

# DESIGNING DEMOCRACY

*Motivations and institutions in democratic politics*

**Geoffrey Brennan and Alan Hamlin**

**H**ow do we conceive of democracy and of the political behaviour of individuals within a democracy? And how does our vision of democracy and democratic behaviour influence the way in which we would design and reform political institutions? These are big questions, and a range of answers are available in the various traditions of political theory. For example, if you view democracy as an essentially deliberative enterprise in which public spirited individuals seek to reach consensus on matters of mutual concern, the institutions that will recommend themselves will be those that support debate and encourage participation.

In recent times it has become popular to see democracy from a more economic viewpoint: to conceptualise the political process as the interaction between rational individuals in a manner that draws on the analysis of their interaction in the market place. This move towards Rational Actor Political Theory (RAPT) reflects what might be called the Public Choice critique of the traditional analysis of government in economics. Traditional policy analysis was built on a characterisation of government as a benevolent despot: government was assumed to want public interest outcomes (the benevolence assumption); and to be powerful enough to take whatever action was required to achieve those outcomes (the despot assumption). The Public Choice critique, by contrast, emphasised self-interested motivations and the principal-agent structure of democratic government. On this view, politicians are agents appointed by the citizenry at large. But political agents, like agents in other areas of economics, should be assumed to be motivated to pursue their own ends. This economic approach to politics replaces the benevolent despot with homo economicus. The constitution, and the political institutions the constitution supports, are then seen as the outcome of an implicit contract between the citizenry and the set of political agents. This constitutional contract attempts to structure political life so as to bring the private ambitions of political agents in line with the public interest by the use of a variety of

incentive-based mechanisms. In short, political institutions attempt to ensure that the political process acts as an invisible hand mechanism in a manner that mirrors the operation of idealised markets.

While we believe that the Public Choice critique and the economic approach to political institutions has made a major contribution to both economics and politics, we also believe that it is flawed. The basic flaw, we believe, lies in the strict application of the assumption of self-interested motivation in the area of politics. However, we do not wish to replace this assumption with the opposite homo heroicus assumption of universal public-interest; we do not want to resurrect the benevolent despot, or introduce the benevolent citizen. Rather, we seek to build an analysis of democratic institutions on the basis of the more moderate assumption that individuals have amongst their basic desires both self-interested desires and what might be termed a moral desire; that is, a desire to act as morality requires. Agents are still taken to be rational in the Humean sense that they act to achieve their desires given their beliefs – and so we see our work as lying within the analytic tradition of RAPT. But rationality is not the same thing as the pursuit of narrow self-interest. It is in broadening the range of basic desires to include the desire to act as morality requires that we depart from RAPT and Public Choice orthodoxy.

The simple existence of this moral desire provides for the possibility of moral action, but the fact that it is just one desire among many implies that moral action will not always occur. Moral considerations will weigh with our typical individual, but may easily be outweighed in

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*Geoffrey Brennan is Professor of Economics in the Research School of Social Sciences at the ANU. Alan Hamlin is Reader in Economics at the University of Southampton, UK. This essay provides an overview of the argument of their forthcoming book **Democratic Devices and Desires**, to be published by Cambridge University Press.*

specific cases. The existence of the moral desire also allows the possibility of effective normative argument. In a world of homo economicus, normative argument is useless. Individuals of that type are simply immune to all forms of preaching or moral suasion – they do not recognise the relevant normative categories and, even if they did recognise them, could not grant them reason-giving status. But our more moral individuals can both recognise and value moral argument – without invariably acting on it.

Given this basic idea of a moral desire, we argue that there are two distinct ways – one direct and the other indirect – in which this desire may become effective, so that moral action results. We also argue that both of these lines of argument pick out politics – and specifically democratic politics – as an area in which moral behaviour might be expected to arise relatively frequently. We will summarise these two arguments in turn.

### Moral Behaviour

Just as with any other desire, the satisfaction of the desire to act as morality requires will generally carry a cost in terms of other desires forgone. And, just as in the case of other desires, the moral desire will be more likely to be satisfied the lower is that cost. Put crudely: moral behaviour will be subject to a downward sloping demand curve. Moreover, just as with any other desire, different individuals may be expected to display the moral desire with different strengths so that we would expect a degree of moral heterogeneity.

