

Five Rational Actor Accounts of the Welfare State

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I. SETTING THE STAGE

In this paper, I want to explore possible *explanations* of the ‘welfare state’. I am not here interested in defending the welfare state, or criticising it, or suggesting how it might be made more effective. I want rather to treat it as a political phenomenon, and to ask what kind of explanation (or explanations) the rational choice tradition of political theory might offer as to why the welfare state came into being, and what impulses if any its continued existence depends on. Put a slightly different way, I am interested in the question: is distributive justice politically feasible? Or more specifically, what is it about political processes (if anything) that inclines us to the view that they are more conducive to the achievement of distributive justice than markets are?

After all, a standard picture of the welfare state involves the proposition that the freely operating, more or less competitive, market order is likely to give rise to a distribution of income that shows excessive dispersion from the point of view of distributive justice. Or, if the market order is not likely to generate excessive income inequality, it at least cannot robustly *ensure* that excessive inequality will not emerge. That being so, we need government to correct the market distribution, or to be available to correct it, should norms of distributive justice require such corrective measures. Or so the argument goes.

However, one of the important and consistent general themes of public choice theory (that brand of rational actor political theory that emerges from welfare economics) has been that this kind of justification for government action is inadequate. Perhaps interpreted as a statement about alternative conceivable distributions, the proposition that less dispersion *ceteris paribus* is better than more is unexceptionable (though which particular *ceteris* would have to

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be *paribus* in order to make this claim compelling is, of course, a crucial question). But the implicit claim that *government* is the appropriate institution through which redistribution in accordance with the norms of distributive justice might best be pursued depends on a further claim – namely, that political institutions are more likely to promote distributive justice than market institutions are. And it is that claim specifically that I wish to interrogate in this paper.

Some scholars, particularly those who are strong partisans for the welfare state, may be inclined to mistrust this enterprise. They may see it perhaps as an intrinsically libertarian move, designed to raise doubts about government action in redistributing income not on directly ethical lines but rather as a kind of rearguard action. Other scholars perhaps will be not so much ideologically concerned about the enterprise as impatient with it. These scholars will simply note the self-evident facts that, in virtually all Western-style democracies, there is significant public transfer activity and that this public activity is surrounded in the political process with much justificatory rhetoric in which ‘distributive justice’ plays a major role. The *interesting* questions, they will say, are those relating to how much redistribution there should be, and to the policy means by which that redistribution should be implemented. Whether governments *can* redistribute from rich to poor must rank as one of the world’s seriously irrelevant questions.

I understand these reactions. I think they are misplaced. On the ideological aspect, I can only declare that my own motivations are not at all ideological: I do not approach the welfare state with even the slightest animus. Equally, however, it seems to me that ideological matters are, or ought to be, strictly irrelevant. Specifically, I believe it intellectually improper to reject evidence or refuse to entertain a proposition on the grounds that it might prove ideologically uncongenial.

On the irrelevancy aspect, I concede readily enough that ‘why?’ questions are not to everyone’s taste and can easily become tedious if one has other priorities. But it is surely an entirely respectable and worthwhile exercise to try to explain why certain things are as they are; and it is no less respectable and worthwhile if the things in question are widely observed and apparently robust. Indeed, it is hard to see how we can learn much of interest about political institutions unless we study how and why they produce the kinds of outcomes they do. The demonstration that something that most people take for granted is actually deeply puzzling is, I would want to say, an intellectual achievement of a kind – and may be exactly the kind of intellectual achievement that rational choice theory is best equipped to provide.

Certainly, the exercise that I shall be engaged in here is not an unfamiliar one in rational choice theory circles. Public economists now routinely accept – at

least in principle – that government action to ‘correct’ for market failures of an ‘efficiency’ kind, generated by public goods and externalities problems, depend on arguments that show how political processes can ‘succeed’ where markets fail. Clearly, this line of reasoning is not unique to the ‘efficiency’ goal. There is an exactly analogous (if somewhat less analysed) issue in the redistribution context. Too often, it is just assumed that somehow political processes will redistribute in accordance with standard norms of distributive justice. I want to know *why* this is so, if indeed it *is* so.

To indicate why there might be a puzzle here, begin with the obvious fact that the agents who participate in politics are essentially the same agents who participate in markets. It seems reasonable therefore to suppose that individuals will bring the same basic motivations to bear in the ballot-box as in the super-market. To assume otherwise would be, as public choice economists have always insisted, to invoke a wildly implausible and analytically arbitrary schizophrenia. The rational choice tradition has stood firmly against any such institutional schizophrenia – and so shall I here. However, it should be emphasized that this ‘anti-schizophrenia’ posture does not rule out the possibility that behaviour *might* differ in the arenas of politics and markets: ‘anti-schizophrenia’ simply insists that any behavioural differences be explained in terms that are admissible within the rational choice scheme. In the case of interest here, the challenge is to explain why there will be more redistributive activity in politics than in markets *without recourse to any arbitrary assumption that people feel more generous in the ballot-box than they do in the assets market?*

One clarification is important here. Nothing said so far implies any belief that individuals are entirely selfish – in either their market or political roles. And I shall in fact make precisely the contrary assumption – namely, that most people have some concern for the poor, and some awareness of and desire to conform to the requirements of distributive justice. This being so, it needs to be emphasized that the ‘market distribution’ relevant for institutional comparison purposes is not the distribution of income-earning capacities but rather the distribution prevailing *after all voluntary interpersonal transfers have occurred*. Because the level of interpersonal transfers occurring in the market order is likely to be influenced by any governmental transfer activity, it is difficult to know what exactly this market comparator would look like. But because my chief interest here is analytical rather than empirical, I shall ignore this complication. My concern will be with the logic of institutional comparison. And in this connection, the issue can be put either way. In other words, the central question might be rendered either in terms of a rational choice account of the welfare state or in terms of why it is that redistributive inclinations that are operative in electoral politics lie dormant in the market-place.

