by Gordon Tullock in "Why So Much Stability?" *Public Choice 37*, 1981, pp. 189–202.

authoritarianism as alternative sources of information and decision making are systematically neutralized by the government. Another problematic case is contemporary Italy, where the discovery of widespread corruption in 1992 has given rise to a number of attempts at reform, none of which seems to have been entirely satisfactory; and although the new prime minister does have a majority, his ownership of a large chunk of the country's media, and his use of this media to advance his candidacy, are disturbing. These two cases (Russia and Italy) illustrate the dilemma that may arise for those voters who, to get the policies that they consider as most important, may have to gloss over a number of other, more dubious democratic credentials of the team they support.

Lest these cases seem exceptional, or our thoughts about them overdrawn, the reader is asked to note that in the United States there is enormous concern with issues such as negative campaigning and campaign finance, that there was a substantial attempt to impeach the last American president, and that the current one (George W. Bush) obtained his office by a decision of the Supreme Court in what was perhaps the most contested presidential election result in U.S. history. Indeed, the behavior of the judicial system during that contest has led some to believe that it is not as independent of the other branches of government as might be desired. It seemed that at each level of the judiciary, both state and federal, the decision could be predicted with 100 percent success on the basis of what everybody knew of the partisan affiliation of the judges on that level. Finally, around the world there seem to be fewer governments every day that face effective opposition and even fewer that are not severely tainted by corruption.

One reflection of all this is that measures of trust in politicians in many democracies appear to be at a historic low,[2] and many people express the view that they do not believe any statistic that is uttered by a politician. So while the idea of democracy has never been more popular and the (sometimes) alleged virtues of dictatorship have never appeared so unpromising, examples of true, strong democracies in action seem to be harder and harder to find as we enter the twenty-first century.

The Italian case is important in another connection, as it was the laboratory for the celebrated initial work by Robert Putnam on what makes for good and responsive government. In his 1993 book, *Making Democracy Work*, Putnam popularized the idea that social capital, particularly in certain forms ("horizontal" rather than "vertical") was the central ingredient necessary for democracy to be responsive to the wishes of the people.[3] Thus, to oversimplify a bit, he argued

[2] See, for example, Chapter 1 of Susan J. Pharr and Robert D. Putnam, *Disaffected Democracies,* New Jersey: Princeton University Press, 2000; and Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon and Schuster, 2000.

[3] Social capital, variously defined, is one avenue of giving meaning to the concept of civil society. But it is hardly uncontroversial, and indeed the issue of what is meant by the concept has of late become an industry in itself (See, for example, Mark E. Warren, *Democracy and Trust*, Cambridge: Cambridge University Press, 1999).

that the north in Italy has high social capital and good government, whereas the south is low on both counts. Of course, Edward Banfield had earlier advanced the proposition (in his *The Moral Basis of a Backward Society*[4]) that lack of social capital posed problems for the development of democracy in parts of the south of Italy. And Putnam's magisterial new book, *Bowling Alone* (2000), is essentially a lament for the decline of social capital in America and the decline of good government along with it.

At the same time, one could look at the current state of political life in the world in much different ways. Thus, the importance of human rights in political discourse has undergone a sea change, and emphasis on their observance has become entrenched. The decline in ideological competition as the result of the demise of the Soviet system of government has often meant a more pragmatic approach to government in the West. The rise of the Internet has meant a decline in the capacity of politicians to mislead, trick, or bully their peoples. These things would all seem to bode positively for democratic government. However, with the advent of globalization, many decisions have been taken out of the democratic process and left to institutions such as central banks, international dispute settlement mechanisms, and other nonrepresentational organizations, causing many people to complain of a loss of sovereignty.

With these mostly dark thoughts in mind, we thought it would be important and interesting to bring together several scholars from North America and Europe and ask them to explore in a more rigorous and scholarly way what they thought were the ingredients that made democracy successful, that is, the *binds* and *bonds* of democratic politics, and to present their analyses of how these binds and bonds have functioned and how well or badly they currently function to sustain democracy around the world. By these phrases, we mean two things: First, we refer to all the constraints, restrictions, rules, and requirements that govern democratic political competition. These include the formal rules of the constitution, but also changes in them such as those that are the product of judicial interpretation, as well as the informal agreements among competing parties and other political actors. Second, and no less important, we refer to the glue that ties the members of the polity together, such as social capital or a common belief in the rule of law, and democratic rights, such as the right to free speech or the right to participate in a demonstration. Many institutions perform both these roles, that is, they both bind individuals in the sense of restricting their capacity to act, and they bond or link them more closely, or raise their awareness of being linked together, in a common polity. Both binds

