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# Libertarianism Against Economism

## *How Economists Misunderstand Voters, and Why Libertarians Should Care*

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It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest.

—Adam Smith, *The Wealth of Nations*

[T]he ideas of economists and political philosophers . . . are more powerful than is commonly understood. Indeed the world is ruled by little else.

—John Maynard Keynes, *The General Theory of Employment, Interest, and Money*

**A**dam Smith’s frank remarks about human motivation paired with J. Keynes’s affirmation of the power of ideas form the fundamental antinomy of social science. Self-interest—interpreted substantively, not as a mere tautology—appears to explain most of what people want and do. But at the same time, politics—with its ideologues, heartfelt appeals, and heated debates—seems to determine the “rules of the game” that self-interested individuals are playing.

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Economists and libertarians alike lavish praise on Smith's insight, but there is considerable disagreement about Keynes's claim. It resonates strongly with economically literate libertarians. They usually put part of the blame for statist policies on rent-seeking special interests, but more on the public's weak grasp of opportunity cost, incentives, the mutual benefits of exchange, the function of prices, and other basic economic insights. To professional economists, however, even those with strong libertarian leanings, Keynes's confidence in the power of ideas sounds naive. People will not habitually vote to impoverish themselves. If human beings are basically selfish, then they will be selfish at the polls as well as in the marketplace. In both settings, they will be deaf to philosophical exhortation.

Yet an impressive body of empirical research now exists showing that in spite of its ability to explain market behavior, the Smithian insight has remarkably little to say about the political life of the general public (Mansbridge 1990). In politics, Keynes's assertion is far from wishful thinking. In this article, I begin by surveying the main findings of the literature on the connection between voting, public opinion, and self-interest. I then present in detail my own analysis of the economic beliefs of the public, showing that even people's beliefs about economics itself seem driven by ideas, not by self-interest. Finally, I discuss how economists can make sense of these findings, and how libertarians—and anyone else interested in social change—can learn from them.

## Voters and Self-Interest

### *The Meaning of Self-Interest*

The meaning of *self-interest* ranges over a continuum from the purely tautologous (“Even Mother Theresa was self-interested because she did what she wanted to do”) to the immediately falsifiable (“No one would pay even a penny to save the life of a complete stranger”). In itself, this variation is harmless, but there is a disturbing tendency toward equivocation—oscillation back and forth between the tautologous and the substantive definitions. Throughout this article, I use *self-interest* in the falsifiable, ordinary-language sense of *directly* valuing only one's *own* material well-being, health, safety, comfort, and so on.<sup>1</sup> However, I impose three key provisos on this definition of self-interest:

1. I interpret “people are self-interested” as “on average, people are at least 95 percent selfish,” not “all people are 100 percent selfish.”<sup>2</sup> Thus, the public voluntarily gives away roughly 2 percent of its annual income to charity, keeping 98

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1. Of course, for example, a self-interested employer might *indirectly* value the safety of his workers because he pays their accident-insurance premiums.

2. Tullock proposed this numerical threshold in his 1980 presidential address to the Southern Economic Association: “All human beings seem to have [charitable motives] to at least some extent, but it should also be said that for most human beings it does not seem to be very strong. I would suggest that the audience

percent for themselves; this fact suggests, as Smith would surely have granted, that some genuine altruism exists, but that its magnitude is miniscule compared to that of self-love. In contrast, if people on average gave away 20 percent of their income, then the self-interest hypothesis as I define it would fail. It would likewise fail if one person in ten were a selfless Mother Theresa type, but one or two in a hundred would not be enough.

2. Drawing on evolutionary psychology, I interpret *self-interest* as “inclusive fitness”; altruism toward blood relatives in proportion to shared genetic inheritance I redefine as an expression of self-interest (Dawkins 1989).
3. There is a large psychological literature on “self-serving bias,” showing that sometimes people who say (or even believe) that they are impartial twist their beliefs about the facts in a self-interested way. I classify such self-serving biases as a form of self-interest (Dahl and Ransom 1999; Babcock and Loewenstein 1997).

The self-interested-voter hypothesis (henceforth SIVH) can then be defined as the hypothesis that *political beliefs and actions of ordinary citizens are self-interested in the sense outlined in this section*. It takes more than a handful of anecdotes, but if the average level of voter selfishness clearly falls below 95 percent, the SIVH fails. Of course, ambiguous evidence makes it more difficult to draw a firm conclusion, but this difficulty cuts both ways: ideology might be a mask for unmeasured self-interest, but self-interest might be a mask for unmeasured ideology. Treating evidence of ideology as inherently more provisional begs the question.

### *Self-Interest in Politics: The Virtues of Micro-Level Studies*

There is a long-running debate about the role of self-interest in politics. Participants usually split along disciplinary lines, with economists defending the SIVH and political scientists challenging it. In an argument so protracted, one is tempted to retreat to agnosticism. Both sides have some empirical evidence to put forward, and no one has yet devised a test that convinces people on both sides of the issue. But before we give in to the temptation of agnosticism, we are well advised to try to discover *why* disagreement persists. In particular, if the contending parties test their claims in very different ways, one might step back and consider the relative merits of their approaches.

In fact, there is a core difference between the typical economist’s approach to this question and the typical political scientist’s. Political scientists are much more likely to examine *micro-level* characteristics of ordinary citizens (Sears and Funk 1990;

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of this group consider how much of their income they have in fact given away to poorer people than themselves outside their immediate family. If any of you exceed 5% you will be either a deeply religious or a most exceptional person” (1981, 901).

Citrin and Green 1990). Economists, in contrast, usually rely on *aggregate* data—for example, those pertaining to congressional districts.

When economists study markets, the self-interest assumption guides their interpretation of aggregate data. In effect, they ask, “What form of self-interested behavior by individuals would explain our aggregate observations?” This approach falters, however, when the self-interest assumption itself is in doubt.<sup>3</sup> The problem is that aggregate behavior can easily look selfish even though individual behavior is not. For example, blacks are markedly poorer and more Democratic than whites. It is easy to slide to a simple self-interested explanation: “Democrats’ policies give more to people below some income threshold than Republicans’ policies. People below that threshold therefore vote Democratic. Blacks are disproportionately below that threshold.” But there are two other types of *observationally equivalent* explanation of this pattern (Mutz and Mondak 1997). One is that citizens vote ideologically, but ideas and interests are correlated: perhaps blacks of all income levels incline more to leftist ideology. The other is that citizens care about the interests of their *group*: blacks might vote for the party that will do more for blacks in general, regardless of their personal situations.