The kinds of explanations admissible within the rational choice theme are of two broad types. Most directly, there can be an appeal to the simple fact that the underlying distributions of market power and political power differ. To take the most extreme ‘ideal-types’ formulation, market power might be seen to be distributed according to the values of marginal products, while political power seen to be distributed according to formal electoral rules. Even if, in both cases, the reality is rather different, a comparison of ideal types will be sufficient to establish the general direction of political redistribution. One way of posing the central question here, then, is to ask how the ‘one-person-one-vote’ rule translates into redistributive policy. Answering this question is the aim of the median-voter and probabilistic voting accounts of the welfare state set out in Sections IV and V below.

The second broad variety of explanation appeals not to differences in the underlying distributions of power but rather to differences in relative prices between alternative courses of action applying in the two arenas. Although individuals are taken to carry the same basic motivations – the same structure of desires and beliefs – into the ballot box that they have in the market-place, *behaviour* in the two arenas will predictably differ if the trade-offs between alternative courses of action are different in market and electoral choice. Specifically, markets may face actors with a trade-off between redistributive activities and other things that differs from that which prevails in politics. Such relative price effects are crucial in the remaining three of the five rational choice accounts canvassed here – namely, in the public goods account (Section III) and the two variants of the expressive voting account, laid out in Sections VI and VII.

Before I begin to describe the first of the five rational actor accounts, however, it may be useful to offer some remarks on the multiplicity of rational actor models. This occupies Section II. In the final Section of the paper, I underline the different implications of the various models for the nature and shape of the welfare state. The object here is to highlight the particular aspects of government transfer activity that the various accounts explain (and aspects the various accounts have difficulty in explaining).

II. A METHODOLOGICAL ASIDE

Many students of redistributive policy may be inclined, somewhat like Lady Bracknell, to find one rational actor account of the welfare state ‘unfortunate’ – and two, a decided lapse of good taste. For these skeptics, *five* such accounts will hover somewhere between the catastrophic and the totally ludicrous. My aim here, briefly, is to defend this multiplicity.

My object is not to defend rational choice theory as such: that is, I do not seek to show why *one* rational actor account (the ‘right one’, presumably) would *not* be ‘unfortunate’. Rather, I want to explain why it is that rational actor political theory does not necessarily translate into a single model of any given political phenomenon – why it is that a multiplicity of models does not necessarily destroy the coherence and intellectual integrity of the rational actor approach.

Central to my argument here is a distinction, first articulated by Buchanan in his book of essays *What Should Economists Do?*, between a *logic* of choice and a *science* of choice. A logic of choice can be derived from rational actor foundations without any particular specification of the purposes that actors are taken to be pursuing. A science of choice cannot. To derive testable (conceptually refutable) propositions of the kind that occupies much conventional political science requires a specification of the *content* of the utility function that agents are taken to possess. Some public choice theorists provide such a specification in their use of the *homo economicus* construction: they assume that all political actors are motivated solely by private interest of a fairly venal kind. And indeed, rational choice theory more generally is sometimes (perhaps often) taken by critics to *require* that particular motivational assumption. Not so. The rational choice model can accommodate a wide variety of specifications of desires (and beliefs) – and for many useful purposes, this openness is a decided virtue.

In an extended critique of rational choice political theory, for example, Green and Shapiro (1994) focus directly on the *homo economicus* version of the rational choice model and mount their attack both on the failure of that version to produce empirical predictions that are supported by the evidence, and on the slipperiness of the theory in *generating* predictions that can indeed be refuted. The Green and Shapiro book has enjoyed its fair share of scrutiny at the hands of rational choice theory proponents (see, for example, the relevant issue of *Critical Review* 1995) and I do not intend to address my remarks specifically to their charges. Rather, let me assert two related propositions, which will indicate how *I* at least understand the rational choice political theory enterprise.

Proposition one: Rational choice theory is a particular attempt to impose an intellectual order on social analysis. It offers a ‘logic of choice’ that can be used as an input into a ‘science of choice’ – but is not itself that science.

Proposition two: Rational choice theory, so understood, is intrinsically a partial theory. Specifically, the theory requires a fairly detailed account of the *content* of agents’ desires and beliefs before it can be used to predict actions, or the political outcomes that those actions generate.

None of this should be taken to imply that rational choice theory so understood is ‘tautologous’. Rational choice theory could be rejected – after a patient accumulation of a large body of evidence serving to show, for example, that demand curves do not slope downwards, or that beliefs and desires are so febrile as to imply that action based on them is unpredictable. But the idea that a particular piece of empirical public choice investigation (or an accumulation of such pieces) is capable of providing decisive grounds for rejection of the theory is to misinterpret the theoretical enterprise, as well as to assign excessive dignity to often simple-minded empirical work.

