REVIEW ESSAY

# Was Your High-School Civics Teacher Right After All?

## Donald Wittman's The Myth of Democratic Failure

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I met George Stigler only once. This most Chicago-esque of economics Nobel laureates delivered the 1990 Olin Lecture in Law and Economics during my first year of law school at the University of Virginia. The Caplin Auditorium at the law school was far from full; apparently, even Nobel prize winners can't pack auditoriums on resplendent spring afternoons in the Virginia piedmont. I was at first embarrassed that this great economist had to address a room less than half full, but as Stigler began speaking, my embarrassment turned to gratitude. Although Stigler entertained his audience with his trademark acerbic wit, the content of his lecture was disconcertingly weak.

Stigler advised the luminous professors assembled, and their students, to turn deaf ears to pundits who conclude that any long-lasting government policy is inefficient. Such conclusions, Stigler insisted, are unjustified;

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government policies in place for years have "met the test of time."[0] A policy's survival is persuasive evidence that this policy serves an appropriate goal at minimum cost: "all durable social institutions, including common and statute laws, must be efficient." [0]

According to Stigler, analysts too readily pronounce this or that government program "inefficient" because they typically, if unwittingly, use their own preferences and knowledge to form the baseline against which to measure government performance. Instead, the appropriate baseline is "the goals adopted by the society through its government" (Stigler 1992, 459). By this standard, Stigler argues, survival is powerful evidence of efficiency, for inefficient means of achieving a particular social goal are regularly replaced by more efficient means. Once the goal is properly identified (e.g., transfer wealth to domestic steel producers), it is no longer difficult to see certain policies (e.g., tariffs on steel imports) as efficient.

Stigler courageously chose one of the most derided government programs—government subsidies to sugar farmers—to make his case. He concluded that sugar subsidies are not inefficient. Sure, such subsidies raise the prices consumers pay for sugar and other foodstuffs, and consumers would indeed be better off without such subsidies if they could be costlessly eliminated. But this "if" clause is the kicker: in fact, sugar subsidies cannot be costlessly eliminated. Whether people like it or not, it is a fact that sugar farmers are a powerful political lobby. Powerful lobbies successfully use the political process to transfer wealth to themselves from people who are not so well organized politically. It is, therefore, a given that sugar farmers will be net recipients of government wealth transfers. For consumers to buy off the sugar-farming lobby would cost more than such a buy-off is worth. We know this to be true because otherwise such a buy-off would have occurred.

Because I was then, as now, an economist sympathetic to most Chicago school policy conclusions, Stigler's address put me on the defensive with many of my fellow law students. "So, Boudreaux, a Nobel economist from Chicago said right out loud that government intervention is efficient. Waddaya say to that, huh?" My self-assured Gucci-leftist comrades treated Stigler's Olin address as proof positive that opposition by free-market economists to government regulation is, as my comrades had long suspected, intellectually misguided. What further proof is needed after hearing none other than George Stigler reprimand economists for telling the world that government intervention is wasteful?

## Wittman on Efficiency

With his 1995 book The Myth of Democratic Failure (Chicago: University

0. See Stigler's Olin Lecture in modified form (Stigler 1992, 459).

0. Stigler 1992, 459. Elsewhere on the same page, Stigler states that "every durable social institution or practice is efficient, or it would not persist over time."

of Chicago Press), economist Donald Wittman picks up where the late George Stigler left off. Like Stigler, Wittman argues that policies pursued by democratic governments efficiently promote the welfare of all citizens.

This Stigler-Wittman claim boldly contradicts the conclusions of most Public Choice (as well as Chicago and Austrian) economists, who argue that democratic politics promotes the welfare of organized interest groups at the expense of politically unorganized people and rationally ignorant voters. According to Public Choice, people who share specific and readily identifiable interests band together for political action whenever their numbers aren't so great as to undermine successful organization. These interest groups then use the political process to extract wealth from politically unorganized people.[0] Add to the picture the costs of carrying out these wealth transfers—costs now labeled "rent-seeking wastes"[0]—and the Public Choice conclusion seems inevitable: political processes are socially inefficient.

Or, at least, political processes are less efficient than private-market alternatives. Private-property markets are not biased in favor of groups with low organization costs, and they do not waste resources in wealth-transfer struggles.[0] Unlike in so-called political markets, where people are rewarded for transferring existing wealth, in private-property markets people promote their own interests only by producing new wealth.

Wittman objects to any hard and fast distinction between private-property markets and political markets. "Markets are markets" is his message; "political markets are sufficiently like private-property markets to justify concluding that whatever holds true for private-property markets holds true equally for politics."

