# POLITICS AS THE ART OF CONFINED COMPROMISE: A COMMENT ON BOUDREAUX AND LEE
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Over the last three decades or so public choice economists have raised a long list of reasons why governments fail. Thus, public choice theory can be seen as a theory of government failure. A recent addition to the long list launches off the adage: politics is the art of compromise. In a recent issue of this journal, Donald Boudreaux and Dwight Lee (1997) cast doubt on the conventional wisdom contained in the adage and claim that politics is instead "the art of confined compromise." If that were interpreted as a positive statement, one might be inclined to accept Boudreaux and Lee's observation. But Boudreaux and Lee go beyond mere speculation about the empirical record:

> Democracies produce excessive amounts of romantic voting just as private markets with inadequately specified or poorly enforced property rights produce excessive amounts of air and water pollution. Democratic outcomes are "polluted" with excessive romance and, hence, governed by too little realism [1997: 371].

and

> . . . democratic politics falls short of achieving optimal compromise [1997: 366].

Manifestly, Boudreaux and Lee's observation centers on the normative significance of electoral politics.

Boudreaux and Lee's argument relies on the theory of expressive voting. One of the central tenets of Brennan and Lomasky's (1993) theory of expressive voting is that voting is an expressive activity much

like the support individuals express for their favorite football team. Voters in common with supporters at a local football game do not believe that their expression of support will alter the final outcome. What looms large in their calculus is not the expected instrumental benefits from the outcome but rather the benefits from voting or cheering itself. Once Brennan and Lomasky's compelling logic is accepted, serious and new doubts must be raised about the outcomes of the electoral process. If voting is like cheering, then when the citizenry votes it will not necessarily express its interest over outcomes. Voters will express instead their feelings and whims about political issues. A person's vote or support need not be shaped by a careful evaluation of the policies offered by the political parties. Realism as such does not influence the individual's decision on what to vote for. How people vote must be explained in terms of a direct consumption benefit from expressing support for some favored candidate, party, or ideological position. As such, romantic notions come to the fore of the mind of the voter. Equally, Brennan and Lomasky admit that electoral processes *may* fail to elicit the expression of an individual's considered opinion and may serve instead to call forth the darker side of human nature.

Boudreaux and Lee (1997) argue that the logic of Brennan and Lomasky's theory of expressive voting is that political decisions will involve too much romance—an uncompromising concern with ideological concerns—and that this excessive concern is a reason why governments fail. Boudreaux and Lee devote little attention to specifying just what excessive romance entails. In some respects this is unfortunate. Romance is something of a pejorative term in public choice theory. But it has a particular meaning associated with the call to model the behavior of economic actors as they are rather than some romantic ideal of what they could be like.[1] Boudreaux and Lee relate romance to politics in a different fashion. Public choice theory, in common with the rest of modern economics, takes the idea seriously that constraints matter. Individuals may wish that there were more of everything. At times all of us have probably experienced the thought that life would be better if things were different. Social scientists cum philosophers devote a good deal of their intellectual effort to imagining what might be. Economists, on the other hand, spend a good deal of effort spelling out the implications of the here and now and barking the warning that constraints are an ineluctable fact of life. It is this interpretation of politics with realism that Boudreaux and Lee seem to have in mind when they claim that expressive voting will result in

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[1]See Buchanan (1984) for a call for realism when modeling political behavior.

too much romance in politics. The danger is that if voters' choices are an expression of their romantic concerns, then constraints will not be taken seriously.

Boudreaux and Lee's paper therefore seems to involve three related propositions:

1. Government will be confined to undertaking inefficient decisions because realistic constraints are not taken seriously.
2. Government will be inefficiently confined to a restricted range of outcomes because "democratic voting causes voters to demand excessively rigid adherence to principle" (Boudreaux and Lee 1997: 366).
3. The carrying out of the power granted by the voters will generally be subverted by organized interest groups. And, since organized groups are more decisive than individual voters, the groups' calculus of choice will be dominated by instrumental rather expressive concerns.[2] The compromises that get made in the political process will often be between organized groups, with individuals' interests only marginally represented, if at all, at the bargaining table. As such the political process lavishes political externalities on the unrepresented electorate.

The purpose of this note is to indicate that there are some fundamental deficiencies in Boudreaux and Lee's argument that the market is superior to collective decisionmaking because it forces participants to take constraints seriously. In doing so I argue that there is a need for some compromise in their overall position. Specifically, I seek to argue that

1. Even when the romantic politics of expressive voting crowds out the realism of the marketplace this is not, notwithstanding Boudreaux and Lee's general argument, necessarily a bad outcome.[3]
2. Even when expressive voting confines the range of deals which can emerge from the political process, this confinement does not necessarily result in a case for the market.