In this spirit, the ensuing five rational choice accounts are, for the most part, fairly abstractly rendered. My aim is *not* to generate particular predictions, though the models do give rise to general features and relatedly to broad empirical puzzles that deserve to be confronted. As will be clear (specifically in the ‘expressive’ models outlined in Sections VI and VII), my own view is that the rational choice model does not even necessarily imply ‘rational’ *voting* – that is, the theory does not imply individuals’ voting their preferences over electoral outcomes. I nevertheless want to insist that the expressive account of voting behaviour is part of the rational choice approach (Actually, I believe the expressive account to be the *correct* electoral articulation of that approach, but I do not need to argue that claim here)¹.

This insistence suggests, of course, a further reason why rational choice theory may not produce clear, simple, agreed empirical implications. That reason is that rational choice theorists are themselves quite fundamentally disagreed about some of the basic elements of the theory. Even here, however, the abstract *logic* of rational choice operates as a discipline in defining the terms of the argument and as a framework within which the significance of various empirical observations can be interpreted. Ultimately, rational choice theory may do less in terms of establishing new and startling hypotheses for ‘political science’ and do much more in connecting up and explaining the significance of empirical phenomena that are already quite familiar.

III. THE WELFARE STATE AS COLLECTIVE BENEVOLENCE

Economists often (mostly, indeed) assume models of human motivation that involve total self-interest in the sense that all individuals are taken to have preferences that extend only over their own consumption activities. Call this the

1. See, however, Brennan and Lomasky (1993) and Brennan and Hamlin (1998) for relevant argument.

‘economic egoism’ assumption. It must be clear even to (most) economists that this assumption is wrong on its face. Economists may think the assumption to be a *useful* error (the nice term is ‘abstraction’) but it is an error nevertheless. It is quite clear that people do give things away, that they quite routinely make significant sacrifices for others (mostly, close family or other dependants) and that much of civil society (churches, benevolent foundations, school tuckshops, sporting associations and so on) could not exist – at least in the form they do currently – without a certain amount of general benevolence.

Such private benevolence does not, of course, constitute a welfare state. Indeed, this sort of private benevolence and the welfare state may be substitutes, both because the welfare state exists to fill the gaps that private charity leaves and because government welfare activity may drive out private transfer activity. Nevertheless, the welfare state might be thought of as more or less continuous with private charitable impulses, and indeed its primary rationale (and explanation) may lie in the possibility that the welfare state can do more efficiently what private charitable institutions can only partly do. It is not after all implausible to think that private charitable institutions cannot operate totally efficiently in giving expression to general charitable concerns. Suppose for example that ‘the poor’ constitute 10% of the population. Suppose further that each of the non-poor would be prepared to give 20 cents in order to raise the income of each poor person by one dollar. No single individual would be prepared to make any transfers at all. But the total value across all donors of a one dollar transfer (to the poor) is two dollars. It certainly does not seem implausible a priori that a healthy welfare state might be valued positively by everyone, even though there is very little private giving. Even rather weak charitable impulses can, if widely held, support an active public redistribution program. The problem for *private* provision here is that the charitable impulses are not strong enough to receive private expression. Yet each citizen can prefer a regime in which all give, even if all citizens’ preferences for transfers to the poor are such that none would give if the arrangement were voluntary. In short, income transfers may be a ‘public good’ to (mildly) benevolent donors (see Hochman and Rodgers 1969 and Brennan 1975).

Impulses other than benevolence may play a role in the demand by donor-taxpayers for income transfers. Insurance against income loss might be one such motive; and although it seems unlikely that this motive would justify much public provision on its *own*, it may help explain much about the shape and structure of public redistribution. The desire to suppress civil unrest might be another relevant motive (Brennan 1973).

Further, much redistribution of this collective-benevolence variety may be ‘in kind’, representing the donors’ desire to impose donors’ values and prefer-

ences on recipients. Despite widespread claims by economists as to the superior efficiency of cash transfers over transfers in-kind, in-kind transfers (health, education, subsidized housing, etc.) have proven quite robust in practice. One possible explanation for this robustness lies in the preferences of donor-taxpayers.

From an explanatory point of view, the 'collective benevolence' account sees the predominant motor of the welfare state lying with the preferences of non-recipients. Both the structure of transfers (whether insurance or benevolence oriented) and the medium of transfers (whether cash or kind) are seen to reflect those preferences. Of course, from the point of view of distributive norms, this dependence on 'donor'-preference may not be at all satisfactory. Presumably, the moral authority of claims of distributive justice is independent of whether the prevailing set of taxpayer-donors happen to be moved by such claims or not. It would, for example, be a distressingly contingent feature of welfare state programs that they depend on the charity of the general taxpaying population. Nevertheless, on the collective benevolence account, political feasibility considerations involve welfare state programs being tailored to donor ends.

IV. 'INSTITUTIONAL INCIDENCE' AND THE MEDIAN-VOTER MODEL

In the foregoing account, the welfare state was identified as reflecting the preferences of taxpayer-donors: the preferences of recipients were treated as irrelevant. At the other extreme, one could see the presence of political redistribution as reflecting nothing more than the differing distributions of market and political power. That is, the rule of one-person-one-vote gives the poor a greater share of political power than of economic power, and the natural concomitant of this fact is that the effect of political power will be to redistribute away from those who receive a relatively high share of the economic gains.

Public choice theory has sought to render this proposition in more formal terms. Perhaps the most explicit model of the electoral process in these terms is that offered by Meltzer and Richard (1981). Its basic elements can be simply described. The model is essentially a single-dimension median voter one, with the single issue being the size of a demogrant (an equal lump-sum payment to be paid to all citizen-voters) to be financed out of proportional taxation. Each voter is assumed to vote in her private interest, so she will vote for the party that offers her the larger fiscal residual, F_i , where

$$F_i = D - t \cdot Y_i \quad (1)$$

where Y_i is i 's income, t is the rate to be applied, and D is the demogrant, and given by:

$$D = t \cdot Y \tag{2}$$

where Y is the average income of taxpayer-voters.