Economics has a long and honorable history of showing that private-property markets work with surprising efficiency. Wittman aims to do for political markets what economics has successfully done for private-property markets, namely, show that appearances of inefficient processes and outcomes are, really, apparitions created by analysts' failure to appreciate the full panoply of constraints and the diversity of human goals operative in reality.

Although he doesn't divide his argument into the following slices, we can identify two parts to Wittman's case for political efficiency. One part is unobjectionable; the other part is mistaken.

The unobjectionable part of Wittman's argument is that elected officials have incentives to eliminate wastes of government operation. Given some type and amount of government activity, it pays no government decision maker to carry out that activity wastefully. Because elected officials are

0. There are several different ways of telling this basic Public Choice story. For two of the best, see McCormick and Tollison 1981 and Gwartney and Wagner 1988.

0. On rent seeking, see Tullock 1989; Rowley, Tollison, and Tullock 1988; and McChesney forthcoming.

0. See DiLorenzo 1984.

better off with more resources at their command than with fewer resources, there is little reason to suppose that government performs its tasks inefficiently.

Wittman here is largely correct. There is no good reason to suppose that government performs its tasks less efficiently than do private firms. For example, government probably subsidizes sugar farmers (given all costs and constraints of doing so) about as efficiently as General Motors and Toyota produce automobiles. I respectfully beg the pardon of readers who disagree, for I want to spend my energies on the more startling second part of Wittman's argument: that the social consequences of government activity are efficient. Note the difference separating part one from part two of Wittman's argument. The first part holds merely that government does whatever it does at the lowest possible cost; government does not wastefully pursue its goals. This first part offers no welfare analysis of the social consequences of government action. In contrast, the second part assumes that whatever democratic governments do is generally and on net worthwhile and beneficial for citizens and society as a whole. This is a startling and mistaken conclusion.

Wittman reaches his conclusion by equating democratic politics with private-property markets. According to Wittman, "the reward to the political entrepreneur from discovering and exploiting unknown political demands are [sic] analogous to the profits to the business entrepreneur from creating a new market niche" (p. 10). Further, "vote maximization leads to wealth maximization in democratic markets, in the same way that profit maximization leads to wealth maximization in economic markets" (p. 160). Because economists have shown time and again that private-property markets generally work efficiently, it follows for Wittman that "both political and economic markets work well" (p. 1)[0] Wittman extends the analogy by invoking Adam Smith: "this book develops an invisible-hand theory of efficient democratic markets" (p. 3).

Of course, consumers and investors in private-property markets are well informed and have incentives to make sound decisions. Investors also have incentives to police firm managers against shirking. This arrangement results in private-property markets noted for ingeniously satisfying consumer demands at low cost and in ways that yield attractive returns to wise investors. Each participant in private-property markets profits only by profiting others.

The same situation, insists Wittman, exists in politics. Wittman's case for the social efficiency of democratic government boils down to two ingredients, each of which was in the forefront of the inspiring stories of demo-

[0]. Wittman says elsewhere that "[b]ehind every model of government failure is an assumption that voters are poorly informed, serious competition is lacking, and/or transaction costs are excessively high. Economists are very suspicious of similar assumptions regarding economic markets. This skepticism should be carried over to models of political-market failure" (p. 192).

cratic success recounted by your high-school civics teacher, and each of which corresponds to well-established features of private-property markets: highly informed voters and a wide franchise. Highly informed voters correspond to rational and informed consumers in private-property markets. A wide electoral franchise corresponds to competitive conditions in private-property markets; because voters are free to cast ballots for whomever they choose, there can be no monopolization of democratic governments. With a sufficiently wide franchise, multitudes of well-informed voters replace government officials who fail to serve the public interest with officials who better serve the public interest.[0] It follows that well-informed voters prevent their government from becoming a toady to special-interest groups.

Indeed, in Wittman's world, knowledgeable voters are unforgiving of politicians who pander to interest groups at the expense of the public weal. Wittman concedes that "[c]ongressmen know that unorganized voters will not fly out to Washington to lobby against a bill" (p. 81), but he asserts that this does not matter because members of Congress also know these same voters "will vote against the congressmen if the congressmen support the [socially harmful interest-group] legislation" (p. 81). In democracies, voters at large call the shots.

In sum, Wittman argues the following: Voters are the same people analyzed in models of private-property markets. These people are rational beings, capable of learning and looking out for their own interests. Because voters are knowledgeable, democracy ensures that politics produces socially efficient results. Attempts by politicians and interest groups to gain at the expense of the commonweal as judged by voters will quickly be quashed by these same voters. Democracy is sufficient to ensure efficient political outcomes.

