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VOTER RATIONALITY AND DEMOCRATIC
GOVERNMENT

ABSTRACT: *From a 1996 survey comparing the views of economists and ordinary voters, Bryan Caplan deduces several biases—anti-market, anti-foreign, pessimistic, and makework biases—to support his thesis that voters are rationally irrational, i.e., that, aware of the inconsequentiality of their votes, they rationally indulge their “preferences” for public policies that have harmful results. Yet if the standard of comparison is the public’s opposition to harmful policies, rather than the level of its opposition relative to that of economists, the “biases” disappear. In absolute terms, voters support free trade and are against protectionism, such that free-trade agreements are more prevalent among democratic, rather than autocratic, regimes. Finally, the protectionist policies that are adopted in this country are the product of interest-group politics, not of voters’ wrongheaded policy preferences.*

The Myth of the Rational Voter: Why Democracies Choose Bad Policies is not a conventional academic treatise. Its author, Bryan Caplan, draws more inspiration from LeBon, Bastiat, Mosca, and Mencken, as well as from movies and Broadway shows, than from contemporary economists and political scientists. It is therefore much livelier and more entertaining than the typical piece of economic or political analysis. We initially suspected that Caplan had selected the title for its shock value, intending to attract attention to his work in what is a very crowded intellectual marketplace.¹ In the first few pages, however, Caplan (2007, 2) really does assert, without nuance or qualification, that voters are anything but

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rational: “The central idea [of this book] is that voters are worse than ignorant; they are, in a word, irrational—and vote accordingly.” Furthermore, Caplan (*ibid.*, 1) argues that so many voters screw up so often and so completely that bad policy choices triumph:

Democracies frequently adopt and maintain policies harmful to most people. Protectionism is a classic example. Economists across the political spectrum have pointed out its folly for centuries, but almost every democracy restricts imports. . . . In theory, democracy is a bulwark against socially harmful policies, but in practice it gives them a safe harbor.

Fortunately for those of us who have had the misfortune of being born into countries with democratic governments, Caplan is wrong—wrong about voters, wrong about their policy preferences, and, most importantly, wrong about the connection between public opinion and public policy.

Voting Means Never Having to Say You’re Sorry

Caplan begins with an acceptable premise. The crucial and often ignored fact—an inconvenient truth, as it were—is that in large-scale elections, even when they are extremely close, the probability of casting the pivotal, decisive vote is zero. Adopting Roger Myerson’s (2000) formulation, in an election involving five million voters and in which the expected vote for candidate A is 49.5 percent, and candidate B’s expected share is 50.5 percent, the probability of casting a pivotal vote is 2.7×10^{-178} .

This raises the question as to why anyone bothers to vote. Turning out to vote can be reconciled with expected utility calculations by making voting into a “consumption” item—an end in itself, rather than a way of affecting the outcome of the election (Riker and Ordeshook 1968)—so it is probably not, as some have suggested, “the paradox that ate rational choice theory” (Fiorina 1990). But this leaves us with the proposition that voters vote because, for one reason or another, they like to vote, or think they should vote.²

It also leaves us with Caplan’s key point regarding voter rationality, or the lack thereof: Because their vote cannot reasonably be expected to affect the outcome of an election, voters have no incentive to make informed, reasoned decisions. “In elections with millions of voters, the probability that your erroneous policy beliefs cause unwanted policies is approximately zero” (Caplan 2007, 131).

In contrast to our experience as individual voters, as individual consumers and investors, we directly experience the consequences of our choices, and therefore have strong incentives to conform our beliefs to reality and learn from our mistakes. Bad choices get you a Dodge Aspen, the timeshare from Hell, or a case of salmonella. As individual voters, though, the utterly inconsequential nature of our choices means that we face no penalty whatsoever for being complete ignoramuses. It is perfectly fine to believe that the Jews arranged for the destruction of the World Trade Center, that General Motors could easily design a car that gets 500 MPG, or that government can significantly reduce spending by eliminating fraud and waste. We can believe any damn thing we want, support crazy policies, and vote for terrible candidates. As Caplan (2007, 132) succinctly puts it, at the polls, “the price of irrationality is zero.”