Now, associated with each voter i there will be an 'ideal' tax rate. If taxes were not distorting, all taxpayers with income below the average would want would want tax rates of 100%: they would want all citizens to receive identical incomes, independently of their income-earning power. All citizens with above-average income would correspondingly want tax rates of zero. Accordingly, if the market distribution is skewed towards the lower end (median income is less than average income) – as virtually all real-world distributions are – then the tax-rate to emerge from political equilibrium under majority rule would be 100%.

But this tax-transfer system could not be expected to leave average income unaffected. Each taxpayer/recipient will rationally attempt to reduce her/his own tax burden by substituting tax-exempt leisure for taxed income over some range². We can depict all this diagrammatically as in *Figure 1*, for voter i (with income less than average). This diagram shows the cost to i of additional dollars of demogrant at various levels of D , depicted by the curve MC_i . Where the MC_i curve cuts the horizontal 'demand for demogrant' curve isolates i 's ideally preferred level of demogrant D_i^* (and associated ideally preferred tax rate). For j , with income higher than Y_i , the ideally preferred level of demogrant will be D_j^* . And of course for all income earners above the average, the ideal level of demogrant will be zero (the corner solution depicted by MC_k).

2. Formally, let each agent, i , have a utility function:

$$U_i = f(L_i; (1 - t) Y_i + D) \tag{3}$$

Then the ideal demogrant level, D , and the ideal tax rate, t , from the viewpoint of voter i is given where:

$$\partial U / \partial t = 0 \tag{4}$$

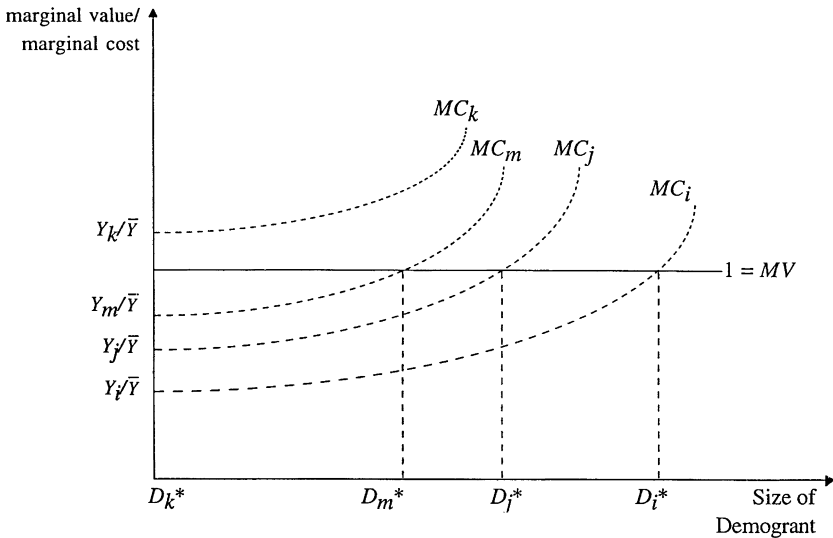
that is, where:

$$Y - Y_i = (fL / fY \cdot \partial L_i / \partial t + (1 - t) \partial Y_i / \partial t + t \cdot \partial Y / \partial t) \tag{5}$$

The right hand side of (5) is positive and increasing in t . It shows the marginal cost to i of substituting less-valued leisure for more valued income in response to the tax, together with the marginal cost of the diminished demogrant as *all* taxpayers substitute leisure for (taxable) income.

Ranking the ideally preferred level of demogrant from the voter with lowest income to the highest, the desired demogrant will fall as income rises until the desired demogrant falls to zero at average income and above. Invoking the familiar median voter theorem, the equilibrium level of demogrant under political competition will be that where the median voter's MC_m curve cuts the horizontal dollar line, that is at D_m^* .

Figure 1



The particular equilibrium outcome depends on the validity of the assumptions of the median voter theorem. In particular, the assumptions are: that there are only two parties, both concerned to maximize the probability of being elected, and that voters reliably vote their economic interests. The theorem also depends on there being only one issue (in this case, the size of the demogrant). As the number of issues increases – e.g., if we introduce other items of public spending, or allow the tax rate structure to be determined along with the size of the demogrant (more or less progressive rate structure, for example) – the likelihood that the median voter outcome will be *stable* diminishes rapidly: familiar majoritarian cycling problems apply (see McKelvey 1976).

Nevertheless, the median voter result is a good point of departure for understanding electoral equilibrium precisely because of its simplicity. And accord-

ing to this model, the size of the transfer is driven by just two parameters: first, the ‘efficiency’ of the tax-transfer system; and second, the skewness of the income distribution – and specifically the ratio of mean to median income. For example, a more efficient tax system – one that raises a given amount of revenue with a smaller amount of leisure-effort substitution – will cause the political equilibrium level of transfer to increase. And the higher the ratio of mean to median income, the higher the level of transfer *ceteris paribus*. One implication of this last proposition is worth noting. Suppose that some change occurs that reduces the income of the very poorest individuals, all other income levels unchanged. Then the equilibrium level of transfer will fall, because average income will fall while median income remains unchanged. In this sense, we might say that, from a distributive justice viewpoint, the political process attaches the level of transfer to the *wrong* parameter: poverty can increase and yet political transfers fall. Nevertheless, provided market distribution exhibits plausible properties, there *will* be transfers from rich to poor in political equilibrium. There is no guarantee that these will be of a magnitude that would satisfy norms of distributive justice. And it is clearly a crucial feature of this model that the transfers are general and *not* targeted specifically on the poor. Nevertheless, the differences between the distributions of market and political power do generate redistribution from rich to poor with no altruism as such in the model. And simple modelling indicates the features on which the extent of such redistribution depends.