To distinguish the SIVH from the alternatives, one must turn from aggregate to micro-level data. For example, suppose we collect information about *individuals’* income levels, personal ideologies, and so on.<sup>4</sup> One can then look at the subsample of blacks and see if higher income makes them less likely to identify as Democrats. If black millionaires are as staunchly Democratic as black minimum-wage workers, the SIVH is undermined, not confirmed. If conservative blacks are much more likely to vote Republican, *holding income constant*, the natural interpretation is that ideology matters. If black voters respond to changes in *average* black income, holding their own income constant, that relationship suggests that they are concerned about *group* interest, not just about self-interest.<sup>5</sup>

Economists, it should be emphasized, have not overlooked the possibility that ideology matters, but they have tested for its effect using aggregate rather than micro-level data. The typical test tries to explain politicians’ voting records based on their constituents’ aggregate characteristics (Kalt and Zupan 1990; Kau and Rubin 1979; Levitt 1996; Peltzman 1985). Although much can be learned from such stud-

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3. Thus, I am not making a general criticism of studies using aggregate data. If there is little reason to doubt the self-interest hypothesis or if micro-level studies strongly support it, the economists’ usual approach is entirely sensible.

4. Note that although politicians and other public figures may have incentives to lie about their true ideological stance, average citizens have little or no reason to dissemble, especially on anonymous surveys.

5. Defenders of the voter-self-interest hypothesis might reinterpret this relationship as evidence of information costs or computational complexity (Peltzman 1984). Such an interpretation suggests, however, that observed voter egoism would rise with education, one of the best predictors of political sophistication (Delli Carpini and Keeter 1996). In fact, voters with more education appear to be, if anything, less selfish (Sears et al. 1980).

ies, they are unfortunately ambiguous on at least three levels. First, there is the recurring observational-equivalence problem. Even if income is an excellent predictor of a *district's* conservatism, that relationship cannot save the SIVH if high-income *individuals* in a given district are actually more liberal. Second, if ideology predicts politicians' behavior (controlling for voter interests), that relationship might reflect ideological voters, ideological politicians, or both. Even the most selfish politician would act "as if" he were an ideologue if it helped his career; and, no matter how selfish his constituents were, a sincerely ideological politician might enjoy some slack for ideological shirking. Third, although the measured effect of ideology declines considerably when the analyst controls for various measures of voter interests, there are typically no sign restrictions imposed on the control variables; an ad hoc self-interest account accompanies every statistically significant coefficient. Thus, even findings diametrically opposed to the SIVH can perversely be used to support it. For example, suppose that controlling for income reduces the apparent impact of ideology on preferences for redistribution. Many analysts would interpret that finding as support for the SIVH even if desired redistribution *rises* with income!

### *Micro-Level Studies of Self-Interest in Politics: A Survey*

If microlevel studies of voters painted the same picture as aggregate studies, an extended methodological defense of the virtues of the former would be moot. The contrast, however, turns out to be stark. In studies based on information about individual characteristics, evidence of self-interested political behavior has been difficult to find.

#### *Party Identification*

First, consider the determinants of party identification. As anyone who has spent time around elite universities might expect, it is difficult empirically to find a strong correlation between Americans' preferred political party and their income. Whether or not Democrats are the party *for* the poor and Republicans the party *for* the rich, they do not seem to be the parties *of* the poor and *of* the rich (Kamieniecki 1985; Luttbeg and Martinez 1990). The findings I shall present, based on the Survey of Americans and Economists on the Economy (SAEE) data set, are fairly typical of recent studies (SAEE 1996; see also Blendon et al. 1997). For variable definitions, see table 1.

Table 2a displays estimates of the probability of being a Democrat or a Republican conditional on one's income, job security, recent and expected income growth, education, gender, age, age squared, and race. As can be seen, the signs of the income variable conform to partisan stereotypes: income reduces the probability of being a Democrat and increases the probability of being a Republican. But the magnitude is remarkably small: moving from the *lowest* to the *highest* income category reduces the probability of being a Democrat by only 9.6 percentage points and increases the probability of being a Republican by only 11.2 percentage points. In contrast, black ethnicity increases the probability of being a Democrat by 32.5 per-

Table 1: The Survey of Americans and Economists on the Economy:  
Individual Characteristics

Variable	Question	Coding
<i>Interests</i>		
Income	<i>If you added together the yearly incomes, before taxes, of all the members of your household for the last year, 1995, would the total be:</i>	1 = \$10,000 or less 2 = \$10,000-\$19,999 3 = \$20,000-\$24,999 4 = \$25,000-\$29,999 5 = \$30,000-\$39,999 6 = \$40,000-\$49,999 7 = \$50,000-\$74,999 8 = \$75,000-\$99,999 9 = \$100,000 or more
Job Security	<i>How concerned are you that you or someone else in your household will lose their job in the next year?</i>	0 = "not at all concerned" 1 = "not too concerned" 2 = "somewhat concerned" 3 = "very concerned"
Recent Income Growth	<i>During the past five years, do you think that your family's income has been going up faster than the cost of living, staying about even with the cost of living, or falling behind the cost of living?</i>	0 = "falling behind" 1 = "staying about even" 2 = "going up"
Expected Income Growth	<i>Over the next five years, do you expect your family's income to grow faster or slower than the cost of living, or do you think it will grow at about the same pace?</i>	0 = "slower" 1 = "about the same" 2 = "faster"
<i>Demographics</i>		
Male	--	= 1 if male, 0 otherwise
Age	--	= 1996-birthyear
Black Asian Other race	<i>What is your race? Are you white, black or African American, Asian American, or some other race?</i>	Black = 1 if black, 0 otherwise Asian = 1 if Asian, 0 otherwise Othrace = 1 if other race, 0 otherwise
<i>Ideas</i>		
Democrat Republican Independent Other Party	<i>In politics today, do you consider yourself a Republican, a Democrat, or an Independent?</i>	Dem = 1 if Democrat, 0 otherwise Rep = 1 if Republican, 0 otherwise Indep = 1 if independent, 0 otherwise Othparty = 1 if member of another party, 0 otherwise
Ideology Other Ideology	<i>Would you say that your views in most political matters are very liberal, liberal, moderate, conservative, or very conservative?</i>	Ideology: -2 = "very liberal" -1 = "liberal" 0 = "moderate" or "don't think in those terms" 1 = "conservative" 2 = "very conservative" Othideol = 1 if "don't think in those terms," 0 otherwise
Education	<i>What is the last grade or class that you COMPLETED in school?</i>	1 = "None, or grade 1-8" 2 = "High school incomplete (grades 9-11)" 3 = "High school graduate (grade 12 or GED certificate)" 4 = "Business, technical, or vocational school AFTER high school" 5 = "Some college, no 4-year degree" 6 = "College graduate (B.S., B.A., or other 4-year degree)" 7 = "Post-graduate training or professional schooling after college (e.g., toward a master's degree or Ph.D.; law or medical school)"

Table 2a: Conditional Probability of Being a Democrat/Republican

Independent Variables	Probability (Democrat)		Probability (Republican)	
	Coefficient	t stat	Coefficient	t stat
Constant	0.144	1.324	0.258*	2.450
Income	-0.012	-1.863	0.014*	2.219
Job security	-0.024*	-1.964	0.027*	2.281
Recent Income Growth	0.019	0.924	0.000	0.012
Expected Income Growth	-0.016	-0.769	0.041*	2.027
Education	0.008	0.955	0.002	0.181
Male	-0.064*	-2.524	0.025	1.011
Age	0.010*	2.110	-0.006	-1.253
Age <sup>2</sup> /100	-0.007	-1.607	0.006	1.381
Black	0.325***	6.978	-0.266***	-5.873
Asian	0.001	0.026	-0.084	-1.544
Other race	0.169**	3.082	-0.131*	-2.455
Mean Dep. Variable	.336		.298	
SD Dep. Variable	.472		.457	
R-squared	.060		.054	
N	1368		1368	
* = p < .05 ** = p < .01 *** = p < .001				

centage points and reduces the probability of being a Republican by 26.6 percentage points.<sup>6</sup> Similarly, male gender by itself reduces the probability of being a Democrat by 6.4 percentage points—an estimated effect greater than a fall in family income from \$45,000 to less than \$10,000.