Technically speaking, this reasoning is logically inconsistent with claims of voter “irrationality,” at least as economists use the term. When choices have no consequences for the person making them, it is impossible for that choice to be irrational. Collectively, stupid and uninformed voters may, as Caplan asserts, generate negative externalities in terms of bad public policy, but as individuals their political choices are mere expressions of preferences that, in themselves, are no more irrational than a preference for chocolate over vanilla ice cream.

Caplan (2007, ch. 5) recognizes this point when he characterizes voters as “rationally irrational.” What he really means in calling voters irrational is that they have the wrong sort of preferences, and so collectively make choices that make them worse off instead of better off. It is as if choosing chocolate ice cream caused global warming, however tasty to the individual consumer, while choosing vanilla ice cream had no negative consequences for anyone.

What, then, does Caplan (2007, 131, *emph. added*) believe to be the source and nature of individual voters’ not-really-irrational but, rather, “*erroneous* policy beliefs,” and the bad policies that flow from them when they are collectively implemented?

It is hard to say. At various junctures, Caplan (2007, 95) portrays voters as: (1) breathtakingly uninformed and unconcerned about politics, economics, and public policy, and, as such, far more likely to know the names of presidential pets than the policy positions of presidential candidates; (2) overly dogmatic, resembling “religious believers” who refuse to change deeply held beliefs in the face of contradictory information (*ibid.*, 19); and (3) like the legion of sheep portrayed on the book’s cover, prone

to follow the crowd and accept whatever is newly fashionable. Voters are consequently the natural prey of demagogues (ibid., 19–20), and are “easily misled by propaganda” (ibid., 103).

These hypotheses about voter error do not logically fit together. How can people be intensely committed to ideas and causes that they know nothing about? How can they fall sway to political demagoguery when they have no interest in politics?

What Caplan should have said is that *some* voters are ignorant, *some* are dogmatic, and others, who may also be members of the first two groups, are susceptible to being swept away by a crowd mentality. As Donald Kinder (2006, 197) puts it: “the concept of the ‘average voter’ is a malicious fiction, as it blinds us to the enormous variation in political attention, interest, and knowledge that characterizes mass publics.” Caplan’s analysis would have revealed much more about voters if instead of treating them generically, he had ascertained the proportion of them that fall into each of these unflattering categories, and exactly how ignorant, dogmatic, or easily influenced they are. However, it must be said that Caplan does not provide evidence for *any* of the three hypotheses—that voters are uninvolved, dogmatic, or herdlike—even at the generic “mass” level at which he operates.

Idiocracy: Rule by the Bottom Half of the Economics Class

Caplan’s failure to back up his assertions about voter inattention, dogmatism, and conformism is understandable within the context of his larger argument, however, because it turns out that none of these alleged pathologies is the direct source of voter irrationality. What undermines voters’ ability to make good decisions at the polls is their failure to grasp elementary principles of economics. As Caplan (2007, 13–14) puts it,

It is disturbing to imagine the bottom half of the [economics] class voting on economic policy. It is frightening to realize that the general population already does. The typical voter, to whose opinions politicians cater, is probably unable to earn a passing grade in basic economics. No wonder protectionism, price controls, and other foolish policies prevail.

More specifically, voters exhibit an anti-market bias, and do not appreciate the sublime workings of the invisible hand. Their xenophobia produces an anti-foreign bias. Because they confuse working at a job with

the production of value, they have a makework bias, and so cling, bitterly, to policies that enable the persistence of low-productivity jobs. Not surprisingly, they are also too pessimistic in their economic forecasts.

Caplan's case for the existence of these biases rests heavily upon his analysis of the 1996 Survey of Americans and Economists on the Economy (SAEE), which compares the policy views and economic perceptions of 1,510 ordinary Americans and 250 Ph.D. economists. One question posed by the SAEE to both samples was:

Regardless of how well you think the economy is doing, there are always some problems that keep it from being as good as it might be. I am going to read you a list of reasons some people have given for why the economy is not doing better than it is. For each one, please tell me if you think it is a major reason the economy is not doing better than it is, a minor reason, or not a reason at all. (Caplan 2007, 57)

The general public's answers to this question often differed dramatically from those of the economists. Anti-foreign bias appeared to be especially prominent. A majority of average Americans, but very few economists, identified "foreign aid spending" and "too many immigrants" as harmful to the economy. The general public was also more likely than the economists to agree that a major reason for why the economy wasn't doing better was that "People place too little value on hard work." Their makework bias prevented them from seeing that richer societies naturally consume more leisure, and thus that "relaxed attitudes toward work are a symptom of progress, not decay" (*ibid.*, 61).