An aside on terminology might be useful here. I have called this model of the welfare state a matter of ‘institutional incidence’ because it seems to me to be an institutional analogue to familiar ‘tax incidence’ analysis. In the tax case, we substitute one tax for another and derive the distributional effects of that substitution on the basis that each individual maximises her own net-of-tax income. Here, we conduct a similar notional experiment at the more abstract ‘institutional’ level. That is, we compare the distributional outcome under a political regime in which there is *no* ‘power to transfer’ with the distributional outcome under a regime in which there *is* such a power, though that power is constrained by the fact of proportional taxation and equal lump-sum transfers to all citizens. Accordingly, it seems reasonable to call this the ‘institutional incidence’ approach. If we were to relax the assumptions about proportionality of the tax system or equal lump-sum transfers, we could conduct a further set of ‘institutional incidence’ exercises, though tracing out the electoral equilibrium under such more complex institutional details would be a serious challenge. And in many such cases, there may not be *any* equilibrium outcome.

V. 'INSTITUTIONAL INCIDENCE' AND PROBABILISTIC VOTING

It is a critical feature of the median voter model that the structure of political decision-making is restricted to the one issue – the size of the demogrant. That restriction may seem to be a major limitation of the model, but the very existence of majoritarian equilibrium depends upon it. A simple example will serve to illustrate the problem. Suppose \$ 300 is to be divided between three voters (denoted A, B and C) under two party competition using majority rule. Suppose party I chooses the policy of dividing the sum equally. Then party II can defeat this policy by giving A and B 150 each, and C nothing: we depict that policy by the triplet (150, 150, 0). Clearly this policy will defeat (100, 100, 100): A and B are both better off, and will vote accordingly. But analogously (150, 150, 0) can be defeated by (160, 0, 10); which can in turn be defeated by (0, 10, 20) – and so on. There is, in short, *no* distribution that cannot be majority defeated by some appropriately chosen other. No outcome is politically stable: this is simply a feature of majority rule.

Or at least it is so if all voters vote deterministically for the party that leaves them best off. (For an attempt to analyze the deterministic case in the presence of tax distortions, see Brennan and Buchanan 1985, ch. 7.) But perhaps voters will only vote 'probabilistically': that is, perhaps increasing the pay-off to a voter only makes it more likely that that voter will vote for you, but does not guarantee his vote. Then, if the probabilities respond sluggishly enough to pay-off differences, the strategy that maximizes the probability of being elected will be to equalize pay-offs. For example, suppose that the probability that voter *i* votes for party I is p_i , where

$$p_i = x_i / (x_i + x_j) \quad (6)$$

where x_j is the pay-off to *i* given by party II. Now consider our earlier example. The probabilities that A, B and C will vote for (150, 150, 0) over (100, 100, 100) are:

$$p_A = p_B = 3/5 \text{ and } p_C = 0 \quad (7)$$

Since C votes against II with certainty, the only way in which (150, 150, 0) can win is if *both* A and B vote for it. This happens with probability 9/25, leaving (100, 100, 100) to win with probability 16/25. If parties aim to maximize the probability of being elected, both will choose (100, 100, 100) – with a probability of winning of 0.5.

More generally, this probabilistic voting model generates an equilibrium outcome in which both parties aim to maximize the product of the pay-offs to each voter. This outcome is a fairly egalitarian one, depending on the degree of dispersion in the zero tax/transfer case (i.e., the market dispersion) and the efficiency losses associated with the tax/transfer process. In some ways, therefore, this model is a multi-issue version of the median-voter model examined in the previous section. Its manifest advantage over the median-voter version is that it does not require severe restrictions on the redistributive process. Its manifest disadvantage is that it involves somewhat ad hoc assumptions about voter behaviour (and/or voter knowledge about party options). Like the median voter case, however, this model reflects voters' electoral powers: all voters are taken to vote for their own individual interests. There is in this model no particular role for justificatory rhetoric as part of the political process itself. Parties may advertise, but the theme of that advertising will be the advancement of individual interests: appeals to what justice requires make no sense in the context of this model – or in the median-voter model of the preceding section. 'Justice' to the extent that it is secured simply emerges from the process as if, one might say, by an invisible hand.