How do these results change after controlling for self-professed ideology?<sup>7</sup> Table 2b shows that the influence of ideology on party affiliation is overwhelming compared to all other variables, even race. Moving from “very liberal” to “very conservative” reduces the probability of being a Democrat by 46.8 percentage points and increases the probability of being a Republican by 58.8 percentage points. Moreover, the minor changes in the other coefficients show that ideology is far from a mere mask for self-interest. When interpreting Table 2b, it is critical to recall that as economists (including the present author) normally use the term, *self-interest* is supposed to tell nearly the entire story of human behavior, not simply exert a marginal effect. Smith did *not* say, “It is from the benevolence of the butcher, the brewer, or the baker, that

6. Income differences in U.S. partisan affiliation were, however, somewhat larger in previous decades (Manza and Brooks 1999).

7. Subjects were asked to rank themselves on a 5-point scale from “very liberal” (-2) to “very conservative” (+2). The small minority of respondents who denied that they thought in left-right terms, were given an “Other Ideology” score of 1 and an “Ideology” score of 0. For more details, see table 1.

Table 2b: Conditional Probability of Being a Democrat/Republican

Independent Variables	Probability (Democrat)		Probability (Republican)	
	Coefficient	t stat	Coefficient	t stat
Constant	0.148	1.391	0.266**	2.618
Ideology	-0.117***	-8.431	0.147***	11.153
Other ideology	-0.109	-1.234	-0.102	-1.216
Income	-0.008	-1.292	0.008	1.330
Job security	-0.022	-1.865	0.023*	2.049
Recent income growth	0.022	1.091	-0.003	-0.171
Expected income growth	-0.022	-1.070	0.046*	2.392
Education	0.003	0.315	0.008	0.997
Gender (male)	-0.043	-1.733	0.003	0.107
Age	0.010*	2.165	-0.005	-1.263
Age <sup>2</sup> /100	-0.007	-1.587	0.005	1.271
Black	0.333*	7.313	-0.272	-6.277
Asian	0.023	0.420	-0.073	-1.378
Other race	0.165**	3.067	-0.129*	-2.515
Mean Dep. Variable	.337		.299	
SD Dep. Variable	.473		.458	
R-squared	.108		.136	
N	1360		1360	
* = p < .05 ** = p < .01 *** = p < .001				

we expect our dinner, but their regard for their own self-interest makes them try a little harder.”

Although some findings in tables 2a and 2b might be interpreted in terms of self-interest, it is not clear that it would be best to view them in that way. Consider the effect of black ethnicity on ideology, which remains large even with controls for income, income growth, and job security. For this relationship to reflect self-interest, it would have to stem from Democrats’ greater support for policies that specifically help blacks, *holding socioeconomic status fixed*. Antidiscrimination laws, affirmative action, and similar policies arguably fit this description. On any remotely plausible estimate of how much these policies help blacks, this coefficient—nearly *three times* the size of the gap between the lowest and highest income brackets—is too large to reflect simple self-interest. Roughly the same point applies for the other sizable ethnic effects: belonging to “some other race”—which in the SAEE almost always means Hispanic—matters more than falling from the top of the income distribution to the bottom. Setting aside ethnicity, the remaining evidence for self-interest is at best mar-

8. One concern about these results, drawn to my attention by Robert Higgs, stems from the low percentage of the variance explained. Might not this result suggest a serious specification problem? Probably not. For one thing, with binary dependent variables such as party identification, high R<sup>2</sup>s are rare; highly accurate predictions are possible for individuals with extreme characteristics, but most individuals do not have extreme characteristics. More generally, low R<sup>2</sup>s suggest two possibilities. Although one is misspecification, the other is that the dependent variable depends heavily on personal idiosyncrasies and will accordingly look rather random from a statistical point of view. Without specific evidence that important variables have been omitted, the second explanation is highly plausible; individuals often do seem to choose their preferred party in a highly idiosyncratic way.



ginal, amounting to nothing more than small effects of gender, job security, and expected income growth in the direction partisan stereotypes suggest.<sup>8</sup>

### *Issues*

The micro-level literature on the link—if any—between self-interest and specific issues is vast (Citrin and Green 1990; Sears and Funk 1990). With a few notable exceptions, the SIVH fares as poorly issue by issue as it does for party affiliation. Measures of self-interest have little or no predictive utility for beliefs about unemployment policy, national health insurance, busing, or crime (Sears and Funk 1990; Sears et al. 1980). The elderly seem if anything to be less in favor of Social Security and Medicare than the rest of the population (Ponza et al. 1988). Men are actually *more* pro-choice on abortion than women (Shapiro and Mahajan 1986). On the whole, prosperous economic conditions probably help incumbents get reelected, but the mechanism is not self-interest. Even when they have personally fared badly, individuals are more likely to vote for incumbents during good times; even when they have personally done well, they are more likely to vote against them during bad times (Kinder and Kiewiet 1979, 1981; Mutz and Mondak 1997).

There is limited evidence of self-interested preferences for government spending, but somewhat more than for taxes (Citrin and Green 1990). Sears and Citrin's (1982) study of California's tax-revolt initiatives did find that home owners, those who expected large tax savings, and high-income individuals were noticeably more in favor of tax limitations. Support for property-tax cuts increased with expected tax savings rather than with income, and support for income-tax cuts increased with income rather than with homeownership. However, tax limitations had as much support from recipients of government services and only slightly less from public employees. The preferred level of government spending of public employees was typical of the general public's preferred level; a strong self-interest effect surfaced only when pollsters asked if government workers were "overpaid."

The SIVH fails even when the stakes are potential death in combat: Lau, Brown, and Sears's (1978) classic study of public opinion and the Vietnam War found that relatives and friends of military personnel serving in Vietnam were actually *more* in favor of the war than the rest of the population. They were less likely to think that the United States "should have stayed out" of Vietnam; more likely to favor "a stronger stand, even if it means invading North Vietnam"; and more opposed to "trying to end the fighting" or simply pulling out. Sears and coauthors reached similar conclusions about the draft: draft-age males were not unusually likely to oppose "registration, draft, or military action toward the Soviet Union" (Sears and Funk 1990, 156).