## Political Markets Differ Greatly from Private-Property Markets

Although Wittman offers much insight and logically sound argument, his book is flawed—fatally so, in my view—by his uncritical use of the analogy between private-property markets and politics. It is undeniable that, as in private-property markets, politics features exchange among rational and self-interested people, political actors confront trade-offs, people compete for political position and favor, and the higher the cost a political decision maker confronts in undertaking an action, the less likely that action will be undertaken. Democratic politics shares these and other features with private-property markets. But the shared features of politics and private-property markets are too few and too shallow for Wittman's Pollyannaish conclusion

[0]. "I argue that voters are highly informed and that there is little shirking" (p. 5).

to follow.

In private-property markets, property rights are continually being bundled together, unbundled, created, and exchanged across time and space according to the wishes of individual property owners. These exchanges are decentralized. No one is forced to participate in them, and political coalitions need not be assembled to approve any market exchange. All that is required for such exchange is that the individual trading parties reach a mutually acceptable agreement. Innumerable such exchanges occur every moment. The resulting exchange ratios—prices—register the values that buyers as a group (though acting independently of each other) attach at any time to various goods, services, and inputs. No price is ever fixed; all prices are at every moment subject to change reflecting variations in supplies and demands. As F. A. Hayek (1948) pointed out, private-property markets continually collect information from each of the millions (today in many cases, billions) of market participants and distill this information into a usable, compact form called money prices. These money prices inform all who care to look of the relative values of different outputs and inputs.

Moreover, in private-property markets, unlike in politics, all property owners (including owners of labor services) have a say in proportion to the value their property has to other people. There is no such thing as a voiceless market participant.[0] Every time we buy or sell something—or refuse to buy or sell something—we communicate with property owners around the world by adding our "voice" to the market. If you purchase a new Honda Accord today, you reveal to the market that you value such a car by at least the price you pay for it. If you sell some labor services today, you reveal to the world that you will perform such services for a wage at or above the amount your employer pays you. Again, the market continually processes such information into prices available for all to consult.[0]

Any one individual's voice, of course, seldom has a noticeable effect on market prices, but this fact is so not because individuals have no voice in the market, but because so many individuals have voice in the market. No buyer's or seller's voice is crowded out or shouted down in markets; all voices combine to create the pattern of prices existing at any moment.

The preceding digression into the role of market prices is necessary to

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0. Drawing out the many implications of the fact that secure property and contract rights guarantee voice to every market participant is a major aspect of Ronald Coase's work. See Boudreaux 1996.

0. The market price system was the world's first intercommunications network. Across the commercial world, people have communicated for centuries through prices. Like the modern-day electronic Internet, the market price system spans the (commercial) globe and costs its users very little to use. Anyone can "log on" and broadcast a message by participating in market exchange. However, compared to the electronic Internet, the market price system has a much higher information-to-noise ratio. Because people have their own wealth at stake when they buy and sell on the market, market participants have strong incentives not to send out frivolous or incorrect information. Very little "junk mail" is sent out over the market price system.

better evaluate Wittman's claim that politics is similar to private-property markets. In politics, people who speak softly, or who are not members of a dominant crowd, receive nothing from the political process. To raise a political voice requires being part of an interest group. Unorganized consumers, for example, are politically mute—which is why the United States government forces them to pay between two and three times the world sugar price.

Wittman would respond by saying that consumers (as individual voters) express their voices in the voting booth, and politicians must pay attention to whatever chorus o f voices rises from democratic elections. But voices raised in voting booths are chock full of noise, for various reasons.

Even if voters are well informed, perhaps the main source of noise distorting their collective chorus is that so many issues are on the table in each election. Issues from abortion to school choice to government provision of medical services to farm subsidies to child-welfare policies to tax rates to...you name it, government has some potential say over them. Literally tens of thousands of issues are at stake in every national election (with almost as many issues at stake in state elections). And yet, each voter during each six-year span has a maximum of nine ballots to cast in four national elections. During any six-year period (say, from November 1994 through November 2000), each voter is allowed to vote twice for a president/vice-president team, four times for a U.S. representative, and a maximum of three times for a U.S. senator.[0] Apart from the rarely used possibility of citizens voting on proposed amendments to the U.S. Constitution, these nine votes are the only windows of opportunity for American voters to speak politically on national issues.

How can anyone effectively express nuanced opinions on tens of thousands of issues by casting a maximum of nine votes every six years? A voter trying to do so would be similar to a historian trying to compose a complete history of England in only nine m onosyllabic words. The available channels of expression are simply too few and too crude to carry the minimum volume necessary of communiqués from writer to reader—or, in the case of democratic politics, from principals (voters) to their supposed agents (politicians).