How do these points suggest that moral behaviour will be more common in the political arena than in, say, the market place? A key connection is via the theory of that essential aspect of democratic politics – voting. The standard RAPT analysis of voting operates on the assumption that voters vote their interests. However, that same RAPT analysis points out that, on this account, voting is almost never rational. The idea is that, because the probability that any particular agent will be decisive is vanishingly small in even close-run elections, no-one could reasonably believe that their vote will be causally effective in bringing about their desired outcome. In other words, voting in mass elections is literally inconsequential. However, and precisely for this reason, this is a case in which satisfying a desire to act morally will be virtually costless in terms of the consequences of behaviour for other desires. So, on this account, the institution of voting may be seen to pick out moral desires rather than self-interested ones. Voting provides an institutional setting in which moral behaviour may be encouraged.

We do not mean to suggest that all political behaviour is moral and all market (or consequential) behaviour self-

interested. Our weaker, but still substantial, claim is simply that the detailed institutional structure will influence the way in which rational agents will act, and that the institutional arrangements that we associate with voting and politics more generally may be expected to engage with moral desires more frequently and more strongly than do the institutions of exchange and contract that we associate with the market.

### Virtuous Dispositions

There is a second and more indirect way in which moral behaviour may arise – a way which depends on a broader interpretation of rational choice. It is now a commonplace in the social sciences and philosophy that directly self-interested calculation may be self-defeating – in the sense that explicit pursuit of this goal may fail in its own terms. This tells us that a rational and self-interested agent would have good reason to choose a disposition other than self-interest, if only such a disposition could be chosen in such a way as to be effective. A disposition here may be thought of as a type of mindset or mode of decision making: a disposition governs the way in which day-to-day decisions are made. To be effective a disposition requires both longevity and translucency: longevity since a disposition must commit the agent to a mode of decision making for a sequence of decisions – if a new disposition could be chosen for each decision, or dispositions abandoned at will, they could not work to constrain self-interested calculation; translucency since many of the benefits of having a particular disposition will depend upon others believing that you have it – a disposition to be trustworthy is valuable if others recognise it and trust you. All of this applies equally to an agent with the desire to act morally. She too may have good reason to adopt a disposition that partially commits future decision making. But now this dispositional choice itself may be morally motivated. We identify such rationally chosen, moral dispositions as virtuous dispositions.

A virtuous individual, then, is someone who has adopted a mindset of acting as morality requires even when direct calculation using the full set of moral and self-interested desires would not support that action. But such a virtuous disposition is not necessarily to be understood as irrational – it may be the disposition that is most likely to achieve the agent's overall desires (both self-interested and moral) in the long-run.

Notice that once the idea of virtuous dispositions is accepted, a version of the earlier direct argument for moral behaviour can be employed. A virtuous disposition will be more likely to be chosen or maintained the lower is the cost to the individual in terms of particular interests

forgone. Again, this will carry implications for the type of virtuous dispositions that are adopted and for the dispositional heterogeneity of the population. Some virtuous dispositions – for example trustworthiness – may be very attractive because the virtue is low-cost in the sense that trustworthiness, like honesty, may also be the best policy even in narrowly self-interested terms. Other virtuous dispositions may carry a much higher price, and so be much rarer in any population.

Once again, we would argue that this dispositional route to moral behaviour is likely to be more effective in some institutional settings than in others. Most obviously, virtuous dispositions will be unnecessary wherever direct calculation on the full range of basic desires is not self-defeating. And this is the traditional ground of invisible hand arguments – where the privately rational actions of all individuals leads society as a whole to an outcome that is the best available. The idealised free market is such an invisible hand mechanism – and much of economic analysis is concerned with the design and operation of invisible hand mechanisms. Where such mechanisms are available, virtuous dispositions will lie relatively dormant, but where such mechanisms are not available – where institutions depend on placing individuals in positions of power, for example – virtuous dispositions may be of considerable importance. Almost by definition, democratic politics provides a setting in which some individuals are placed in positions of power over others, so we might expect virtue to be especially important in politics.

### Institutional Mechanisms

Having sketched an outline of our motivational model the obvious question is: how does it bear on the design of institutions and, in particular, the design of political institutions? Our response to this question is to point to the fact that the recognition of motivations that go beyond self-interest opens up a range of new institutional mechanisms that can be analysed and employed.

As we have already hinted, RAPT and Public Choice are essentially committed to consider only those mechanisms that operate as invisible hands; mechanisms, in other words, that work via incentive effects. Incentive effects may operate negatively or positively (sticks or carrots), and may work in a number of different ways – perhaps by creating incentives to reveal information, or by incentives to build reputations – but the essential object is always the same: to create a positive correlation between the individual's self-interested motivation and the socially desired action. We do not wish to suggest that incentive effects are unimportant – just that they are not the only class of effects that are relevant to questions of the design

and reform of political institutions. We identify at least three further types of mechanism that will be relevant and which can be analysed within our suggested motivational framework.