[4] *The Moral Basis of a Backward Society*, by Edward C. Banfield with the assistance of Laura Fasano Banfield, Glencoe, IL: Free Press, 1958. Even before Banfield's work, there were the Italian economists of the eighteenth century, Doria and Genovese, as discussed in A. Pagden, "The destruction of trust and its economic consequences in the case of eighteenth century Naples," in Diego Gambetta (ed.), *Trust*, Oxford: Blackwell, 1988, pp. 126–141).

and bonds are, we believe, the foundations of democratic politics. We invited these scholars to participate in a seminar to discuss these matters.

As in previous Villa Colombella Seminars, it was expected that scholars would seek to develop positive models based on the assumption of rational decision making and rational behavior. Some of the issues we suggested were worthy of exploration included the following: Does social capital always underpin the rule of law in desirable ways? Can there be too much social capital? On constitutions, an important issue is that of the flexibility of constitutions in the presence of a changing social, political, or economic environment. Why do people accept constitutional reinterpretations and adaptations at one time that were rejected previously? The tradeoff between the requirements of constitutional maintenance versus that of flexibility is a subject that is continually being debated. A third issue is whether democratic politics has generated institutions and institutional devices to make commitments possible – or alternatively to make reneging on commitments costly – and thus ensure the determination of stable equilibrium outcomes. It has to do with the notion that democracy is founded on the principle of the sovereignty of the people. One implication of this principle is that one parliament representing the people at a particular historical moment cannot bind a future parliament. It might appear therefore that the ability to commit is not a feature of democratic politics. But in the absence of commitment virtually every equilibrium outcome is unstable. Perhaps this is one reason why most members of parliaments tend to get reelected most of the time under all voting rules. But in turn, this appears to shield them from voters' control under some systems.

As the reader will discover, we received provocative answers to a number of these questions. In addition, some authors took a rather different approach to them than what we had anticipated and asked new questions. The chapters are wide ranging, and consider such diverse aspects of democratic governance as negative advertising, the role of morals or virtue in political life, the role of social capital and civil society in sustaining democracy, secessionism and the constitutional and cultural prerequisites of democracy, and how representative democracies interact with the evolution of the market economy. Overall, however we are gratified at the unity which the book appears to display. To provide a brief overview, the chapters in the first part of the book, "Some Problems with Democratic Institutions and Trends in Their Evolution," describe and analyze in detail from a variety of points of view some of the problems and trends in democracy to which we have just been referring, from negative campaigning to the decline in public discourse to the increase in activities which are often said to constitute civil society. Perhaps one way to read the rest of the book is that, in it, the authors look at different possible solutions to these dilemmas. Thus, Part 2, "Morals in Politics," contains two chapters, both of which ask whether a more virtuous or altruistic citizenry can ameliorate weaknesses in the institutions of democracy themselves. The third part, "Social Capital," is

devoted to issues surrounding the concept and workings of social capital, currently felt by many to be, in one form or another, a *sine qua non* for effective democracy. The fourth part, "The Role of Constitutions," addresses a number of aspects of these institutions: how the demand for constitutions as solutions to democratic dilemmas arises, and how constitutions actually function in this regard and in other ways.

The chapters can be summarized as follows.

In Chapter 2 Michael Munger considers the effects of negative campaigning or "attack" tactics on the electoral system. His conclusion is that ideological attacks "loosen the bonds" that tie democracies together. Perhaps more importantly he argues that once the bonds that tie a democracy together are loosened they tend to stay loose, and he is not sanguine that such measures as restrictions on campaign measures will necessarily improve matters. The reason is that restrictions on spending or contributions tend to benefit incumbents, reducing competition and insulating officials from the electoral forces that assure accountability.

Stergios Skaperdas's basic point in Chapter 3 is that the level of public discourse in the West has deteriorated in the post-WWII period. He suggests that this process has taken place very gradually and imperceptibly. That deterioration can be thought to be a by-product of material growth. Public discourse requires time – to read, think, and interact with others. It is also assisted by the presence of public space, the *agora*, the corner café, bar, or tavern. With economic growth, both the time spent with others and public space are shown to decline in the formal model he examines. Allowing for feedback from public discourse on economic growth does not qualitatively change these effects.