Wittman might respond that voters don't try to express detailed opinions on every issue but, instead, vote to elect trusted agents to make wise decisions in the name of voters. But this response doesn't avoid the problem of the incredible jamming job done by elections on the voice of The People. Voters don't really speak in elections; they pull levers marked with various candidates' names. Because so many issues are at stake in every election, it is difficult for victorious candidates to know why they won. Even with just two issues at stake, this problem is unavoidable. A voter may vote for a candidate because of the candidate's stance on abortion but despite the candidate's

0. Because of the staggering of U.S. senators' six-year terms, some six-year electoral cycles afford only two opportunities to cast votes for Senate candidates.

position on taxes. Thousands of political issues are bundled into a handful of candidates from which voters must choose. No disaggregation of issues is possible in representative democracy.

It is clear that communication by voters in elections shares little with communication by consumers in markets. People in markets communicate continually, sending out market signals every day, sometimes many times a day. And these market communiqués occur at a much lower level of aggregation than do electoral communiqués. No buyer must decide which of only a handful of prefilled grocery carts to purchase. ("I really like the leg of lamb in basket 1, but have no need for basket 1's feminine napkins. Still, all things considered, basket 1 suits me better than basket 2 even though basket 2 has no feminine napkins and does contain a nice bottle of merlot.") Instead, each buyer in a supermarket purchases those items, and only those items, that he or she wants at the prevailing prices. Each buyer fills the grocery cart with a different mix of items. Market communiqués, therefore, are continuously updated signals about the relative values of millions of individual and disaggregated items. Electoral communiqués, in contrast, are infrequently updated signals about the relative values only of monstrously large bundles of political issues.

Thus, Wittman errs in insisting that voters will necessarily vote against congressmen who pander to interest groups. Interest groups can amass a great deal of pork if such pork is bundled with other government programs and policy issues.

Wittman also errs in suggesting that because people choose efficiently in private-property markets they likewise choose efficiently in political markets. People choose efficiently in private-property markets only because they do so at a very low level of aggregation and because the information they have available in the form of market prices permits efficient choosing. People are not so smart or so wise that they know naturally how best to make all the trade-offs they make so well in private-property markets. Decentrally determined prices make people seem smart in the market—or, rather, the pattern of decentrally determined prices, broadcasting in compact form supply and demand data from around the world, serves as a mighty lever for people's very limited cognitive capacities. Using this lever, market participants create a pattern of decisions that appears to be the product of great genius and sublime rationality. Without decentrally determined prices, however, humans are incapable of consistently making correct resource-allocation decisions. Neither voters nor their elected experts have access to necessary market information in the absence of functioning private-property markets. To the extent that politics obstructs decentralized exchange, politics suppresses the very information necessary to accomplish much of what politics ostensibly aims to accomplish. [0]

[0]. This is the lesson of the socialist-calculation debate earlier in this century. See, e.g., von Mises [1922] 1981; Hayek 1935; and Lavoie 1985.

And once the information-processing function of decentralized markets starts receding, there is no reason to suppose that voters will recognize the error of their political ways and restore what's been lost. Markets did not emerge because people in the past made a conscious decision to create and use them; markets and the legal system supporting them evolved piecemeal over time. Moreover, most people remain wholly unaware of how much they rely on markets. Thus, problems created by political restrictions on markets are quite likely to be ascribed to the personal failings of politicians in charge, to the continued existence of markets elsewhere, or to correctable flaws in the details of the regulatory plan. Unfortunately, democratic voters may well fail to restore market relationships that they unwisely or mistakenly destroy.

No doubt Wittman will disagree that mistaken political restrictions on markets are not destined to be corrected by informed democratic voters. He has a far too optimistic faith in the power of human rationality; he seems not to understand that decentralized competitive markets are justified because even the most intelligent human being is an ignorant creature in light of all the knowledge necessary to keep a commercial society functioning even at a subsistence level.

Consider Wittman's dismissal of Shawn Rosenberg's observation that "people do not have the information-gathering, interpretive, or computational skills required to [make efficient choices] under conditions typical of political life."[0] Wittman dismisses Rosenberg's observation: "With this view of human cognition, one wonders how people could have designed democratic institutions in the first place" (p. 57). This revealing statement exposes Wittman's (erroneous) assumption that people consciously design social institutions. It also suggests (as the rest of his book confirms) that Wittman sees human rationality as a powerful and unrelenting force that allows humans to stand collectively as a Promethean god before all received institutions and consciously redesign these institutions to better suit their desires. It is no surprise that a person with such a view of human rationality would believe, as Wittman does, that voters are well informed and that these well-informed voters inevitably ensure that democratic governments work only to promote the social welfare. Wittman's cheerful conclusions about democracy are inescapable given his assumptions about human rationality.