The discovery of bona fide self-interest effects can only be described as sporadic. People do *not* rely on ideology for minor issues and on self-interest for major ones. Indeed, almost the opposite seems to hold: whereas self-interest has little effect on

beliefs about government spending, it has an overwhelming effect on beliefs about *smoking*. Green and Gerken (1989) show that even though smokers and nonsmokers are ideologically and demographically similar,<sup>9</sup> smokers are vastly more opposed to restrictions and taxes on smoking. The more heavily they smoke, the more certain the opposition: only 13.9 percent of people who “never smoked” supported fewer restrictions on smoking, compared to 61.5 percent of “heavy” smokers. Also, 27.6 percent of smokers, versus 82.7 percent of nonsmokers, favored a twenty-cent increase in the cigarette tax. Low-income smokers were more opposed to tax hikes than high-income smokers, but for nonsmokers, income and policy views were unrelated. What makes Green and Gerken’s study so fascinating is that it is literally the exception that proves the rule. If self-interest were the dominant determinant of political beliefs, similar patterns would be everywhere.

Proponents of the SIVH are likely to find the preceding review of the literature one-sided. Just as many studies, if not more, conclude that the SIVH works well, and “ideology is mainly a proxy for interest” (Peltzman 1984, 195), although they frequently concede that ideology retains a moderate amount of predictive power (Peltzman 1984, 1985, 1990; Lott and Kenny 1999) It would be a mistake, however, to give all findings equal weight. Micro-level studies are inherently more probative than aggregate ones, and few of the former find more than a marginal role for self-interest. This does not mean that aggregate studies should be ignored. Still, they can easily arrive at “false positives”—detecting self-interested voting in unselfish populations—and should be interpreted cautiously. Nevertheless, a sizable fraction of economists working with aggregate data have likewise come to question the adequacy of the SIVH. Levitt (1996), Kalt and Zupan (1990), Kau and Rubin (1979), and others find, for example, that ratings by ideological lobbies such as the Americans for Democratic Action are better predictors of legislators’ votes than are the economic characteristics of the districts those legislators represent.

A deeper problem with much of the alleged empirical support for the SIVH is that on a practical level, proponents of the hypothesis often treat it as unfalsifiable. Whatever the results, they are rationalized, ad hoc, as the “implications” of the SIVH. Take, for example, Peltzman’s (1984, 1985) findings on income and liberalism. If the SIVH means anything, shouldn’t it predict a negative relationship: more income, less liberalism? Apparently not. After noting that the correlation is actually positive, Peltzman raises the possibility that “political redistribution is merely a ‘normal’ consumer good ‘bought’ most heavily by rich constituencies” (Peltzman 1985, 658).<sup>10</sup> Or consider the literature on voter turnout (Green and Shapiro 1994). A self-interested citi-

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9. Nonsmokers are actually slightly richer, better educated, and more likely to be Republican or conservative than are smokers.

10. Peltzman (1985) ultimately concludes that, controlling for “history,” liberalism and income are actually negatively correlated. My point, however, is that any result—even a robust positive correlation—would have been treated as consistent with the SIVH.

zen would vote if  $pB > C$ , where  $p$  is the probability that you break an electoral tie,  $B$  is your expected extra wealth if your favorite side wins, and  $C$  is value of the time required to vote. Because empirically the rich are more likely to vote, defenders of the SIVH appeal to the fact that the rich “have more of a stake” (larger  $B$ ) in electoral outcomes. But if the turnout of the rich were lower, they would instead emphasize the rich’s greater value of time,  $C$ . In either case, they would claim empirical vindication even though the theoretical prediction is ambiguous. Why not try to clear up the ambiguity by putting in some rough estimates of  $p$ ,  $B$ , and  $C$ ? Because then the SIVH would fail: given the near impossibility of a tie in elections with millions of people, and the modest differences between serious candidates,  $pB$  would be less than  $C$  for virtually everyone. One might save the self-interest hypothesis from decisive refutation by playing up computational ambiguities, but if a theory predicts nothing definite, claims that empirical studies “support” it are hollow.

### The Public Opinion of Economic Beliefs

It is less than surprising that beliefs about emotionally charged issues such as war, abortion, and busing have little connection to self-interest. But if beliefs about economics did not arise out of self-interest, what would (Peltzman 1984)? There are numerous studies of economic beliefs consistent with the rest of the public-opinion literature (Citrin and Green 1990; Sears and Funk 1990). But no other data set has the diversity of questions and the abundance of control variables of the Survey of Americans and Economists on the Economy (1996; see Blendon et al. 1997). In my previous research, I have taken advantage of this data set to analyze the structure of economic beliefs on a number of interrelated issues (Caplan n.d.c, n.d.d, forthcoming b). This evidence is also microcosm of public opinion, illustrating the extent to which beliefs about how the world works reflect self-interest.

The characteristics in table 1 may be split into three main categories: interests, demographics, and ideas. The interest variables—income, job security, and income growth—are fairly straightforward measures of *individual* interests. The demographic variables—gender, race, and age—*might* be good proxies for interests, but they could also capture group loyalty or ideas with special appeal to certain subgroups. Finally, there are the idea variables—education, ideology, and party affiliation. After interests and demographics are controlled for, interpreting these idea variables as indirect proxies for self-interest becomes fairly far-fetched.<sup>11</sup> It is somewhat more plausible that the “idea” measures partially reflect group loyalty. Education, for example, could capture loyalty to others with the same class background. Testing this

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11. One might argue that self-interested voters would focus on their permanent income and that education is a better measure of this income than is current income. It is critical to remember, however, that the results control not just for current income level, but for income growth—recent and expected—and for job security and age. It is doubtful that education could reveal much more about permanent income after controlling for all of these variables.

hypotheses would require additional data (on class background, perhaps), but either way something besides individual self-interest is at work.

### *Economic Optimism*

One can get a good overview of the facts by constructing a simple measure of economic optimism using the SAEЕ’s full list of economic beliefs from table 3.<sup>12</sup> Someone who gave the most optimistic answer to every question would have an economic optimism score of 100; someone who gave the most pessimistic answer to every question would have a score of 0. We can then analyze how individuals’ scores typically relate to the personal characteristics listed in table 1—interests, demographics, and ideas.

Probably the most remarkable fact to notice is the contrast between education and income. Education matters more than any other variable. Each additional rank of education increases Economic Optimism by 1.750 points, implying a gap of more than 10 points (and 0.85 standard deviations) between the most and the least educated. Income, in contrast, has no perceptible effect; there is no tendency at all for the wealthy to think that “all is right with the world.” These two findings are not easy for the self-interest hypothesis to accommodate: a key measure of ideas matters most, and a key measure of self-interest matters not at all.