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[2] In a recent paper, Brennan and Hamlin (1998) have broadened considerably the notion of expressive voting and argue that voters' decisionmaking calculus can be sensitive to instrumental as well as expressive concerns.

[3] The general notion that romance in politics may be preferred to the realism of the market is not mine. Indeed Brennan (1989) and Brennan and Lomasky (1993: 41–49) make a clear case for such in their presentation of the theory of expressive voting.

3. Even if the political process is dominated by organized interest groups, this does not necessarily mean that the collectivity is made worse off.

## A Simple Account of Expressive Voting

In order to see why their argument represents a serious distortion of the possibilities that may occur under electoral politics, consider the optimal provision of a pure public good, $X$. In a market setting, individuals decide how much to contribute on the basis of their own individual marginal instrumental returns and costs. Each rational actor will attempt to free-ride on the contributions of the other individuals. If the demand curve for each and every individual is less than the marginal cost of provision, then the market can be expected to fail completely.

Now consider the situation where the individuals have to make a decision in the polling booth on how much $X$ to vote for. Since the likelihood that a voter will be the decisive voter tends toward zero as the number of voters increases, the benefits of voting instrumentally will also tend toward zero. Instrumental concerns such as what is feasible and how much the individual is prepared to pay will not necessarily influence an individual's decision of how much $X$ to vote for. In this sense Boudreaux and Lee are correct in their interpretation of the theory of expressive voting: realism, as economists usually interpret the term, need not be much of a force on choice in the polling booth. They are wrong, however, when they assert that the voters' preoccupation with romantic and ideological concerns implies that "democratic outcomes are 'polluted' with excessive romance" (Boudreaux and Lee 1997: 371).
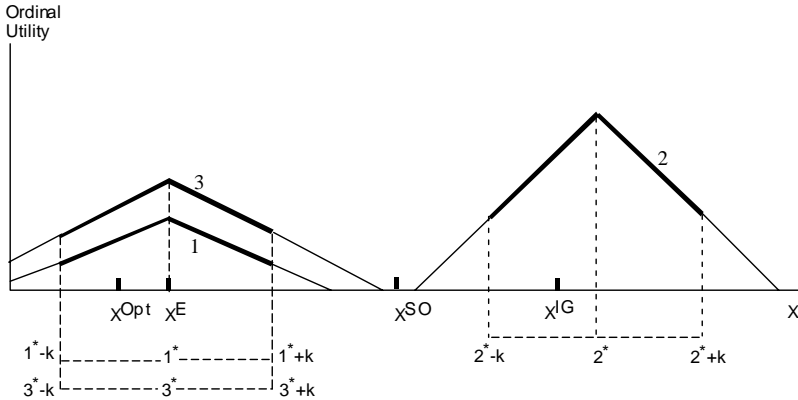
In order to explore their claim, it is necessary to construct some idea of how ideology and romantic concerns might impact on the citizenry's choice of which issues/representatives to support in the polling booth. A straightforward approach to depicting the citizenry's expressive preferences is captured in Figure 1.[4]

In order to simplify the analysis suppose the set of expressive preferences is representative of three distinct but equal size groups in the collectivity. The individuals represented by expressive preference curve *2* have a passion for relatively large amounts of *X,* whereas the groups represented by curves *1* and *3* will express support for only a limited amount of government provision. The truncated curves mean that in the expressive account individuals will vote only if an option lies

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[4]The approach used here follows that proposed by Brennan and Hamlin (1998).

FIGURE 1

A COMPARISON OF THE OUTCOMES UNDER EXPRESSIVE VOTING
AND THE MARKET



within a certain distance, *k*, of their expressive ideal point. Individuals identify with the options that lie within a *k*-neighbourhood of their expressive ideal point. If the option lies outside this range, the individuals will feel "alienated" and will fail to vote. In terms of the analytical structure discussed, Boudreaux and Lee would interpret an instrumental demand curve as reflecting the individual's realistic choices while the individual's romantic notions and whims are reflected by the expressive preferences.

It is far from clear, however, that romance in politics is an unmitigated evil. Consider Boudreaux and Lee's charge that the domination of a voter's calculus by expressive concerns will result in government failure. In the analytical setting captured here the rival political parties will locate at $X^E$. By locating at $X^E$ each party has a 50 percent chance of victory. If either party locates at any other point than $X^E$, then their chance of winning the election falls to zero. Now suppose that it just so happens that $X^E$ units of the public good is the amount required by Pareto optimality. Boudreaux and Lee's argument that voting based on expressive concerns *will* involve government failure is therefore seriously misleading. Here it is the market that fails completely to provide the optimal amount of the public good.[5] The decision here

[5] I do not wish to claim that expressive voting necessarily supports a normative case for the government over the market. It is easy to demonstrate that expressive voting can result in so much overexpansion of the public sector that the market outcome is preferred, warts and all. This could be easily shown by shifting the individuals' expressive preferences to the right so that the political equilibrium involves an amount of *X* with a social loss in excess of the loss found under the market. Nevertheless one thing remains clear: government

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to undertake the public provision of *X* represents a clear Pareto improvement over the market. Boudreaux and Lee are wrong to suggest that ideological/romantic concerns expressed at the polling booth will be necessarily harmful to the collectivity's welfare.[6] Romantically inclined voters, despite their failure to root their decisions in the cold reality of dollars and cents, do not *necessarily* call forth a grossly inefficient public sector outcome.