Roger Congleton points out in Chapter 4 that most modern analyses of democracy take it for granted that democratic government is feasible. However, this point of view neglects the fact that democracy has become a dominant constitutional arrangement only recently. Perhaps democracy is not always feasible. Democratic politics have to overcome several defects in majority rule if they are to succeed. His chapter analyzes cultural and economic prerequisites for avoiding three fundamental problems of majoritarian decision making – indecisiveness, redistributory pressures, and subversion of the process by the governing party – that would otherwise tend to hobble democratic government.

Frédérique Chaumont-Chancellier analyzes the impact of civil society on the contemporary social order in Chapter 5. Relying on a Hayekian analytic framework, she explores the part played by individual incentives in the preservation or decline of pre-existing social rules as well as in the generation of new ones. New rules are generated by a five-step process. The first step is the appearance of some recurrent interaction problem. In the Hayekian framework this generates pioneer action to address it, the emergence of one or more relational rules, competition among them, and ends in the institutionalization of a rule once a

certain critical mass has been reached. She further proposes an explanation of the different appearances of civil actions – from incivilities to civil engagement directed to the provision of collective goods – in contemporary France. Finally, she argues that some aspects of civil actions can be understood as an exit from the political society and should not be attributed to the good health of democracy.

The second part of the book, "Morals in Politics," contains chapters by Don Wittman and Alan Hamlin. These two authors chose to write on morality or virtue as a foundation for democratic politics, and ask whether democracy works better when the population is more virtuous.

The first chapter (Chapter 6) on virtue or altruism is by Donald Wittman. He develops a positive theory of elections when some or all of the voters temper their selfish interests with some concern for the distribution of income. As is well known, when people are selfish, there is no permanent majority and intransitivity arises. Wittman considers the situation where voters have, in addition to their own selfish preferences, some concern for the average income and the distribution of income around the average. He argues that a certain degree of altruism is indeed the glue that binds people together to prevent such instability. In addition, majority rule encourages altruism because the transfers are imposed on a set of people rather than just on one person at a time.

In the second chapter on morals (Chapter 7), Alan Hamlin also analyzes the role of virtuous rather than self-interested motivations in the operation of democratic institutions. He investigates whether democratic institutions operate in a way that is resilient to alternative specifications of the characters and motivations of individuals. Hamlin follows Montesquieu in suggesting that different forms of government thrive on the basis of different human characteristics: a monarchy, for example, thrives on honor while a despotic government survives on the basis of fear. A democratic government requires virtue. Hamlin argues that virtue in turn is not a stock that is consumed by use. On the contrary, it is more useful to think of democratic institutions as mechanisms that can screen for the virtuous (elections), enhance virtue (as suggested by Condorcet's jury theorem), or even produce it. The chapter concludes with a simple modelling exercise that illustrates how the screening and enhancement of virtue might operate.

The third part of the book contains two chapters on social capital. In Chapter 8, Ronald Wintrobe takes as his starting point the recent revival and spectacular growth of interest in the subject of social capital, particularly inspired by the work of Putnam mentioned earlier. He focuses on the concept of solidarity, which may or may not be a synonym for social capital. He argues that while Putnam produces a vast array of evidence about trends in social capital, he does not supply an analysis of how social capital is produced or accumulated. Wintrobe suggests one model of this process. In this model, people acquire solidarity with a group by giving up their own views and adopting the views of

the group. In effect, they give up autonomy for solidarity. To the extent that this process of trade takes place, the person who holds a belief which appears on the surface to be irrational is not behaving irrationally. The rationality consists not in the content of the belief, but in the reason for holding it, which is to obtain social cohesion or a feeling of "belonging-ness." The more extreme the views of the group, the greater sacrifice in autonomy a person will have to make in order to join, and the greater the amount of solidarity he will demand from the group in return. Hence extremist groups are typically characterized by high solidarity as well as extremist views.