The *other* measures of personal interests do matter. Income level has no effect on economic optimism, but income *growth*, whether past or expected, seems to make people substantially more optimistic. People who got poorer are about 5 points less optimistic than people who got richer; the effect of anticipated income changes is about as large. Job security works in the same general way: people with the highest level of job security are about 5 points more optimistic than people with the lowest level. Finally, of all of the demographic variables, the only one that makes any apparent difference is gender: men have noticeably higher scores than women do, a bit more than 2 points higher.

Aggregating all economic beliefs into a single number admittedly runs the risk of masking issue-specific effects. In the next section, I show that even though ideology is unrelated to economic optimism, it exerts an influence on economic beliefs on a par with the influence of education. Otherwise, table 4 provides a useful summary of the structure of economic beliefs. Education matters the most. Income level is as irrelevant for individual issues as it is overall, even though income growth and job security are quite important. Gender is the only demographic variable with more than a sporadic impact.

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12. For questions 19–26, 28, and 30–33, higher scores indicate more-positive attitudes; for the rest, higher scores indicate more-negative attitudes. Economic Optimism scores are constructed by subtracting the sum of the negative questions from the sum of the positive questions, which yields a number between –40 and +26. That score is then normalized to fit on a scale from 0 to 100.

**Table 3: The Survey of Americans and Economists on the Economy:  
Economic Beliefs**

#	Variable	Question	Mean (Pub)	Mean (Econ)
<i>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.</i> 0="Not a reason at all"; 1="Minor reason"; 2="Major reason"				
1	TAXHIGH	Taxes are too high	1.50	.77
2	DEFICIT	The federal deficit is too big	1.73	1.14
3	FORAID	Foreign aid spending is too high	1.53	.14
4	IMMIG	There are too many immigrants	1.23	.22
5	TAXBREAK	Too many tax breaks for business	1.29	.65
6	INADEDUC	Education and job training are inadequate	1.56	1.61
7	WELFARE	Too many people are on welfare	1.61	.72
8	AA	Women and minorities get too many advantages under affirmative action	.76	.21
9	HARDWORK	People place too little value on hard work	1.44	.82
10	REG	The government regulates business too much	1.23	.97
11	SAVINGS	People are not saving enough	1.39	1.49
<i>Now I am going to read you another list of reasons, having to do with businesses, that 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.</i> 0="Not a reason at all"; 1="Minor reason"; 2="Major reason"				
12	PROFHIGH	Business profits are too high	1.27	.18
13	EXECPAY	Top executives are paid too much	1.59	.69
14	BUSPROD	Business productivity is growing too slowly	1.18	1.43
15	TECH	Technology is displacing workers	1.26	.27
16	OVERSEAS	Companies are sending jobs overseas	1.59	.48
17	DOWNSIZE	Companies are downsizing	1.50	.48
18	COMPEDUC	Companies are not investing enough money in education and job training	1.53	1.16
<i>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?</i> 0="Bad"; 1="Doesn't make much difference"; 2="Good"				
19	TAXCUT	Tax cuts	1.46	1.04
20	WOMENWORK	More women entering the workforce	1.47	1.73
21	TECHGOOD	Increased use of technology in the workplace	1.57	1.98
22	TRADEAG	Trade agreements between the United States and other countries	1.33	1.87
23	DOWNGOOD	The recent downsizing of large corporations	.62	1.40
<i>Some people say that these are economically unsettled times because of new technology, competition from foreign countries, and downsizing. Looking ahead 20 years, do you think these changes will eventually be good or bad for the country or don't you think these changes will make much difference?</i>				
24	CHANGE20	0="Bad"; 1="Doesn't make much difference"; 2="Good"	1.15	1.92
<i>Do you think that trade agreements between the United States and other countries have helped create more jobs in the U.S., or have they cost the U.S. jobs, or haven't made much of a difference?</i>				
25	TRADEJOB	0="Cost the U.S. jobs"; 1="Haven't made much difference"; 2="Helped create jobs in the U.S."	.64	1.46
<i>Do you think improving the economy is something an effective president can do a lot about, do a little about, or is that mostly beyond any president's control?</i>				
26	PRES	0="Beyond any president's control"; 1="Do a little about"; 2="Something president can do a lot about"	.92	.92
<i>Do you think the current price of gasoline is too high, too low, or about right?</i>				
27	GASPRICE	0="Too low"; 1="About right"; 2="Too high"	1.68	.63
<i>Do you think most of the new jobs being created in the country today pay well, or are they mostly low-paying jobs?</i>				
28	NEWJOB	0="Low-paying jobs"; 1="Neither"; 2="Pay well"	.37	1.07
<i>Do you think the gap between the rich and the poor is smaller or larger than it was 20 years ago, or is it about the same?</i>				
29	GAP20	0="Smaller"; 1="About the same"; 2="Larger"	1.70	1.85
<i>During the past 20 years, do you think that, in general, family incomes for average Americans have been going up faster than the cost of living, staying about even with the cost of living, or falling behind the cost of living?</i>				
30	INCOME20	0="Falling behind"; 1="Staying about even"; 2="Going up"	.39	1.14
<i>Thinking just about wages of the average American worker, do you think that during the past 20 years they have been going up faster than the cost of living, staying about even with the cost of living, or falling behind the cost of living?</i>				
31	WAGE20	0="Falling behind"; 1="Staying about even"; 2="Going up"	.34	.76
<i>Over the next five years, do you think the average American's standard of living will rise, or fall, or stay about the same?</i>				
32	STAN5	0="Fall"; 1="Stay about the same"; 2="Rise"	.93	1.43
<i>Do you expect your children's generation to enjoy a higher or lower standard of living than your generation, or do you think it will be about the same?</i>				
33	CHILDGEN	0="Lower"; 1="About the same"; 2="Higher"	1.06	1.28

Table 4: Expected Level of Economic Optimism

Independent Variables	Coefficient	t stat
Constant	24.632***	8.610
Income	-0.078	-0.445
Job security	1.601***	5.015
Recent Income Growth	2.492***	4.711
Expected Income Growth	2.622***	4.756
Male	2.298***	3.414
Age	-0.215	-1.786
Age <sup>2</sup> /100	0.197	1.584
Black	1.346	1.091
Asian	0.895	0.600
Other race	2.580	1.755
Democrat	0.477	0.585
Republican	0.203	0.239
Other party	0.740	0.368
Ideology	0.694	1.77
Other ideology	-3.973	-1.564
Education	1.750***	7.601
Mean Dependent Variable	36.168	
SD Dep. Variable	12.30	
R-squared	.212	
N	1136	
* = p < .05 ** = p < .01 *** = p < .001		

### *Individual Issues*

There were three possible answers for each of the specific questions about economics listed in table 3. In each case, the answers allow respondents to place their views roughly along a spectrum running from 0 to 2: whether something is not a reason, a minor reason, or a major reason for subpar economic performance; whether something is “bad,” indifferent, or “good” for the economy; and so on. The easiest way to analyze the relationships is to look at what changes average (or “expected”) beliefs.