There are many reasons, however, why one should not put much weight on these response patterns in making inferences about voters. Compared to the economists, the general public was more likely to characterize nearly every item in the survey as a "major" reason why the economy was not performing better. Caplan (2007, 79) acknowledges that the answers supplied were vague and fuzzy: "Who knows what it means to be a major or a minor reason for subpar economic performance?"

But the main problem with these questions isn't fuzziness. The economists answered this battery of questions with at least an implicit understanding that not all reasons for why things happen need be "major" ones. Most members of the public are not used to taking what is tantamount to a sort of multiple-choice test, and so were simply more likely to cite any and all items as a "major reason" for why the economy was not doing better, even when these reasons were somewhat contradictory, e.g., "too

many tax breaks for business” (Caplan 2007, 59) as well as “the government regulates business too much” (*ibid.*, 62).

Fortunately, the SAEE also contained a set of other questions that were posed somewhat differently, and one of these questions—on trade agreements—concerned a policy area that Caplan believes is sorely afflicted by voter irrationality. Respondents were asked, “Generally speaking, do you think each of the following is good or bad for the nation’s economy, or don’t you think it makes much difference?” (Caplan 2007, 67). One of these items was “Trade agreements between the United States and other countries.”

Tobacco subsidies, the minimum wage, and other interventions into the market are bad enough, but protectionism feeds upon *all* the major flaws in reasoning, i.e., the anti-market, anti-foreign, and make-work biases, combined with excessive pessimism, that lead voters to behave irrationally at the polls. Protectionism is the poster child for voter irrationality, and it thus the policy on which we will henceforth focus.

We agree with Caplan. Protectionism is bad; free trade is good. The twenty-fold expansion in international trade since 1950 has contributed significantly to an unprecedented, rapid advance in incomes and living standards throughout the world. Not surprisingly, the proposition that “tariffs and import quotas usually reduce economic welfare” was supported more strongly in a 1992 survey of U.S. economists than any other idea (Alston, Kearl, and Vaughn 1992).

Results in the SAEE were similar. Aggregating the numerical codes of 2, 1, and 0 that were, respectively, assigned to the responses of “good,” “doesn’t make much difference,” and “bad,” Caplan (2007, 69) reports that economists gave trade agreements an overall rating of over 1.8, indicating overwhelming support.

Turning to the responses of ordinary citizens to this question, however, we uncover a key error in Caplan’s analysis, an error which undermines his central thesis that voters irrationally support protectionism: on balance, members of the general public agreed with economists that trade agreements are good for the economy! The public sample gave free trade an overall rating greater than 1.3. This is not as high as the economists’ rating, but it is supportive nonetheless. The harmful “biases” that ordinary citizens exhibit are not biases in an absolute sense, but rather biases relative to the positions espoused by Ph.D. economists.³

If the anti-market, anti-foreign, and makework biases that Caplan identifies were absolute, we would then have a plausible explanation for

why voters in this country have rejected capitalism in favor of socialist central planning, for why there are so few Japanese, German, or Korean automobiles on the road, and for why so few new technologies have been adopted over the past several years.

Hard Choices and Easy Answers

It is tempting at this point to conclude that at least when it comes to trade and protectionism, Caplan has it exactly wrong: contrary to the title of the book, voters are rational (at least in terms of knowing what is good for them) and therefore prefer good policies.

But the statement made at the beginning of our discussion of the SAEE holds in general. One should not put a great deal of weight on *any* responses in *any* survey when making inferences about voters. Most people, most of the time, are indeed (as one of Caplan's contradictory hypotheses holds) uninterested and inattentive to the world of politics and policy making. This has two, related consequences. First, and here we are certainly in agreement with Caplan, most people do not have a great deal of relevant knowledge or information to bring to bear in answering survey questions about economic policy. Second, they have never had to sort out the conflicting values that are involved in most policy choices. They are, in turn, uncertain and ambivalent. Most opinion surveys, oblivious to this fact, make the mistake of seeking to elicit easy answers to hard choices (Alvarez and Brehm 2002).