The first additional mechanism is a screening mechanism. The basic idea here is that institutions may select or screen agents according to their motivation or disposition. Put most crudely, a screening mechanism might be employed to allocate virtuous individuals to those political roles in which virtue is most valuable. The idea of screening mechanisms is, of course, a common-place in other areas of economics. In labour economics, for example, the idea of screening for particular skills or abilities is a standard part of the discussion of the allocation of individuals to jobs. The distinctive difference here is that the screening relates to motivational characteristics. Since the standard RAPT model does not allow motivational heterogeneity, it simply cannot analyse institutions in terms of their motivational screening effects.

The second additional class of mechanism might be termed virtue producing mechanisms. The idea here is that the stock of virtue in society is endogenous, and that virtuous dispositions are more likely to be chosen and maintained under some institutional arrangements than others. In this way, some institutional arrangements might be argued to produce (or at least encourage the production of) virtue, while others might be argued to erode the stock of virtue. Again, the standard RAPT cannot recognise such institutional effects since it does not recognise the relevant motivational categories.

The third and final class of mechanism to be mentioned here might be termed virtue enhancing mechanisms. The idea here is that some institutions may work to amplify or enhance the impact of whatever stock of virtue there may be in society even though they do not attempt either to screen or select virtuous individuals or to encourage the production of virtue. An example might be provided in the context of the classical problem of *quis custodiet ipsos custodes* (who shall guard the guardians). The traditional RAPT approach to enforcement often begs the question of how the enforcers should be motivated to enforce the law. In a model which recognises only self-interested behaviour, all enforcement must ultimately be self-enforcement in the sense that the enforcers must face private incentives to enforce the law. This limits the possibilities for enforcement. But in a world in which some, but not necessarily all, enforcers are virtuous, the calculus is crucially different. Enforcement may now be a practicable option simply as a result of the probability that the enforcer will be virtuous, rather than by the provision of self-interested incentives to all enforcers.

These three additional institutional mechanisms may interact with each other and with more standard incentive mechanisms in a variety of ways. One possibility that has occupied the attention of critics of 'economic rationalism' in its narrow, self-interested form has been the possibility that reliance on institutions that operate via incentive mechanisms may erode virtue in society. In our vocabulary this claim asserts a negative feedback effect from incentive mechanisms to virtue producing mechanisms. We have investigated this claim at a relatively abstract level and found that it is by no means necessarily true. The relevant feedback effect can be positive, negative or absent depending on the details of the institutional design. And this investigation displays the chief merit of our approach. It allows us explicitly to investigate questions of considerable importance to the topic of institutional and constitutional design within a unified framework; a framework that admits of a much wider variety of effects than can be accommodated within the mainstream RAPT approach, but which still retains the analytic power associated with rational actor analysis.

### Practical Democratic Politics

So how does all of this help us to understand the operation of practical political institutions and to think about institutional reform? For a start, it provides us with an appropriate analytic vocabulary. It also connects RAPT to the traditions of Madison and others who see a political constitution as striking a balance between: the limitation of government powers; the expression of political opinion through processes of deliberation and representation (refining private opinions and selecting the most virtuous for office); and the maintenance of an environment which encourages individuals to participate in political life in an appropriate spirit. While the orthodox RAPT approach to

constitutional design can easily recognise the first of these three elements, it must fail to provide an account of the remaining two, and of the trade-offs between them.

At a more practical level we would also claim that this framework provides novel perspectives on a number of the most familiar aspects of the traditional liberal constitution. For example, the account of inconsequential voting sketched above can be parlayed into a distinctive analysis of electoral equilibrium and a distinctive defence of the representative institutions. Essentially, our framework provides an account of relatively high-levels of voter turnout (even when the expected outcome of the election is not close), explains the fact that political competition is as much concerned with the personality of political leaders as with policies, and argues that representation can act as an important means of selecting or screening politicians in so as to improve the performance of the political system relative to the alternative of direct democracy. Similar applications can be made to the topics of the separation of powers, bicameralism, federalism and so on.

We think that Public Choice theory provides a useful analytic framework for studying democratic institutions – but only up to a point. That point is its view of human motivation. Between the idea that all politicians and voters always look only to their cheque books, and the equally extreme idea that politicians and voters are all moral heroes seeking only to promote the public interest, there is a huge middle ground. We think that this middle ground can be inhabited analytically without any loss of the analytic rigour associated with the RAPT tradition. And we think that the resulting analysis yields results about the way political institutions work that are richer, more plausible and more friendly to traditional political theory than the orthodox Public Choice alternative. That, at least, is what we hope our book will show. *Policy*

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