As in the last section, the goal is to estimate the importance, *ceteris paribus*, of the personal characteristics listed in table 1. But it is too cumbersome to display detailed results for all thirty-three beliefs. Instead, I try to capture the key results with the question-by-question breakdown of *belief gaps* in table 5. A belief gap is the size, holding all else equal, of the disagreement between those with the maximum

Table 5: Belief Gaps

Ceteris Paribus Belief Gap Between <i>Highest and Lowest Values of...</i>								
#	Variable Belief	Mean Belief	Educa- tion	Income Level	Income Growth	Job Security	Gender	Ideology & Party
1	TAXHIGH	1.50	-.52	.02	-.23	-.11	-.08	.62
2	DEFICIT	1.73	-.05	.04	-.05	.05	-.06	.15
3	FORAID	1.53	-.54	-.04	-.21	.10	-.08	.08
4	IMMIG	1.23	-.73	-.11	-.04	-.11	-.11	.38
5	TAXBREAK	1.29	-.43	-.02	-.36	-.13	-.18	-.59
6	INADEDUC	1.56	-.07	.12	-.04	-.11	-.06	-.20
7	WELFARE	1.61	-.39	-.10	-.12	-.00	-.16	.54
8	AA	.76	-.50	.03	.01	-.07	.03	.55
9	HARDWORK	1.44	-.23	-.01	-.05	-.02	.08	.41
10	REG	1.23	-.42	-.02	-.02	-.05	.09	.69
11	SAVINGS	1.39	.09	.11	-.02	-.07	-.03	.10
12	PROFHIGH	1.27	-.40	-.14	-.29	-.09	-.20	-.43
13	EXECPAY	1.59	-.23	-.08	-.25	-.06	-.17	-.39
14	BUSPROD	1.18	-.07	-.06	.00	-.09	-.02	.05
15	TECH	1.26	-.62	-.01	-.14	-.23	-.14	.02
16	OVERSEAS	1.59	-.30	-.04	-.19	-.06	-.09	-.11
17	DOWNSIZE	1.50	-.17	.01	-.16	-.21	-.17	-.20
18	COMPEDUC	1.53	-.10	-.04	-.02	-.17	-.04	-.49
19	TAXCUT	1.46	.01	-.09	.05	-.11	-.00	.70
20	WOMENWORK	1.47	.16	.14	.13	-.07	-.06	-.48
21	TECHGOOD	1.57	.24	.16	.14	.05	.10	.02
22	TRADEAG	1.33	.54	.07	.30	-.03	-.03	-.20
23	DOWNGOOD	.62	.05	-.16	.23	.16	.15	.21
24	CHANGE20	1.15	.24	-.02	.53	.18	.09	-.04
25	TRADEJOB	.64	.38	-.10	.35	.12	.15	.04
26	PRES	.92	.14	.04	-.01	-.09	-.09	.15
27	GASPRICE	1.68	-.27	-.06	-.28	-.06	-.15	.13
28	NEWJOB	.37	.11	-.08	.34	.16	.02	.27
29	GAP20	1.70	.20	.08	-.19	-.10	-.03	-.46
30	INCOME20	.39	-.06	-.21	.62	-.00	.06	.17
31	WAGE20	.34	-.13	.00	.55	.01	.03	.14
32	STAN5	.93	-.19	-.05	.59	.17	-.12	.06
33	CHILDDGEN	1.06	-.45	-.17	.44	.21	-.16	.04
Ave. Absolute Value			.27	.07	.21	.10	.09	.28

and minimum values of a personal characteristic. For example, the belief gap for income is the difference between the expected beliefs of those with the highest (Income = 9) and lowest (Income = 1) income levels. What can one learn from this empirical exercise?

### *The Irrelevance of Income*

Consistent with the results of the previous section, and contrary to the popular stereotype, there is virtually no connection between income level and specific economic beliefs. Controlling for other characteristics, the rich and poor think about the economy in roughly the same way. Even the belief gap between the high and low tails of the income distribution is small (table 5).

A defender of the self-interest hypothesis might defuse part of the contrary evidence by appealing to the indirect effects of policies. Suppose, for example, that investors bear only half the burden of regulation, passing along the other half to consumers. Then the fact that the rich and the poor are equally critical of regulation would not be surprising. But even when incidence is most obvious, signs of a link between income and beliefs fail to surface: the very rich are, if anything, less worried about the effects of welfare spending than are the very poor. Antitax sentiment—reflected in questions about “high taxes,” “tax breaks for business,” and “tax cuts”—is roughly constant throughout the income distribution. Nor does hostility to the market mechanism vary perceptibly with income: populist doubts about high profits, executive pay, and gas prices are almost as pervasive among the rich as they are among the poor. The rich are at least as likely to think that income inequality rose during the last twenty years. Perhaps most interestingly, income’s *only* statistically significant effect is that the rich are *more* likely to believe that the real income of “average Americans” fell during the past two decades. Those who prospered during the last two decades are acutely conscious that their rising tide did not lift all boats.

### *The Centrality of Education*

In stark contrast to income, education exerts a powerful influence over a wide range of economic beliefs (table 5). The typical cab driver with a Ph.D. in philosophy shares the economic outlook of other Ph.D.s, not of other cab drivers. Given the strong correlation between income and education, though, widespread misconceptions about the “beliefs of the rich” are quite understandable.

One might argue that the highly educated enjoy extra material benefits of, say, immigration and technological progress *regardless* of income level. But this speculation is only marginally plausible. Are low-education, high-income Americans any less in need of inexpensive domestic help or technological breakthroughs? In any case, education has the *opposite* of the presumed self-interest effect more often than not. For example, the most educated have much *lower* estimates than the least educated of the economic damage of high taxes, foreign aid, welfare, and affirmative action. If the



effects of education fit the SIVH some of the time and made no difference the rest of the time, one might simply declare the evidence on the SIVH inconclusive. But it is a mistake to suspend judgment when the SIVH is as likely to work in reverse as it is to work as normally expected.

### *Income Growth and Job Security*

The other three interest measures frequently lead to belief differences that are both appreciable in magnitude and compatible in direction with self-serving bias (table 5). If people got richer, they tend to think average real income and wages rose over the past twenty years and to expect progress to continue for the next five years and into the next generation. Income growth also seems to calm worries about tax breaks, excessive profits, executive pay, and trade agreements. Job security similarly inhibits concerns about issues such as downsizing, technological unemployment, and the quality of new jobs.