It is therefore important to realize that most respondents in the SAEE were almost certainly being asked their views about trade policy for the first time in their lives, and that this is not a topic that they had previously given much (if any) thought. We are fairly certain, therefore, that their answers did not depend upon how persuasive they found the doctrine of comparative advantage, and that they were not religiously zealous in the conviction that Ricardo was wrong.

In most cases, then, it is safe to say that the answers people selected from the menu presented to them by the pollster represented reactions to certain words or phrases, not deep-rooted convictions or even "opinions" worth the name.

It is always more pleasant for people to "agree" than to disagree with each other, and so, to most respondents, it probably seemed like a good thing for the United States and other countries to reach "agreement" on

anything—in this case, it happened to be free trade. Thus, a pollster could presumably produce plenty of public “support” for protectionism by making subtle changes in question wording that activated other bits of information floating around in respondents’ heads (Zaller and Feldman 1992). (How many respondents would have agreed that “Trade agreements with low-wage countries such as China and Mexico” were good for the nation’s economy?) In short, responses to survey questions should not be equated with policy preferences, nor should broad conclusions about voter “irrationality” be drawn from them.

Despite the problems with the SAEI survey data, there is nevertheless a substantial amount of evidence to indicate that American voters are receptive to economists’ arguments in favor of free trade, or, at a minimum, resistant to nativist arguments in favor of protectionism.

First, there is the proof in the pudding of winning elections. Every president since World War II has been a staunch advocate of free trade, seeing it as not only economically beneficial but as a cornerstone of national security (Kirshner 2007).

Second, the results of a major, real-world quasi-experiment are also consistent with the proposition that as voters become more informed, more engaged, and presumably more enlightened, they become more favorably disposed to free trade. In 1993, President Clinton strongly backed the North American Free Trade Act (NAFTA), but faced significant opposition in Congress, particularly from members of his own party, who championed the views of many labor unions and environmentalist groups. A poll taken in September 1993, moreover, indicated that only about 40 percent of the general public supported NAFTA. Clinton decided to take the case for NAFTA directly to the American public, and began a large-scale campaign of persuasion that culminated in the widely viewed television debate between H. Ross Perot and Vice President Gore. Within a few months, public opinion became generally supportive of the agreement, and the bill was approved by Congress. According to Eric Uslaner (1998, 351), “by November, the public had not only moved toward support of NAFTA. It accepted the same arguments that most elites did: Free trade promotes economic growth.”

Finally, a large body of research in comparative politics confirms that international trade is a product, not a casualty, of democratic politics. Democratic governments, led by the United States, have long been proponents of lowering trade barriers, and their success in doing so has played a major role in producing the great wave of prosperity that has swept over

the democratic countries since the end of World War II. Controlling for everything one might reasonably think of, pairs of democratic countries have much lower trade barriers than trading pairs involving autocratic regimes (Mansfield, Milner, and Rosendorff 2000). And this linkage between democratic government and trade liberalization is not confined only to rich industrialized Western countries. Large numbers of developing countries that have become more democratic since 1970 have also lowered trade barriers (Milner and Kubota 2005).⁴

But democracies are far from being free of protectionism. Caplan rightly notes that all democracies maintain policies that favor some domestic industries over their competitors in other countries. The agriculture sector in the United States and other democratic countries tends to receive particularly strong protection from foreign producers. And the 2000 Byrd Amendment, which the United States has promised (sort of) to eliminate in response to worldwide howls of protest, is perhaps the cleverest trade barrier ever erected.⁵

Protectionism thus joins rent control, the deductibility of mortgage interest, and myriad government regulations in many other areas that are pretty good at transferring wealth and at generating deadweight loss in the process. But quotas, entry restrictions, price controls, and other intrusions into the market are much worse and far more pervasive in nondemocratic regimes. And just as democratic governments have lowered trade barriers over the past several decades, they have heeded the advice of economists in many other policy realms. As Caplan (2007, 6) observes, “Critiques of foolish government policies multiplied during the 1970s, paving the way for deregulation and privatization.” Even the U.S. Senate recently opted to privatize its dining services.