Stefan Voigt's Chapter 9 is an attempt to analyze the bonds of democracy. In a wide-ranging chapter, which surveys a large literature on this subject including experimental games and contributions from sociology as well as economics and political science, he argues that only those societies that have at their disposition certain kinds of bonds will be able to sustain democracy. For example, an extended welfare state only seems sustainable if those who are net-payers feel some sort of solidarity for those who they are supporting. He suggests, however, that an extensive welfare state can lead to a loosening of personal bonds. He compares the bonds of democratic politics with those of non-democratic politics, and also asks whether democracy is a precondition for certain kinds of bonds to survive. Perhaps surprisingly, he concludes that the differential effects of democratic versus non-democratic regimes on the strength of bonds are rather weak. But then again, he argues, this is not the only relevant distinction, and different kinds of democratic institutions might well have an effect on the prevalent bonds found in a society.

The fourth and last part of the book, "The Role of Constitutions," contains three chapters on constitutional economics, by Gianluigi Galeotti, Albert Breton and Pierre Salmon, and Viktor Vanberg. Breton and Salmon's chapter concerns the economics of secession; Galeotti's chapter some shortcomings of all voting rules; and Vanberg's chapter the issue of whether under a democracy it is possible to bind future legislators.

Galeotti's Chapter 10 develops an early cue suggested by Anthony Downs on "the paradox of delegation." He identifies a basic tension between voters' information costs – requiring more delegation of decision authority – and the dissonance of principals' and agents' goals which would require less delegation. That tension is eased in a setting where representatives' uncertainty of citizens' votes is an efficient spur to make the principals' authority effective. Incumbent politicians, however, find that setting uncongenial and try their best to bind voters through the cultivation of political loyalties or by making themselves indispensable (as also happens with managerial entrenchment in the case of corporate control). Thus, Galeotti presents four different settings of the life of a representative democracy. The four depend on the combinations of incumbents' confidence of voters' support on the one hand and voters' reliance on the incumbents on the other. Empirical evidence shows that voters are often

trapped by their own choices under both the plurality and the proportional rule, thus leading to waves of inconsistent expectations. The constitutional quandary is how to combine permanence and change of the electoral system. The problem is that no permanent voting rule seems able to keep the required level of asymmetric mistrust constant. With the elapsing of time incumbents are always able to find ways around any stable set of rules.

Victor Vanberg, in Chapter 11, discusses the issue of commitment in democratic politics from a constitutional economics perspective. More specifically, he examines the conjecture that the principle of popular sovereignty inherently limits the ability of democratic polities to commit. If this conjecture were true, democratic constituencies would be incapable of realizing the benefits that a capacity to enter into binding commitments might generate. Looking at a democratic polity as, in Rawls's words, a "cooperative venture for mutual advantage," Vanberg seeks to show that such a pessimistic conclusion need not be drawn from the principle of popular sovereignty. Interpreting commitments as social contracts among citizens, the commitment issue is analyzed in terms of two distinctions, that is, on the one hand, the contrast between *original* versus *ongoing* agreement in such social contracts, and, on the other hand, the distinction between "transaction agreements" and "constitutional agreements" as the two principal ways in which citizens can use the political process to realize mutual benefits. It is argued, in particular, that *ongoing* agreement is not only the relevant standard of legitimacy in constitutional agreements, but that it is also a workable foundation for constitutional commitments when certain requirements are met.

In Chapter 12, Albert Breton and Pierre Salmon argue that the effects of constitutional rules depend on the nature of political competition and on some meta-rules that contain procedures regulating the application and the modification of constitutional rules. They outline two models of competition, electoral competition and compound government competition, and describe the nature of the transactions between the parties involved in the two corresponding settings. In both, the transactions are over constitutional rules and ordinary goods and services, all of which are arguments in the utility functions of citizens. To make the discussion more concrete, the chapter focuses on the demand for political autonomy, a variable that, at the limit, becomes a demand for secession and independence. This allows the specification of some meta-rules applicable to secessionism. In this particular context, it appears that relatively small differences in the content of the meta-rules lead to large differences in equilibrium outcomes.