## Noise Pollution

[0]. Rosenberg's quotation is found on page 57 of Wittman's book. For the record, Wittman's chapter 5 discussion effectively exposes the flaws that mar many of cognitive psychology's findings of human choice not empirically corresponding to what adherents of the rational-actor model predict. One may agree with Wittman (as I do) that rational-actor models accurately portray the decision-making logic of typical human beings, but one need not draw Wittman's conclusion that rational human beings are hyperintelligent creatures who can understand the world even without the assistance of market prices.

Another source of noise in electoral outcomes has recently been identified by economist Geoffrey Brennan and philosopher Loren Lomasky in their path-breaking book Democracy and Decision (Brennan and Lomasky 1993). Although published two years before Wittman's book, Brennan and Lomasky's work receives no mention in Wittman's work. This is too bad, for no argument for the efficiency of democratic choice can safely ignore the Brennan-Lomasky insight.

This insight is straightforward. Because voters in democratic elections know that their individual votes will not determine the outcome of the election, voters have incentives to use their votes to express individual ideology rather than to register opinions about how best to make the mundane trade-offs inherent in the bulk of day-to-day government operations. If your vote won't change the outcome of the election, you incur no material costs of voting for policies that threaten your material interests. For anyone who values personal ideological commitment and expression, ideology exerts a strong influence on how one votes, even if one's ideology is at variance with one's narrow material interests.[0] As Brennan and Lomasky explain, the indecisiveness of each individual vote reduces to zero the costs to each voter of voting ideologically ("expressively") rather than in accord with material interests. Or as I like to say, the indecisiveness of each vote in democratic elections encourages people to vote romantically rather than realistically. In short, democratic elections emit excessive amounts of romance pollution into the body politic.

My reference to "romance pollution" is not meant merely as a cute phrase; I mean literally that democratic voting causes excessive romance pollution in the same way that unenforced property rights in waterways cause excessive water pollution. Imagine a factory situated upriver from homeowners who use the river as a source of drinking water. If the homeowners' property rights to clean water are not enforced by the courts, the factory owner will dump too many pollutants into the river: the factory owner personally benefits from discharging pollutants into the river while he personally incurs none of the resulting costs.

The situation is the same for voters. Because the indecisiveness of each vote means that each voter incurs no cost for voting romantically, romantically inclined voters discharge excessive amounts of romance into the political waters. Even fully informed voters do so. Thus, the results of democratic

0. Of course, resolving cognitive dissonance often requires people to square their ideology with their pressing material interests. (It is no doubt difficult to find an American sugar farmer ideologically opposed to sugar subsidies.) But no voter has a pressing material stake in most issues on which government exercises authority. The less pressing one's material interest in an issue, the less tightly will one's ideology be bound to one's material interest in that issue. Moreover, some people's ideological commitments are so powerful that such people oppose government programs that serve their material interests. Therefore, ideology and material interests can and do often diverge. The Brennan and Lomasky point applies whenever a voter's ideology diverges from that voter's narrow material interests.

elections are not interpretable as the voice of the people informing elected politicians just how to go about making all the mundane trade-offs necessary for the appropriate functioning of civil government. Even if each voter knows such trade-offs must necessarily be struck somehow, a voting populace filled with romantic notions about the role of government will vote with excessive romanticism.[0] It will be interesting to see if, and how, Wittman grapples with this voting externality in his future efforts to refine his theory of efficient democracy.

## Are Voters Really "Highly Informed"?

Recall that Wittman's thesis rests on two pillars: well-informed voters and a franchise wide enough to give citizens adequate say in how their polity is governed. Let's look first at his arguments for why voters are sufficiently informed to make wise electoral choices.

According to Wittman, voters are not "rationally ignorant"—they are, for the following reasons, rationally "highly informed" (p. 5). First, voters need not spend much time and effort learning the details of every politician's stance and record, because most voters know the reputations of various political parties; thus, a candidate's party affiliation informs voters of candidates' positions on the issues. Second and relatedly, voters need know only the relative positions of candidates with respect to each other; that is, whether candidate Smith is to the left or to the right of candidate Jones. Third, voters learn a good deal about the issues through the news media, political mailings, and conversations with informed friends. Fourth, voters aren't stupid; they look around and compare the state of their world under one candidate with the state of their world under previous candidates, as well as with the states of other people's worlds under other candidates. Fifth and finally, voters have incentives to become informed (even if they know their individual votes will not determine the outcome of any election) because better knowledge of the world improves each person's chances of dealing effectively with the world; for example, to make sensible private investment decisions, voters are better off if they know the candidates' positions on economic issues and the likely consequences of each candidate's economic policies.