It is not hard to imagine why a passionate and romantic electorate might generate a better outcome than the market. When faced with the cold reality of consequential choice, individuals in the marketplace might fail to contribute anything to the provision of a public good. If left to the market, poverty relief and some environmental concerns, for example, might languish badly due to the free-rider problem. In such a setting the very fact that voting leaves the individual free to let his passions and romantic thoughts run full reign may be a blessing. Individuals might in the polling booth be willing to express considerable support for public relief programs and environmental concerns as these are the sorts of issues that capture the heart of some individuals in the electorate. If the political outcome is closer to the social optimum than what occurs under the market, then expressive voting, romance and all, is a blessing rather than a curse.

## Expressive Voting and the Limited Range of Potential Equilibria

Boudreaux and Lee (1997: 366) claim that "politics falls short of achieving optimal compromise." They argue that romantic individuals will demand of their politicians too strict an allegiance to principles rather than the compromise which, Boudreaux and Lee claim, is a necessary feature of the day-to-day nature of politics. It is easy enough

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failure is not a necessary feature of electoral politics.

[6]At one stage Boudreaux and Lee appear to recognize that the case against electoral processes has been overstated. Boudreaux and Lee (1997: 372) concede the possibility that "if most voters' ideology happens to support limited government and private property, this voting externality increases social welfare by keeping government constrained." It is difficult to know how to interpret their statement. If "limited' government means no public provision of *X,* then it is easy to see that their claim is not true. Reconsider Figure 1 and imagine that the expressive preferences are shifted to the left so that there is no electoral support for any politician who advocates a positive amount of *X.* Here the voters' support for "limited" government does not *increase* social welfare at all. By keeping government constrained, there is a continuation of the wholesale underprovision of the public good as judged from the standpoint of the citizenry's instrumental preferences. Even if "limited" government means the public provision of some amount of *X,* their point does not necessarily hold. If the level of public provision is less than the amount provided in the market, then the call for a "limited" government will reduce the collectivity's welfare.

to illustrate the general nature of their claim. Reconsider Figure 1, but suppose now that there has been a change in the instrumental costs of provision and that $X^{Opt}$ represents the optimal amount of the public good. As in the previous section, continue to assume that the free-rider pattern is so severe that the market fails completely. The outcome under majority rule is still $X^E$. No majority can be found for any other option. In the absence of logrolling, no compromise can be struck that will see a majority supporting any other level of output. Clearly, expressive voting results here in government failure—the political equilibrium level of output is larger than the amount consistent with optimality. In this sense Boudreaux and Lee are correct in suggesting that romantic individuals may fail to identify with the options that would promote efficiency.

Even so, it is not clear that this provides unbridled support for the proposition that there is an inefficient degree of compromise. From the standpoint of a comparative institutional analysis, the government outcome, albeit a Pareto nonoptimal outcome, can still be an improvement over the market outcome—i.e., the net gain from the government outcome, although not at a maximal amount, could be larger than the net loss under the market.[7] For Boudreaux and Lee to be correct that politics is hopelessly rigid, they would have to argue that the ideological concern for an expansive government is so strongly held by a majority of the voters that the loss from the political equilibrium exceeds the loss if the good is left to the market. There is, however, no necessary reason why this should be the case.

## Organized Interest Groups and Expressive Voters

Boudreaux and Lee compare electoral politics with the market and note that competitive markets leave no interested parties underrepresented at the bargaining table. Long ago, Hayek (1945) pointed out that an efficient market is one in which the price fully reflects the available information held by *all* the concerned individuals in an economy. On the other hand, electoral outcomes, as Boudreaux and Lee rightly point out, do not necessarily reflect the interests of all concerned parties. Consequently, they claim that political outcomes embody an inefficient degree of compromise.

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[7]All that is required here for $X^E$ to be superior to the outcome that would emerge under complete market failure is that the net collective instrumental benefit curve is linear over the relevant range. In this case the net benefit from public provision over the range of output zero to $X^{Opt}$ exceeds the loss from overexpansion. Accordingly, the public sector outcome despite the government failure would be preferred to the market outcome.