POSTSCRIPT: SOME TENTATIVE CONCLUSIONS AND SUGGESTIONS FOR FURTHER RESEARCH

Readers of this book will of course want to draw their own conclusions about the state of democracy and its foundations. Perhaps it would be useful to them

if we, the editors, take this opportunity to offer our own reflections, based not only on our participation in the conference, but also on listening to the papers and comments of others there, reading the referee reports for the volume and rereading the final versions of the various chapters. In our view, four broad themes seem to emerge. The first of these is that the pessimism on these matters mentioned earlier seems to have been shared by a number of the participants at the seminar. In particular, most (but not all) of the authors appear to believe that, left to themselves, political markets do not function very well. The classic public choice problems of cycling or indecisiveness, the tendency for redistributory issues to dwarf the concern for resource allocation, and the ever-present possibility of subversion of the democratic process by the party in power are well identified by Congleton. To this list, two newer dilemmas are added by Skaperdas and Munger. Skaperdas argues that growing material wealth increases the value of time and reduces the capacity for public discourse. Public discourse requires time to read, think, and interact with others. Chapter 3 is a lament for the decline of the *agora*, the corner café, bar, or tavern, and of media that provide fodder for real debate. Lack of public discourse reduces the number of alternatives considered and allows small minorities to have an inordinate influence on public decisions. He speculates on the etymology of the word *idiot* and notes that it initially referred to a private person who had no time for public affairs. He discusses whether we could become, if we are not already, *idiots* in both senses of the term.

Munger also discusses the depreciation of the common culture and describes another force that has led to this phenomenon: the increasing tendency for negative campaigning in elections. In the simplest model of this process, negative campaigning is individually rational for the candidates in an election in that it appears to win support, but is easily matched by the other candidate. The resulting equilibrium is one where both candidates engage in it. Neither wins by the strategy but the common culture is depreciated. Munger shows how important this result can be. Because elections tend to be fought on simple ideological dimensions, the basis of political competition can be changed by a depreciation of the common culture, and the result can be a distortion of voters' choices and a degredation of the public sector. In turn, voters react by becoming, as he puts it, demoralized and demobilized.

The second theme is the possible replenishment of the foundations of politics through what is variously termed morals, culture, virtue, bonds, or social capital. In this vein, Wittman's mathematical model shows how the problem of intransitivity can be overcome when voters temper their selfish interests through altruism, or a concern for the distribution of income. Hamlin is in one sense less pessimistic in that he argues that democracy can be *flexible*. It may function tolerably well with the various motivational characters of the individual citizens. But he nevertheless argues that without some modicum of virtue, so that individuals feel themselves bound together in a common enterprise, the human

aspect of democracy may be undermined. Congleton also tries to show how culture can solve the standard dilemmas of public choice, and Voigt suggests as well that a sense of solidarity among voters is necessary for many forms of public decision-making, for example, the maintenance of the welfare state, to survive.

A third theme which emerges in several papers is the specification of the mechanisms and processes by which the bonds or virtue or social capital are produced and maintained. That is, virtue, morals, bonds, or social capital are not merely exogenous forces in a society but are produced endogenously through the functioning of political, economic, or social systems. We have already mentioned Munger's model of the depreciation of common culture through negative campaigning and Skaperdas's model of how economic growth reduces the possibility of public discourse. To these must be added Chaumont-Chancellier's Hayekian model that implies that such events do not go unnoticed, but become the staple of political entrepreneurship to address these problems. She shows how such problems tend to get recognized, how relational rules tend to emerge, and how competition among these rules tends to produce new rules to solve recurrent problems. From this point of view, civic action appears as a sign of discontent with existing institutions, and quietism an indication that they are working well. Indeed, one way to read Chaumont-Chancellier's chapter is as a (despite differences in methodology) challenge to those who decry the apparent results of the workings of an open society to show why openness itself does not provide a solution to the problems it is said to create.

One possible line of counter-argument to Chaumont-Chancellier's thesis is provided by Voigt, who argues that it is possible that sustained democracy depends on preconditions that it is not always capable of reproducing or bringing about itself. For example, he suggests that participatory rights will be granted only as a consequence of changes in the bargaining power of various groups, and that horizontal bonds or trust might be a precondition for vertical bonds (trust in government) which in turn is a necessary condition for sustainable democracy.

Of course, pessimistic or gloomy views on the way democracy works have a long tradition. However, considering the matter over longer periods of time or over a larger sample of countries often changes the perspective. The phenomena or trends apparently accounted for or revealed by the theory appear then to be more local or temporary than the theory suggests. Some readers may apply such caution to the currently fashionable thesis of decreasing social capital a la Putnam and others or to some of the ideas mentioned here. Are the parts of the contemporary world which are poorer, and where the opportunity cost of time has less value, those in which political life and the level of political discourse are the most democratically healthy? And is the virulence of negative campaigning, though perhaps greater today than 10 or 20 years ago, really much greater today than it was in many democracies in the interwar period or earlier?