These are all reasons why voters do not remain totally ignorant, but not reasons for believing that voters are "highly informed" (or even well-enough informed). It is true, for example, that an American voter who knows that

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[0]. Legislative examples of the consequences of electoral romance pollution plausibly include the Delaney Clause to the Food, Drug, and Cosmetic Act, which imposes inordinately exacting health standards for food and color additives; the 1980 Superfund Act, which requires that toxic-waste sites be made cleaner than they were before any wastes were dumped on them; and the 1990 Americans with Disabilities Act, which requires owners of public buildings to make their buildings accessible to handicapped people even when such efforts are obviously not worth their costs.

candidate Jones is a Democrat and candidate Smith a Republican can plausibly guess that, if all political issues are pinched onto a one-dimensional horizontal line, Jones is to the left of Smith. But this knowledge of relative location in one-dimensional space is too shallow to be useful. Which candidate is more likely to oppose tariffs?[0] Which candidate is more likely to endorse higher grazing fees on government-owned ranges? Which candidate is more likely to oppose efforts to legislate morality? Which candidate will support more open immigration? Which candidate will be the "deficit hawk"? Which candidate will object to sending American troops into places such as Somalia or Bosnia—or Vietnam? Neither these nor many other questions are answered with sufficient accuracy merely by knowing the candidates' party affiliations or relative positions on a left-right continuum.

Wittman's reliance on information gathered by voters from the media, mailings, and friends is hardly more helpful. Although such sources may inform voters of candidates' positions on a handful of issues, they do little to inform voters of the full range of issues and how to analyze them. How many American voters know that the national government subsidizes sugar farmers and peanut farmers? How many Americans understand the consequences of deficit financing? How many can distinguish the government's budget deficit from the so-called trade deficit? Indeed, how many voters know that most federal regulations can be looked up in the Code of Federal Regulations, a document of double-columned small print that now gobbles up about twenty feet of library shelf space? I suspect very few. Although we members of the chattering and scribbling class are often aware of at least a bit of what government does, we forget that most voters—few of whom make a living chattering and writing about politics—have little time to learn about even the broad outlines of what government, politics, and economics are about. And some minimal understanding of these subjects is critical to being an adequately informed voter.

Wittman, though, insists that voters need not be informed about the details of policy issues. Voters need only compare one state of the world with another and decide which is better. Ronald Reagan famously appealed to voters' sense of comparison by asking during his successful 1980 campaign against President Carter: "Are you better off today than you were four years ago?" There is a superficial validity to Wittman's point here. After all, people intelligently select automobile mechanics even though most people have no hope of learning to distinguish a lug nut from a fuel pump.

[0]. Among the contenders for the 1996 GOP presidential nomination is as staunch a protectionist as has run for national office in several decades (Pat Buchanan), as well as candidates who proclaim allegiance to free trade (e.g., Bob Dole). The incumbent Democrat, Bill Clinton, also proclaims allegiance to free trade, even though many in his party (e.g., House Minority Leader Dick Gephardt) are unrepentant protectionists. To complicate matters further, proclamations of allegiance to free trade are often politically expedient lies. As president, Ronald Reagan talked a good free-trade line while his administration pursued protectionist policies.

The problem with such analogies is that they fail to distinguish comparisons of simple devices from comparisons of very complex institutions and states of the world. Automobiles are relatively simple devices: people can tell if their cars are operating properly or poorly just by driving them. And because there are many cars of every type on the roads, people who own Buick Regals can easily evaluate the performance of their cars by observing how other Buick Regals (and similar cars) operate.

Governments, however, are vastly more complex than automobiles. Genuine problems can persist without being manifest to voters. For example, voters cannot readily tell just through daily experience if the current level of debt financing by government is excessive or not. Moreover, voters get only one government (at each level) at a time. Comparative evaluations are therefore much less trustworthy. If Americans felt less well-off in 1980 than in 1976, was this because of Carter administration policies? Or congressional policies? Or was this malaise due to circumstances quite beyond government's control? Without knowing what government does and how economies operate, voters could not determine if their dissatisfaction in 1980 was a legitimate cause for replacing Jimmy Carter with Ronald Reagan. Although Carter and Reagan campaigned against each other, they never directly competed against each other as most firms in the market compete against each other. A Carter presidency did not go head-to-head with a Reagan presidency under identical conditions. In the absence of such genuine (and, hence, genuinely informative) competition, adequately informed voters require direct and detailed knowledge of government operations, history, economic conditions, and economic theory.[0] Alas, voters never attain such knowledge in sufficient quantities.

Wittman is correct that voters have incentives to learn something about candidates (and about how the world works, politically and economically) in order to make better personal investment decisions. But government operations are so vast and intricate today that even voters who spend all waking hours studying government activities have no hope of learning more than a sliver of what governments are up to.[0] The historical, legal, and technical knowledge necessary to become adequately informed is so overwhelming

0. See Macey 1994: "[T]he lack of a pricing mechanism for the value of government services places significant constraints on the efficacy of incentive systems other than jurisdictional competition that might serve as mechanisms for protecting property rights. It is easy for investors to judge the claims of performance made by rival firms, because share price performance of such firms can be readily compared. By contrast, it is extremely difficult for citizens to judge the claims of rival politicians or rival political parties in the absence of a pricing system" (p. 196).