I will first show by means of a counterexample that their argument is not a general one and then explain the source of their mistake. The problem can be seen with the aid of Figure 1. In keeping with the analysis so far, $X^E$ represents the amount of $X$ that would emerge under majority voting equilibrium when politicians are obedient only to the expressive preferences of the electorate. Now suppose organized groups could usurp the electoral process and the amount of the public good that is provided when voters are kept from the bargaining table is $X^{IG}$. The amount provided by the public sector is much larger than the amount that would be determined under majority rule, i.e., $X^{IG}$ is larger than $X^E$. If the electorate were present at the bargaining table and there were no restrictions on the agenda process, then $X^{IG}$ would have no hope whatsoever of achieving majority support. Boudreaux and Lee are right to call our attention to the possibility that organized interest groups can succeed in pushing the public sector beyond what the electorate would be willing to tolerate if they were present at the bargaining table. There is a major flaw, however, in the argument. There is no reason to believe that the outcome that emerges under the pressure of organized interest groups will necessarily be inferior to the outcome that would emerge when the electorate is fully represented. For example, suppose the amount of $X$ that is consistent with the Samuelsonian optimum is $X^{SO}$ and that organized interest groups, which have no need to take into account the desires of the electorate at large, push the provision of public-sector output too far, i.e., $X^{IG}$ exceeds $X^{SO}$. In spite of the power of the interest groups, the outcome resulting from this unbridled power is superior to the outcome that would emerge under majority rule. The degree of overprovision under the power of vested interest groups is less than the degree of underprovision that would occur under voter sovereignty.[8]

It is not hard to imagine a setting in which this possibility could emerge. Suppose the majority's expressive preference for the good is so weak that if the outcome were left to the electorate, then there would be massive underprovision of the good. Publicly provided goods such as sewerage control or water purification are not the sort of goods that can be expected to excite the minds of the romantic and passionate voter until the streets and beaches are awash with effluent. In times when there is no crisis—when the electorate gives no thought to its future instrumental concerns and fails to support those politicians who campaign on issues such as health control—the fact that vested

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[8]I am assuming that the voters' net benefit is fully described by a linear and negatively sloping curve. In this case it is possible to comment on the degree of failure by reference to the amount of over- and underprovision.

interests will pursue their own agenda and provide the public infra-structure *may* be a blessing. The loss of social surplus from the overexpansion of the publicly provided good under organized interest groups can be less than the loss that would occur from a competitive political equilibrium that is too small. In general, there is no reason to believe that the outcome that emerges under organized interest groups will necessarily be inferior to the outcome that would emerge under voter sovereignty.

It is not hard to see the source of the problem in their argument. When an individual makes a decision in a market, it has direct conse-quences for the individual's welfare. Individuals will attempt therefore to avoid making poor decisions—and *all* relevant decisions are placed at the table. Thus, the competitive market price embodies the knowl-edge of the particular circumstances of time and place and efficient resource allocation is a possibility. Boudreaux and Lee's mistake occurs in believing that an analogous argument applies to the political sector. Although it is true that unorganized groups may not be represented at the bargaining table, it does not follow that the overrepresentation by organized interest groups will be inferior to the outcome that would emerge from a fully competitive political process. Since individual choice in the polling booth is inconsequential, voters cannot be relied upon to make decisions in their own best interests. In such a setting, better outcomes *may* occur when the political process leaves out the flawed choices of the electorate at large, at least on some public issues. Compromise is not necessarily such a good thing if one is forced to take account of a viewpoint that the individual himself would recognize, if he were decisive, was fundamentally flawed.

## Conclusion

The problem with Boudreaux and Lee's analysis of the implications of expressive voting is not that they could never be correct. In some settings expressive voting will reduce social welfare and a second-best comparison might opt for the market. The danger with their analysis is that it fails to admit that these other scenarios are possible. Individu-als at the constitutional stage may well recognize that the realism of voluntary choice in the market place may result in massive under-provision and that the romance of politics may therefore be a better institutional option for some types of goods. Equally, individuals may well recognize that some public goods will entail low expressive sup-port and that vested interest groups *may* promote rather than dissipate the wealth of the nation. Accordingly, Boudreaux and Lee's discussion runs the danger of seriously misleading the debate over the appropriate

role of the public sector. A statement such as "democratic outcomes are 'polluted' with excessive romance and, hence, governed by too little realism" (Boudreaux and Lee 1997: 371) is too extreme. As I have shown, too much realism may be a bad thing. And a dose of vested interests may be a good thing. About the best that one can say as a general proposition is that voting, driven by ideological concerns, will not necessarily maximize social welfare. And contrary to Boudreaux and Lee's (1997: 366) claim, whether "democratic voting causes voters to demand excessively rigid adherence to principle by elected officials" is a bad thing depends on a case-by-case analysis of each public-sector issue.

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