VI. EXPRESSIVE VOTING

All of the three preceding models depend on the idea that voters vote instrumentally – that is, voters choose among alternative electoral options in the same way as they choose among options in the market place, so as to 'reveal their preferences' over those options. The 'expressive voting' models (to be outlined in this section and the next) dispute that picture. These models begin with the observation that any proper rational calculus in the ballot box must take account of the fact that the individual voter must expect to be 'non-decisive' over the electoral outcome. Whichever particular conception of voter influence is used, the expected influence of any one voter on the electoral outcome must be infinitesimal. Suppose for example that you made a mistake when you voted and somehow managed to vote for the 'wrong' candidate. The likelihood that this mistake would actually make any difference to the outcome is minute. In this sense, your vote is virtually non-consequential. This 'inconsequentiality' does not necessarily mean that it would not be rational for the voter to vote. It implies, rather, that those considerations that might make the voter choose one option rather than another are disproportionately weighted towards the benefit and costs that derive from expressing support or opposition to the candidates as an end in itself. Following previous usage, we shall term

these non-consequential motives, ‘expressive’ (see Brennan and Lomasky 1993). The analogy is with cheering at a football match. One cheers to express support for one’s team and its athletic exploits; one does not (cannot rationally) believe that one’s cheering actually brings about the outcome of the match (even though the cheering may conceivably exercise a tiny probabilistic influence). ‘Cheering’ is, therefore, not ‘choosing’: its point cannot be understood purely in outcome-instrumental terms. And voting is much more like cheering in this respect than it is like choosing. The most important question in determining who A votes for is what she is prepared to cheer for (and boo) in the electoral context – not what she would choose in a context where she knows she will be decisive.

The logic of the reasoning here may be clarified by appeal to a simple matrix representation. We consider in *Table 1* the voting decision as an interaction in which a player, ‘each’, is playing a game with ‘a majority of all others’ (denoted ‘maj’). Let I and II be the electoral options. ‘Each’ can imagine, as he votes, three possible scenarios – three actions, as it were, by ‘maj’: ‘maj’ votes for I; ‘maj’ votes for II; and a tie. The numbers in the various cells in *Table 1* depict the pay-offs to ‘each’. Focus attention first on column three, the ‘tie’ possibility. Here, ‘each’ is decisive; so the context is a genuine choice setting and the pay-offs in the cells reveal the equivalent of idealized decisive choice. Each receives a net instrumental benefit for I of 100; but a net expressive benefit for II of 5. The instrumental benefit comes from having I and not II prevail as the outcome; the expressive benefit comes directly from expressing the preference for II, in and of itself. Clearly, if there were a tie, ‘each’ would rationally choose I ($100 > 5$). But let the probability, h , of that outcome be negligible. On this basis, we can set the third column aside and focus exclusively on the first two. And here there is a dominant strategy – namely, vote for II. That is, whether ‘maj’ chooses I or II, ‘each’ is still better off choosing II. The expected pay-off from choosing II over I is, then:

$$R = 5(1 - h) - 95h \quad (8)$$

(where h is the probability of a tie). Given that h is, in any general democratic electoral context, likely to be very tiny (say, one in ten-thousand at most), R will be positive even if expressive benefits are very small relative to instrumental ones. In this case, R will be positive provided $p < 0.05$, in which event, each will rationally vote for II.

The point of the foregoing discussion is to establish not the empirical claim that elections are like cheering contests, but rather the analytic claim that rationality does not logically imply that voters’ votes reveal their preferences over

electoral options. To connect the argument to empirical claims about the welfare state and public redistribution, it is useful to return to the matrix representation, and consider the situation of a tolerably well-off academic political scientist or economist (call her A) voting over an expansion of the welfare state. By ‘tolerably well-off’ here, I mean that the academic in question is in the top quintile of the income distribution. We begin by noting that the academic does not actually make personal transfers to the poor in any significant way. She gives enough loose change to the various importunate collectors who call at her door on collection days to maintain face and keep them at bay. Otherwise, she is pressed with a large mortgage and a taste for the better class of Australian red wines. It is not that she has any objection to giving to the poor; it is just that she has other claims on her income that seem more pressing.

Table 1

| | Majority of All Others | | |
|-------------|------------------------|-------------|-----|
| | Vote for I | Vote for II | Tie |
| Vote for I | 100 | 0 | 100 |
| Vote for II | 105 | 5 | 5 |

Table 2

| | Majority of All Others | | |
|----------------------------------|----------------------------------|--------------|--------------|
| | Vote for welfare state expansion | Vote against | Tie h → 0 |
| Vote for welfare state expansion | 100 | 300 | 100 |
| Vote against | 0 | 200 | 200 |

The expansion of the welfare state that is contemplated is not an insignificant one, and will cost her \$300 p.a. in extra taxes. We may take it that she would not pay this sum unilaterally to the poor (she is not, after all, doing so currently) – but equally, we need not suppose that she would derive *no* value from doing so. Let the value she would place on the transfer be, say, \$100 p.a.; the net instrumental cost to her is then \$200 p.a. On the other hand, she likes to think of herself as a generous person. As a matter of ideological principle, she *believes* in the welfare state. She accepts that she will be a net payer, but she thinks that

as an abstract matter, people like her ought to support the welfare state. She would certainly *cheer* for the welfare state over the libertarian alternative, if there were a debate going on and it was appropriate to cheer or boo. Suppose this expressive return is worth \$ 100 p.a. to her. (It could be worth much much less and the argument would still go through.) Then the relevant pay-off structure is as illustrated in *Table 2*. Again, unless the probability of a tie is very high, it pays in expected terms for A to vote for the welfare state expansion. Indeed, it probably does not pay A even to contemplate (or calculate) what the instrumental cost to her personally will be: this purely personal, instrumental aspect is more or less irrelevant. In that sense, the calculus set out in *Tables 1* and *2* is not to be thought of as a description of the *deliberations* of the typical voter. I offer it not as an account of the rational actor's *calculations* so much a demonstration of why instrumental calculations are not really worth her while. She can plausibly act as if the cost were not to her at all but rather fell to abstract others in her general situation.