Caplan (2007, 3) sees little value in comparing the economic policies pursued by democratic regimes with those favored by nondemocratic regimes. He notes early on that “the shortcomings of the worst democracies pale in comparison with those of totalitarian regimes.” Nevertheless, “now that democracy is the typical form of government,” comparisons with communist and other such regimes “set the bar too low.” In democracies, Caplan continues, “the main alternative to majority rule is not dictatorship, but markets.”

There are several assertions here, and they are all problematic.

First, the market is an allocative mechanism, and it is in fact the best one we have so far come across on this planet. But the market is not a form of government.

There are markets in North Korea, although they are routinely suppressed and harassed (Martin and Takayama 2008). Conversely, democracy is not the typical form of government in the modern world. According to *The Economist's* Democracy Index, as of 2006, 13 percent of the world's population lives in fully democratic countries, 38 percent in authoritarian regimes, and the rest in either "flawed democracies" or "hybrid" regimes (Kekic 2007).

Measuring the extent of democracy is not an exact science, and one can quibble with some of the category assignments. Some of the "flawed" democracies, such as Poland, seem beset by fairly minor flaws, while placing Russia in the "hybrid" category underestimates the high level of authoritarianism that Putin has achieved. Still, the Index satisfies the "you know it when you see it" criterion pretty well, and it indicates that more people live in nondemocratic regimes than in democratic ones.

The real alternatives to free and democratic regimes are those that are not. Democracy is more congenial to the market and to international trade than is authoritarianism, but democracy is most assuredly not a done deal.

Carbazole Violet Pigment 23

Are we finally ready, then, to conclude that the commitment of the United States to free trade over the past several decades is the product of supportive, or at least flexible, public opinion? The answer is still no.

Supportive or pliable public opinion is undoubtedly a plus when it comes to the pursuit of trade-enhancing policies, but only occasionally (as in the 1993 battle over NAFTA) does it play a decisive role. And there are major policy areas where public opinion does have a substantial impact; it is not for nothing that Social Security has long been called the third rail of American politics. But regardless of whether one agrees with Caplan (that voters are irrational and favor protectionism), or with us (that voters are rational and, on balance, favor free trade), it is unrealistic to expect a tight connection between public opinion and trade policy.

The list of the 263 antidumping and countervailing duty orders in place as of January 2008 makes for relevant reading. These orders are granted in response to petitions for protection that are approved by the International Trade Administration, an agency housed within the Commerce Department, and the International Trade Commission.

According to Sharyn O'Halloran (1994, 181), trade policy has taken on the characteristics of regulatory policy in general, as petitioners must navigate the "complex web of regulatory procedures" that Congress designed and oversees.

The orders impose tariffs on goods imported from 39 different countries, although over half involve China, Japan, India, Taiwan, Brazil, and Italy. At least 109 of them involve specialty steel, most notably stainless and carbon steel products that are forged, welded, or corrosion-resistant (several other orders involved various types of pipe and wire but did not specify whether or not they were made of steel). Products receiving protection from Chinese imports included natural-bristle paintbrushes, paper clips, crawfish tailmeat, persulfates, brake rotors, furfuryl alcohol, folding metal tables and chairs, and carbazole violet pigment 23 (a dye used to color plastics, textiles, and many other products). India has also been found to be dumping carbazole violet pigment 23 on the U.S. market.

We do not know whether members of the general public, if presented the case involving carbazole violet pigment 23, would favor or oppose imposing duties on Chinese or Indian producers of this substance. But we are certain that this decision, and virtually all others that are made by the International Trade Commission, will never appear on the public's radar screen. So why does this product, as well as paper clips, paintbrushes, and brake rotors, receive trade protection, while hundreds of thousands of other products do not?

This question has been answered by political scientists since the beginning of political science. In representative democracies, the *intensity* of preferences matters a great deal, particularly when expressed in the lingua franca of lobbying effort and campaign contributions. This leads to a bias in favor of policies that concentrate large benefits on the few, while diffusing small costs among the many.