0. Because investment funds are fungible and quite mobile, part of the time citizens devote to learning what governments are up to is spent studying foreign governments. Although such information potentially may lead to wiser votes at home, it is not clear that this is the case. What is clear, though, is that not all of a citizen's time budgeted to studying political matters is time devoted to learning more about political and governmental happenings on the home front.

that, contrary to Wittman's suggestion, it does not pay people to gather enough of this information to render them "highly informed." Many voters do spend time learning candidates' general stands on fiscal, monetary, and regulatory policies in order to make better personal investment decisions (e.g., avoiding speculative holdings of U.S. currency if an inflationist candidate wins the presidency). But, again, given the jumbo size of government today, such information will be paltry. Wittman's case for "highly informed" voters is unpersuasive.

## Is Democracy Enough?

Highly informed voters form one pillar of Wittman's argument. A wide-enough franchise forms the other, despite Wittman's failure to discuss the franchise in any depth. Although Wittman spends an entire chapter trying to debunk the Public Choice argument that voters are rationally ignorant, he says nothing about the size or scope of the democratic franchise. He merely assumes the breadth of franchise is enough to give a sufficient cross section of citizens adequate say in electoral outcomes.

The centrality of a sufficiently wide franchise to Wittman's argument is evidenced early in the book, when Wittman admits his theory of government efficiency applies only to democratic societies. He concedes that "totalitarian and nondemocratic regimes" are "less efficient than democracies since competition is thwarted and transaction costs are high" (p. 2).[0] Although this remark saves Wittman from the accusation of believing that whatever exists is efficient simply because it exists, his remark puts the burden on him to explain just what it is about democratic voting that avoids the inefficiencies (and, incidentally, the tyranny) associated with totalitarian regimes.

Democracy potentially comes in many varieties. Are all varieties likely to be equally efficient? Once Wittman concedes that some governments (i.e., totalitarian and nondemocratic governments) likely generate inefficiencies, he must explain just how far a government must move on the road from nondemocracy to democracy before it becomes efficient. Surely Wittman would not be optimistic about the efficiency properties of a society

[0]. The closing words of this remark by Wittman are inconsistent with the rest of his book. Here, Wittman regards the consequences of high transaction costs in totalitarian societies as evidence of inefficiencies, but refuses to label as "inefficient" any consequences of high transaction costs in democratic regimes. If high transaction costs cause inefficiencies in nondemocratic regimes, why don't high transaction costs also cause inefficiencies in democratic regimes? At one level of analysis, the only difference between transaction costs in totalitarian regimes and transaction costs in democracies is that the former are higher than the latter. This difference logically should not matter to Wittman. Transaction costs are real costs, and we shouldn't label as "inefficient" the consequences of any costs no matter how high. But at a deeper level of analysis, perhaps Wittman here (rightly) senses that not all transaction costs deserve equal treatment. I argue in the conclusion that some, though not all, costs of transacting can legitimately be accused of giving rise to inefficiencies.

that gives the franchise only to non-bald widowed male homeowners above the age of seventy and of Scandinavian descent. This would be a democracy, but my guess is that Wittman would find this franchise too restricted. (Or would he? He doesn't discuss this important issue.) And if not all forms of democracy conduce to socially efficient outcomes, then he cannot assume (as he does) that government policies in the United States are efficient just because the United States is a democracy.

Perhaps the franchise in the United States is too narrowly distributed? Or too widely distributed?[0] Perhaps elections are held too infrequently? Or too frequently? Do the voting rules or the committee system used by legislatures muffle the voice of The People so that it is too seldom heard or heeded? Unless Wittman is prepared to say that even the faintest whiff of democracy immediately ensures efficiency, there is no logical justification for his assumption that the franchise in the United States today is adequate to ensure efficient government behavior. And Wittman certainly provides no empirical basis for accepting this implicit assumption. His neglect of the franchise issue is a major shortcoming of the book.

## Conclusion

Despite my criticisms of Wittman's book, I sincerely believe it to be a worthwhile contribution. Wittman skillfully, if unwittingly, puts economists (especially Public Choice and Chicago economists) on guard against their too-frequent resorts to "if it exists, it must be efficient" arguments. Longevity of an institution or practice does indeed convey information about that practice—but such information should do no more than create a rebuttable presumption that the long-lived institution or practice is efficient. Longevity, much less existence, is not conclusive proof of efficiency. Wittman obliges market-oriented scholars to explore their normative conclusions more deeply.