The ballot box effectively locates the voter behind a 'veil of insignificance'. This veil is not identical with Rawls' veil of ignorance³, but it has certain similarities. In particular, both veils serve to radically diminish the relevance of the agent's narrow self-interest. In the voting case, the voter can entirely rationally approach the political issues at stake in the election as abstract issues of principle – abstracted, that is, from her own particularised interests. This does not necessarily mean, though it might, that the consequences of policies are irrelevant to a voter's behaviour. It may be precisely the effects of alternative policies that connect with the impulse to cheer, as for example with a voter who cheers for her perception of the public interest. Or a voter who cheers for her conception of distributive justice. Or out of her sympathy for the poor. But her act of cheering, and voting, has to be understood itself as an expressive act, not an instrumental one. And, on this view, the contest between more welfare state spending and less is essentially a matter of conflicting *symbols* – and only a matter of conflicting interests to the extent that various individual or group interests are themselves of symbolic significance. Accordingly, the politics of the welfare state specifically is to be seen as itself depending on rival rhetorical claims about the worth of the welfare state. Such rhetorical claims might be that the welfare state is 'failing to cure poverty'; or that it is 'creating an underclass'; or that it is intrinsically unjust; or that it 'destroys international compet-

3. In particular, in the Rawlsian conception, the individual is imaginatively located in a setting in which he *is* decisive but doesn't know his identity in the distribution of payers and recipients. Here, the voter knows her identity; but her action is (virtually) detached from the outcome that emerges.

itiveness' on the negative side. Or, on the positive side, that it serves distributive justice; or that it soaks the rapacious rich; or that it 'promotes long-term stability, harmony and worker productivity'. Such rival rhetorical claims are not, on this reading epi-phenomenal as many public choice scholars would be inclined to claim. The rhetoric is an essential element in political process. And we can explain why this is so by appeal to the axioms of rationality.

VII. EXPRESSIVE VOTING IN REPRESENTATIVE DEMOCRACY

The account of the welfare state as a political phenomenon laid out in the previous section depends on the idea that the welfare state – or its constituent programmes – is something that will induce voters to cheer in its favour. Or at least that there will be *enough* such voters that no explicit attack on the welfare state will be politically viable. The welfare state is to be seen, on this account, as part of the motherhood repertoire. But if voting is indirect, as in representative democracy, voters do not get to cheer or boo particular policies – they only get to express support for the candidates and/or parties that might 'represent' those policies.

This indirectness may not seem to make a huge amount of difference – at least to the extent that parties' and candidates' qualities are assessed in the light of the policies they are seen to espouse. However, since it is a characteristic feature of the expressive story that voters cheer or boo for the options before them, the precise nature of the options, whether persons or parties or policies, ought to make some difference. Note that no such differences are at stake in the instrumental account: in that account, the electoral options, whatever they are, are merely ciphers for the objects that voters are taken to *really* care about, namely the stream of personal benefits that various policies supply. But when what is at stake is the capacity of alternative electoral options to solicit expressions of support, then the precise nature of the particular options available matters. For example, it is entirely consistent with the expressive account that a voter may invariably vote for the same party, more or less independently of the policies that party happens to espouse: voters may use party identification as the primary language of self-expression (and we know that many do). Equally, it is entirely rational for a voter to cheer or boo a candidate on the basis of that candidate's personal characteristics. Some voters may simply not be able to bring themselves to vote for a candidate who is known to have had sexual relations with under-age boys, or who plagiarizes speeches, or takes 'recreational' drugs. Other voters may find a particular candidate physically attractive or amazingly charming and be moved to want to identify with that candidate for

those qualities alone. Such grounds for one's electoral affections may not strike the demographile as consistent with the highest forms of political expression, but they *are* consistent with rationality axioms, properly interpreted.

All this may bear on the welfare state in the following way. It seems likely that voters will *ceteris paribus* be attracted to candidates who exhibit attractive personal attributes: moral seriousness, public interestedness, conviction, decency, compassion, generosity, sympathy with suffering, and so on. If these personal attributes tend to go with concern for the poor, then the welfare state may arise as much as the incidental consequence of having political agents with attractive dispositions as from the direct affective power of the welfare state as a political symbol. One should not, perhaps, make too much of this argument: it seems likely that if voters are prepared to cheer for compassionate people they would be no less likely to cheer for compassionate policies. Nevertheless, it is a characteristic feature of representative democracy that voters are confronted with *persons* not policies as the objects over which their support is sought. And it is worth emphasizing that not all the personal attributes that are relevant in the expressive contest (charm, quick-wittedness, articulateness, etc.) are necessarily attributes that translate well into policies or would command widespread support if they were so translated.

VIII. THE BOTTOM LINE?

The five accounts of the welfare state outlined in the preceding Sections differ in various respects: in the account of voting behaviour offered (whether expressive or instrumental); in the assumptions about agent motivation (whether egoistic or somewhat altruistic); in whether political processes are direct or indirect; and in whether the issue-space is uni-dimensional or multi-dimensional. They differ too in respect of the aspect of the welfare state's operation that they seem best to explain; and in this final Section, I want to emphasize these explanatory successes and failures.