This evidence is probably the best indication in the SAEE that self-serving bias plays *some* role in economic belief formation. Viewed in a broader context, however, even this evidence is equivocal. Income *level* arguably plays the role of “the dog that did not bark.” Because the level does not matter, the growth measures would reflect self-serving bias only if the upwardly mobile as such had shared interests. Such commonalities might exist in a rigid caste society, but it is difficult to see them at work in contemporary circumstances. What alternative account might be given? One worth considering is that the growth measures reflect personality. Suppose individual temperaments range from pessimistic to optimistic. When questions ask for objective magnitudes, such as income level in dollars, one’s temperament probably has little effect on the answer. But respondents’ disposition, whether optimistic or pessimistic, is more likely to partially contaminate “fuzzier” matters such as how secure their jobs are and whether their living standard is getting better. This relationship would explain why economic beliefs correlate with “soft” measures of self-interest such as job security, but not with “hard” measures of self-interest such as income. If self-serving bias were at work, it would be easier to detect an effect of a “hard” measure such as income because that measure can be ascertained with greater precision.

### *Gender*

Belief differences between men and women are frequently different in a statistically significant way, though the size of their belief gaps is modest. Still, gender makes far more practical difference than income; the differences appear comparable only because table 5 compares the gap between men and women to the gap between the extreme tails of the income distribution. Large or small, though, these gaps are probably not extensions of self-interest. Three questions deal with issues about which the interests of men and women most clearly diverge: one on welfare

(women are much more likely to collect it), one on affirmative action for “women and minorities,” and one on greater female labor-force participation. The gap is statistically significant only for welfare, and it goes in the *opposite* of the expected direction.

### *Ideology and Party*

Issue by issue, the combined effect of ideology and party is comparable to that of education (table 5). The earlier analysis of economic optimism conceals this comparability. Why? Political worldviews vary not on their level of optimism, but on the *specific* problems they emphasize and deemphasize. Conservative Republicans are pessimistic about things such as taxes, regulation, welfare, and affirmative action. Liberal Democrats are pessimistic about things such as tax breaks for business, high profits, tax cuts, and inequality. As always, it is important to keep in mind that these results are *ceteris paribus* results; ideology and party are not proxies for income, race, or gender.

### *Discussion*

Ideas, not interests, drive most politically relevant thought, and beliefs about economics are no exception. Economic worldview has almost nothing to do with income; there are not “rich” and “poor” ways of looking at the economy. If people varied solely in their income, beliefs about economics would be basically unpredictable, no matter how inequalitarian the income distribution. Instead, beliefs about economics critically hinge on two comparably important yet roughly independent loci of ideas: education and political orientation.

There are several potentially complementary ways to think about the effect of education. The most favorable interpretation is that education reflects greater economic knowledge or better training in critical thinking; the least favorable is that it reflects more intensive indoctrination. Another possibility is that education is a proxy for general intelligence (Delli Carpini and Keeter 1996). To salvage the self-interest hypothesis, one might claim that the educated are simply more able to identify what serves their interests. But there is little evidence of such a difference: in spite of the strong correlation between income and education, education is strongly associated with less concern about high taxes, foreign aid, welfare, and other redistributionist measures.

The strong influence of ideology and party loyalty (controlling for numerous confounding variables) is similarly difficult to explain away or accommodate. Contrary to widespread perceptions, they cannot be deconstructed as thinly veiled class interest. They appear to be independent forces. Even though they are useful predictors of belief, ideology and party loyalty are themselves rather unpredictable.

Given my stipulated 95 percent threshold, the leading roles of education and ideology/party are more than sufficient to falsify the SIVH. The next question to ask is, “How badly does the self-interest hypothesis fail?” The virtual irrelevance of

income suggests the possibility that self-interest has no effect on political beliefs at all or even a “perverse” effect such that people gravitate to political beliefs harmful to their own interests. But the findings for income growth and job security indicate that self-interest might still play a marginal role. It is at least suspicious that those who are getting richer are so satisfied with the way the economy has been moving and uninterested in using policy to change course. It is also striking that people with less perceived job security take employment-related issues more seriously. Although race makes little difference overall, it is associated with plausible self-interest effects on a handful of issues, such as welfare and affirmative action. The jury is still out on the polar position that “self-interest has *no* effect on beliefs about economics.” It will take further work to substantiate or debunk the evidence for marginal self-interest effects. On the basis of currently available information, however, we can confidently conclude that economic beliefs are not primarily functions of self-interest.

## Implications for Libertarian Change

### *How Economists Should Think about These Results*

There is a simple but unfortunately neglected way for economists to make sense of these results (Akerlof 1989; Brennan and Lomasky 1993; Caplan forthcoming a, n.d.b). Economists have long been aware that one voter is extraordinarily unlikely to be a tiebreaker; the probability of casting the “decisive” vote is very small, even in local elections, and rapidly falls to zero as the size of the electorate increases. This fact is the foundation of the notion of “rational ignorance.” But it is straightforward to extend the logic of indecisiveness to substantive voter choices. What is the expected marginal cost to Barbara Streisand of voting for a candidate sure to raise her tax bill by a million dollars? The answer is emphatically not a million dollars, but a million dollars multiplied by the chance—say, one in a million—of her casting the decisive vote. Her voting for higher taxes is not an act of radical self-sacrifice, but a token donation of a dollar. If she were *entirely* selfish, she would still vote against it. But if she were 99 percent selfish, it would be no surprise if she voted for it. The wealthy but uncharitable socialist thus ceases to be a mystery once you understand relative prices: voluntary charity is costly to the giver, but voting for charity—or anything else—is virtually free.

Although many interpret the empirical evidence on public opinion as showing a failure of the economic approach to human behavior (Green and Shapiro 1994), the real lesson is that economists need to be more careful when they analyze political

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13. This fact is not necessarily cause for optimism about democracy. It is less expensive to be altruistic in the voting booth, but it is also less expensive for the voter to rely on erroneous beliefs about how the world works (Caplan n.d.c).

incentives. If economists assume that voters and shoppers face the same incentive structure, their predictions about voter behavior will fly in the face of the empirical evidence. But after factoring in the probability of voter decisiveness, economic theory correctly predicts that people will appear far less selfish when they vote than when they shop.<sup>13</sup>

### *Why Libertarians Should Care*

No academic discipline has been more sympathetic to libertarian ideas than economics or produced as many credible proponents of libertarianism. It is surprising, then, to observe how the thinking of economists with libertarian sympathies has been evolving. A large fraction has come to see the current policy regime as an inevitable outgrowth of the interaction of human selfishness, universal suffrage, and income inequality (Lott and Kenny 1999; Meltzer and Richard 1981; Peltzman 1990).<sup>14</sup> This understanding, in turn, provides the foundation for two interrelated forms of pessimism that have been radiating from academic economics into the broader libertarian movement. The first form of pessimism is the belief that libertarian reform is *undesirable* because it would not benefit most people even if implemented. But if citizens are willing to vote for policies that do not personally benefit them, then “a majority voted for X” does not imply “a majority benefits from X.” Harmful policies might just be ideologically chic. At least, when voters are selfish, policies have to benefit *someone*. Thus, recurrent libertarian claims that various popular policies, from protectionism to antitrust, benefit hardly anyone are quite conceivably true. The second form of pessimism is the belief that libertarian reform is *impossible* because it goes against basic human selfishness. In fact, to change people’s minds about policy, it is not necessary to persuade them to *start* voting against their own interests. Voting against their own interests is something that most citizens already habitually do.