Wittman's challenge has force precisely because his arguments for the efficiency of democratic government come directly from tried-and-true neoclassical economics—the same economics used to argue generally that markets are efficient and government interference inefficient. Is there something wrong with this mode of economics that it ultimately gags its practi-

[0]. It is possible that the franchise can be too broad. A wide franchise gives so many people an electoral say that no one feels individual responsibility for government behavior. With millions of people exercising the vote, it's too easy for each person or faction to blame faceless others for observed governmental failures. Apart from suggesting that big government caters only to corporations, there is much truth to Lewis Lapham's recent observation that "[c]hecked and balanced by powers of all denominations, the country's public servants become, in theory, accountable to everybody; in practice they remain accountable to nobody, free to strike attractive moral attitudes while at the same time selling their votes to the highest corporate bidder" (Lapham 1996, 11).

tioners from making normative assessments of political outcomes?

I think not, for I disagree with Wittman's assertion that economics necessarily works as a gag on normative evaluations of democratic institutions. Wittman mistakenly equates what is with what's efficient because he confuses genuine voluntary exchange (which is generally efficient[0] with imaginary, involuntary, or pseudo-exchange, which is generally inefficient). As we move along the continuum from actual, uncoerced exchanges toward violently coerced transfers, the presumption of efficiency (or "utility maximization") weakens. At some point this presumption should be dropped altogether.[0] But by calling democratic politics "political markets," by uncritically relying on models of exchange to analyze government, and by being blind to differences separating actual voluntary agreement from conceptual or imaginary "agreement," analysts such as Wittman fail to distinguish between a consumer voluntarily choosing among brands of beer and a citizen voluntarily choosing not to emigrate in the aftermath of an election in which a majority of citizens elevate to power a party that promises to confiscate much of this citizen's liberty and wealth.

It is true that because of transaction and other costs, markets—like politics—often disappoint their participants. But there is a fundamental difference between transaction costs in private-property markets and transaction costs in politics. Decentralized, voluntary private-property markets are rife with incentives for people to minimize transaction costs. Entrepreneurs make no money if consumers find it too costly to transact with them. Of course, to minimize is not to eliminate. Many transaction costs are unavoidable; it is juvenile to whine about unavoidable costs. Observed market responses to these costs (e.g., advertisements informing consumers of product availabilities) are signs not of inefficiency but of efficient attempts to deal with unavoidable constraints.

Politics, in contrast to markets, often creates unnecessary transaction costs (Twight 1988; Twight 1994; Crew and Twight 1990). For example, the high transaction costs that prevent ordinary consumers from learning about, and objecting to, sugar subsidies are largely an artifact of the political structure as well as of the government's having chosen to subsidize sugar farmers in the first place. Special-interest groups that manage to grab seats at the political bargaining table have incentives to use the political process to make it more difficult for other interest groups to get seated and for opposing voices to be heard. In other words, those currently with effective political voice have incentives to create transaction costs that mute the political voices of others. In the absence of coercively extracted sugar subsidies,

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0. "Thus the efficient policy is the policy which preserves the maximum range of action for individuals to pursue their personal ends" (Zywicki forthcoming). This quotation appears on page 11 of the typescript.

0. On the important and often-unappreciated role of presumptions in legal and political thinking, see Randy E. Barnett's fascinating essay "Forward: The Power of Presumptions" (Barnett 1994).

consumers could each voluntarily choose whether or not to support domestic sugar farmers. Such support would be costly to each consumer, of course, but these costs would be unavoidable features of reality rather than man-made (and designed) barriers.

A relevant question in debates about the efficiency of this or that activity is the variability of observed constraints. Almost everyone who thinks about it must concede the physical impossibility of, say, making consumers better informed absent advertising expenditures. Such a "knowledge constraint" is firm, unavoidable, and not the product of human design. But political constraints are often not so firm or firmly grounded in unavoidable reality. It seems less absurd or whiny to complain about sugar subsidies than it does to com plain that food or information is costly. The latter is to complain about the unchangeable state of the world; the former is to complain about matters that can be changed. It's all very well for hard-nosed economists to insist that people should be aware and realistic about the necessity of trade-offs. But economists must not refuse to see that not all trade-offs are created equal. Some trade-offs are utterly unavoidable while others are contrived.

Political constraints produced by human design are potentially avoidable through conversation and persuasion, which are the stuff of intellectual and political discourse. To suggest that people are whiny or mistaken whenever they lament the outcomes of democratic processes is to criticize people for their political advocacy. One hopes that Donald Wittman—along with my fellow law students—does not believe that political advocacy is necessarily futile or juvenile or even inefficient. [0]

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