I earlier mentioned one of these – that relating to the form of redistribution. The collective benefits account and conceivably the expressive voting account provide an explanation of why so much of the welfare state's operation is in the form of redistribution-in-kind. It is important to make this point not just because so much of the welfare state's operation *is* typically involved with redistribution-in-kind (access to minimal standards of health, education and housing are often identified as a critical part of the redistributive package) but also because the institutional incidence accounts have considerable difficulty in explaining why this should be so. The purely political bargain that the institutional

incidence account offers suggests that both taxpayers and beneficiaries would want transfers to take the most efficient form – the form, that is, that costs least to taxpayers and generates most benefit to the recipients. This requirement would suggest cash in both cases. Explanation for in-kind redistribution within these models would seem to require that specific factors in the production of those goods – the doctors, the teachers, the house-builders, etc. – have special political power, say through lobbying or some other non-electoral dimension of political process. This possibility cannot, of course, be ruled out. But equally, it is not an intrinsic feature of the institutional incidence approach and seems rather ad hoc in the context of that approach. If such redistribution-in-kind, alongside cash transfers, is seen to be required for distributive justice then the institutional incidence approach gives us little reason to think that distributive justice *will* be politically feasible – or if feasible, politically robust.

Equally, the institutional incidence approach fails to offer any explanation as to why the public redistribution process is embedded in so much justificatory rhetoric of an explicitly ethical kind. Perhaps, as some public choice theorists claim, this rhetoric is essentially epiphenomenal – a kind of verbal smoke-screen to disguise the underlying realpolitik. What remains a puzzle in any such claim, however, is why the smokescreen is actually required. What is it about politics that explains why the rhetoric of distributive justice is so prevalent and why that rhetoric seems to play such a central role in disciplining the direction and shape of policy. The expressive voting account explains the existence of this rhetorical aspect. The expressive voting account also explains why the rhetorical constraints may actually bite and do real policy work.

At the same time, the institutional incidence account explains one piece of welfare state reality that is a genuine puzzle in the rival models. This piece of reality is the knife-edge character of national borders. In all practising welfare states, there is a huge discrepancy between the amount redistributed to the domestic poor and the amount distributed across state borders to the poor of other nations – either directly to individuals or indirectly via intergovernmental transfers. Since the latter groups are often even less well off than the domestic poor and in that sense would seem to make much more claim on our charitable impulses, the authority of national borders is difficult to explain on any grounds other than those of sheer political power. Domestic recipients vote; non-domestic ones do not. This explanation would perhaps be more telling – and the evidence for an institutional incidence approach more compelling – if it were not for the fact that most welfare states extend benefits to resident non-voters. (It is worth noting, though, that there has been some retreat from this practice in the recent past and some talk in several countries of a more extensive retreat).

Moreover, the institutional incidence approach offers an explanation as to why the practice of political redistribution has proved so robust. Although at the rhetorical level, extreme libertarian claims urging the abolition or severe curtailment of the welfare state are by no means unknown, they seem to have had at best (or worst) only marginal effect. The institutional incidence approach shows why: it suggests that the welfare state, unlike the state simpliciter in the Marxian system, will not simply fade away. Seen through the institutional incidence lens, claims to the effect that the welfare state has been ‘unable to solve the problem of poverty’ are revealed as a total misconception: political redistribution simply reflects the divergence between the distributions of market and political power. On this reading, whether we always have the poor with us or not, the welfare state we will always have.

In the face of this explanatory variety, it is perhaps tempting to adopt a ‘mix and match’ strategy. The obvious conclusion would seem to be that elements of *all* accounts play a role in the total explanatory picture. And the rational choice theorist can then take comfort from the fact that the rational choice approach, in its multiple variants, can explain much of what we observe. It is, I hope, clear from what has been said earlier that the rational choice theorists would regard any such strategy as more than a little unsatisfactory. The difficulty here is that the institutional incidence account and the expressive account offer what are on their face mutually exclusive logics of electoral behaviour. Intellectual coherence is a feature prized above all others in the rational choice lexicon. Unless the rational choice approach can deliver an explanation that is coherent, it will have failed on its own terms. In particular, it will have failed to rescue political analysis from the kind of ad hoc explanatory expediency that characterizes much conventional political science and that has been precisely the feature of alternative approaches that the rational choice approach has stood so firmly against. For the rational choice theorist, ‘Vague it up’ is a counsel of Satan.

Of course, it may well be possible to find a particular formulation of the *content* of expressive preferences that would reconcile these puzzles without sacrificing logical coherence. One possibility is some story as to why ‘opinions of interest’ might make up a significant part of expressive preference. Such a story would at least make the expressive preference account consistent with the ‘national boundary’ phenomenon. And since I believe the expressive voting account to be the correct account of electoral behaviour, this more detailed specification of the content of expressive preferences strikes me as the intellectually appropriate strategy to follow. But it could only be a first step. The real test would be whether this more detailed specification could be used to throw light on other areas of public policy and/or political process. That is the larger agenda of which the rational act analysis of the welfare state is a small part.

On the broader ‘feasibility’ question with which I began this paper, what can we say? I believe a reasonable conclusion to draw is that the interaction of the political process with the market process seems likely to generate a less dispersed income distribution than either politics or market process on its own. In that sense, *some* measure of distributive justice is certainly feasible. Moreover, the language of distributive justice is itself a relevant element in the capacity of the political process to deliver as much distributive justice as we get. On the other hand, there are genuine limits. Within the institutional incidence approach, for example, attempts to achieve more (say, via heavily means-tested transfers) may well deliver less. The resultant message is not an unfamiliar one to economists. That message is twofold. First, that feasibility considerations imply that policy-makers/voters/citizens will typically have to make choices among imperfect alternatives. And second, that failing to have a good sense of what *is* feasible can damage even the limited good that might be done.

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