10% Less Democracy: *How Less Voting Could Mean Better Governance*

Garett Jones Center for Study of Public Choice George Mason University 24 February 2015

In-Cycle Senators

A long-ago view from the Hill

When a Senator's re-election bid is two years out, every staffer knows that Senator will act differently

--But different in what ways?

Politicians act like voters have short term memories. That's why they shift the pork to the end of a Senator's term:

"Our empirical analysis indicates that the Senate electoral cycle induces a back-loading of benefits to the end of senatorial terms"

--Shepsle/Houweling/Abrams

Caplan's 4 democratic biases

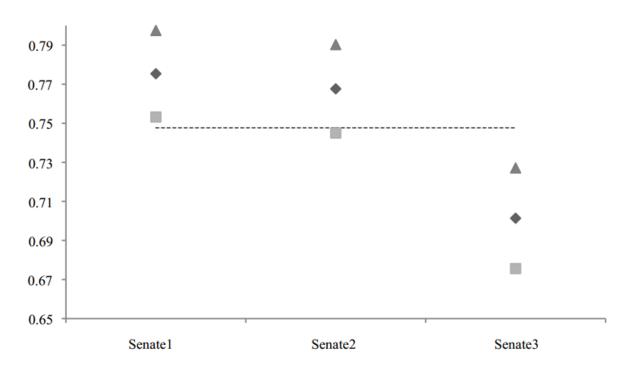
- Anti-market bias
- Make-Work bias
- Anti-Foreign bias
- Pessimistic bias

Do politicians facing elections worsen all 4?

Protectionism: Encouraged by Voters

 "the protectionist effect of election proximity is driven by legislators' fear of losing office."

--Policymakers' Horizon and Trade Reforms P Conconi, G Facchini, M Zanardi, J International Economics 2014 Figure 1: Predicted probabilities, different Senate generations



Environmentalism and the Looming Election

• "A recent study by Conconi, Mertens, and Zanardi (2011) shows that U.S. senators become more supportive of environmental reforms at the end of their [terms]."

Around the world: Looming Elections mean less labor market liberalization

• "Conditions that require labor market reforms in exchange for IMF financing are relatively less stringent in loans negotiated within six months before a pending democratic election...."

International Negotiations in the Shadow of National Elections, Stephanie J. Rickard and Teri L. Caraway

"labor conditions included in programs signed within six months of an upcoming election are, on average, 50 percent less stringent than those in loans agreed more than six months away from elections..."

What counts as labor market liberalization?

 "—includes facilitating layoffs, reducing severance pay, the easing of limitations on fixed-term contracts, the easing of conditions for labor supply/outsourcing, and rationalization, modernization, deregulation, or other 'general labor reforms'"

Elected Electricity Commissioners Shift Costs to the Invisible

-to the Industrial Sector

Table 5a: Estimated Impact of Commissioner Election on Residential and Industrial Rates²⁶

r ercentage c	entage Change in Rate Level due to Impact of Elected Commissioner on:	
	Allowed ROE ²⁷	Rate Structure ²⁸
Residential Rate	-0.8% to -3.1%	-0.2% to -3.1%
Industrial Rate	-0.8% to -3.1%	+1.8% to +5.6%

Holburn and Spiller, "Interest Group Representation," 2002.

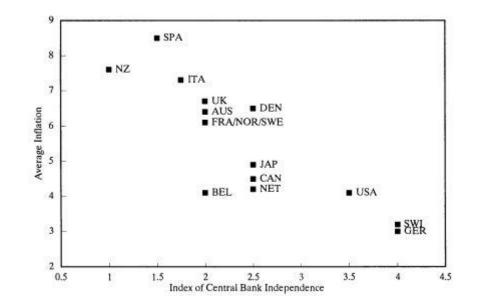
Politicians: Trying to Overcome Pessimistic Bias?

 "The dummy for <u>years of election</u> is significantly different from zero and negative and thus <u>contributes to optimistic budget balance</u> <u>forecasts</u>."

Fiscal forecast errors: Governments versus independent agencies? Rossana Merola, Javier J. Pérez

Central Bank Independence: A free lunch?

- Alesina and Summers, 1993:
 - The macroeconomist's source of skepticism toward maximum democracy
 - Less democratic monetary policy → Lower, more stable inflation, with no apparent change in the unemployment rate or real GDP growth



On Technocracy: Alan Blinder, Princeton professor, former Fed governor

- "...events since 1997 have pushed me more and more toward the conclusion that society would indeed be better off if politicians confined themselves to broad decisions about tax policy and left the details to a group of technocrats analogous to the Fed's Board of Governors."
- Compare to his 1997 call for making the rest of government more like the Fed, published in *Foreign Affairs:*

"Is Government Too Political?"

Epistocracy:

Do we have a right to be ruled by the informed?

"Three uncontroversial points sum to a paradox:

- 1) Almost every democratic theorist or democratic political actor sees an informed electorate as essential to good democratic practice....
- 2) In most if not all democratic polities, the proportion of the population granted the suffrage has consistently expanded, and seldom contracted, over the past two centuries....
- 3) Most expansions of the suffrage bring in, on average, people who are less politically informed or less broadly educated than those already eligible to vote....

Putting these three uncontroversial points together leads to the conclusion that as democracies become more democratic, their decision-making processes become of lower quality in terms of cognitive processing of issues and candidate choice."

Jennifer Hochschild, Professor of Government and of African and African-American Studies at Harvard (emphasis added)

 "Citizens have a right that any political power held over them should be exercised by competent people in a competent way. Universal suffrage violates this right."

-Philosopher Jason Brennan

Jefferson on Epistocracy

• On the walls of the Library of Congress:

[O]ur liberty can never be safe but in the hands of the people themselves, and that too of the people with a certain degree of instruction.

The path to 10%: Possible and Impossible

- 6-year House Terms
- More Agencies Like The Fed: 14-year terms, autonomous budgets
- Appointed Not Elected
- In the short run: Auditing the Fed is a path to a Democratic Fed
- In the longer run: The Reign of the Judges?