In a superb analysis of the International Trade Commission's decisions on anti-dumping petitions, which they characterize as "low profile policy decisions," Jeffrey Drope and Wendy Hansen (2004, 35) conclude:

The data demonstrate an unmistakable pattern across different types of political spending that the winners of antidumping decisions tend to outspend the losers. Furthermore, the results indicate that industries that are located in more oversight committee members' districts or states enjoy a greater probability of favorable treatment from these regulatory agencies. Even when controlling for economic hardship, the more money that firms

and associations that favor protection spend, and the more favorable the pattern of congressional representation, the more likely it is that they will enjoy an affirmative decision.

In short, trade policy can readily be explained by the asymmetry of concentrated benefits and diffuse costs, an asymmetry that is embodied in the symbiosis of interest groups, congressional committees, and bureaucratic agencies. As Orin Kirshner (2007, 537) puts it, “the battles for free trade are won [and sometimes lost]” on “the familiar territory of interest groups slugging it out on the floor of Congress.”

* * *

To his credit, Caplan is an idealist. He sees much wrong and believes we should expect better. We, like most all the public-choice theorists he criticizes, consider ourselves realists, and are relieved and frequently astounded that public policy is not worse than it is. But such issues are not merely matters of scholarly temperament.

It is a hard fact that representative democracy is not, as Caplan suggests, equivalent to majority rule. There is, therefore, no more reason to attribute the existence and persistence of protectionist policies to public opinion than to characterize public opinion as “irrational” or even “biased” in the specific senses that Caplan asserts. Most routine, day-to-day policy decisions, like the ones that determine which producers receive protection and which do not, are not made in the court of public opinion, but rather in the sausage factory that is interest-group liberalism. If there is evidence against this conclusion, Caplan has not provided it.

NOTES

1. If it was shock value that Caplan was after, it would appear that he did not succeed—at least not for long. Shortly after the publication of *The Myth of the Rational Voter*, there appeared a new book with an even more negative assessment of American voters and an even more defamatory title: *Just How Stupid Are We? Facing the Truth About the American Voter* (Shenkman 2008).
2. There would seem to be another, more satisfying way to reconcile the inconsequential act of voting with calculations of expected utility. More than two out of three voters in the U.S. reside in one of the 25 states that require employers to allow employees to take time off work to vote, and to be paid while doing so. For most workers, this right presumably makes going to the polls a no-brainer. Wolfinger, Highton, and Mullin (2005, 9), however, find that registered voters

living in paid-to-vote states were actually about 2 percent *less* likely to vote than voters in other states, an “anomalous result” that they are at a loss to explain. Perhaps *this* is the paradox that ate rational choice theory.

3. Caplan also estimates what the responses of an “enlightened public” would look like—a procedure that allows him to determine, as well, if economists’ distinctive policy views are, at least in part, attributable to affluence and greater job security, and not solely superior erudition. This is done by regressing economists’ and the public’s responses on a set of variables such as income, political ideology, education, and, after pooling the two samples, a 1, 0 “dummy” variable was associated with being a Ph.D. economist. What Caplan calls *enlightened* public opinion is then obtained by simulating the responses that would be observed if all other variables are held constant, but the responses of everyone in the sample are adjusted by the coefficient associated with the “being an economist” variable. Predictably, support for trade agreements is much stronger when the public is artificially “enlightened” than before this adjustment is made (Caplan 2007, 69). To be sure, this exercise in the counterfactual is problematic in the same way that all partial-equilibrium comparative statics methods are problematic. In particular, why should we assume that the response of the dependent variable to one variable, e.g., income, stays constant when we set another, e.g., education, at its highest level? It is not entirely plausible that you can change one characteristic of a person and have all the rest remain the same.
4. The connection between democracy and free trade is difficult to demonstrate empirically because the truly bad autarky-pursuing dictatorships (e.g., North Korea, Myanmar, Yemen, Turkmenistan) do not publish trade data, and are thus necessarily omitted from quantitative analyses.
5. As explained on the website of the International Trade Commission:

Under the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA or Byrd Amendment), antidumping and countervailing duties collected are distributed annually to affected domestic producers for qualifying expenditures incurred. Following imposition of an AD or CVD order, the ITC provides Customs with a list of affected domestic producers (those producers who publicly expressed support for the petition during the investigation); those producers can then submit certifications to Customs of qualifying expenditures in order to receive a pro rata share of the annual distribution of duties collected.

The government, in other words, imposes a tariff and then turns over any and all proceeds to the protected firms, who thus get to have their cake and eat it, too.

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