Probably the primary practical lesson for libertarians to draw from the empirical evidence on the SIVH is a negative one: the two pessimisms rest on a mistake. Nothing about the desirability of libertarian change can be inferred from its political unpopularity. And although moving the world in a libertarian direction is obviously difficult, what obstructs it is something other—and presumably weaker—than basic human selfishness. Until libertarians can get past these two pessimisms, working for social change seems rather pointless. Similarly, until economists with libertarian sympathies can get past the two pessimisms, extending the research program of Milton Friedman and other great free-market economists will seem to be a dead end.

Rethinking political motivation is therefore a vital precondition for serious long-run strategizing. It shows libertarians how they should *avoid* spending their intellec-

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14. Strictly speaking, the reason is not income inequality but a personal income distribution in which the median is smaller than the mean.

tual energy. But can other, more positive lessons be drawn about how libertarians *should* invest their effort? Here, too, there is something to learn, but it is admittedly vaguer and less satisfying.

Political competition is inherently relative. If political strategists across the ideological spectrum open-mindedly assimilate any new information, then discoveries will not change the outcome of the competition. Unfortunately, my judgment is that *on short-run strategic matters*, leading political movements in the United States are quite open-minded. Even if libertarians fully absorbed the empirical literature on political beliefs, their understanding would not allow them to leapfrog the much more influential left-liberal and conservative movements. Indeed, unlike many academics, practical politicians have long realized that candidates win elections by pressing voters' emotional and symbolic buttons, not by coarsely trying to buy their votes.

Rethinking political belief formation probably has a larger pay-off for libertarians in terms of *long-run* strategy. Individual politicians personally prosper by figuring out how to get elected today. Smart short-run thinking will never be in short supply. In contrast, investment in long-run change is a public good for everyone who wants society to move in a given direction. Such investment is a public good that the libertarian movement, with its extreme overrepresentation of academics and intellectuals, is unusually able to produce privately.

The evidence from the SAEЕ suggests two general routes for long-run change. The first is to *redefine the salient ideological spectrum*. In current American public opinion, most people can roughly define their position along the liberal-conservative continuum. Practical politicians—and practical empirical researchers—take ideological categories as given. Although such categorization may be satisfactory at a given time, it is superficial. Ideology is more than an “ideal point” on a one- or two-dimensional diagram. As Robert Higgs (1987) emphasizes, ideology defines the dimensions themselves. In his words, ideology is a “somewhat coherent, rather comprehensive belief system about social relations” (37) in which “facts, values, and wishful thinking combine in varying proportion” (36). Taking this broader perspective and reflecting on international and historical experience (Poole and Rosenthal 1997) suggest that the liberal-conservative continuum as now defined is fairly plastic. Is greater sympathy for free-market economics and small government a component of “conservatism”? In the United States, it has been for most of the past century, but in the United Kingdom conservatives embraced such beliefs in the main only during the Thatcher era, and in continental Europe the link remains unclear to this day. Similarly, before World War II, support for isolationism was generally seen as “conservative,” whereas after World War II the connection reversed, and with the end of the Cold War it appears to be reversing again.

Over the longer run, categories can be reshaped: old labels (such as *liberal*) can be filled with new content, and alternate conceptual frameworks promoted. In spite of its difficulty, such ideological reshaping is a feat that libertarian intellectuals might realistically accomplish over the next few decades. Although they are a tiny minority

within the intellectual community, libertarians form a large fraction of American intellectuals who are in some sense “right-wing.” By consistently framing diverse issues in terms of “free markets versus government intervention,” they might gradually shift the basic dimension of politics. Such reconstruction is perhaps especially feasible in the United States, where the markets-versus-government frame is well established. The key is to make this marker clear and general, while allowing the links to nationalism and enforced traditionalism to atrophy. Indeed, libertarians have with some success been redefining the political spectrum over the last four decades. In 1960, the main political divide was more likely to be defined by stances on “reform,” with liberals in favor and conservatives opposed. In 2001, “free-market reform” is no longer the oxymoron that it would have been forty years ago.

The second route for long-run change is to *redefine the “educated” position*. As the SAEI shows, even though party affiliation and education are unrelated, the belief gap between the most and least educated is comparable in size to the belief gap between the most and least conservative. Apparently, some kinds of arguments are persuasive to the well educated, irrespective of their ideology (or income). I have shown elsewhere (Caplan forthcoming b) that, in fact, education almost always makes people “think like economists”; the more educated people are, the smaller their expected disagreement with the average Ph.D. economist. Although education probably partially reflects raw intelligence and indoctrination, it also seems to be the main channel through which rational argumentation sways beliefs. The most straightforward way to redefine the “educated” positions is simply to make more and better arguments. Here again the success of libertarian intellectuals over the last forty years is impressive: although appreciation for the benefits of markets is still low in absolute level, the highly educated now have far more such appreciation than they did four decades ago.

Libertarians have been surprisingly successful along both the ideological and educational margins. The contrasting careers of Ayn Rand and Milton Friedman provide good illustrations. She did much more to redefine the fundamentals of political interest, but he was more able to provoke educated people across the political spectrum to rethink how the world works. But do investments along one dimension adversely affect investments along the other? Recall that education and political ideology are largely unrelated. It may be more difficult for a body of ideas to advance concurrently along both margins. When ideas have an ideological flavor, it is difficult to present them as sensible judgments that educated people should accept. Conversely, logical argumentation may win people over intellectually but fail to inspire them to demand change, as passionate ideological statements would. On this point, it is noteworthy that education has no apparent effect on party affiliation. Cognitively, educated Republicans may have more in common with the beliefs of educated Democrats, but their emotional ties with uneducated Republicans matter more when they vote.

One main lesson to draw from the empirical evidence is that ideas, whether linked to education or ideology, are fundamental political forces. With that in mind, a subset of interest measures—income growth and job security—also matters. Moreover, those variables do so in a surprising way. Elsewhere I have shown (Caplan forthcoming b) that income growth and job security also make people “think like economists.” This finding is intriguing in the context of Lenin’s famous revolutionary slogan, “The worse, the better” (in other words, opportunities for large social change expand as social conditions deteriorate). Lenin was probably correct, given his totalitarian socialist ends: during crises, the public becomes more open to misguided beliefs about economics. But Lenin’s dictum works only for those who share his aims. The prospects for *sensible* reforms are best in times of economic growth and low unemployment. If another Great Depression were to strike, it would not enhance the prospects for liberty. Instead, policy is most likely to improve when strong economic growth complements major shifts in ideas (Caplan n.d.a).

## Conclusion

The accumulated evidence on public opinion suggests that the strategy for libertarian change that Hayek advanced in “The Intellectuals and Socialism” (1949) was basically sound. The view that people vote their self-interest, marking existing policies as beneficial and in any case independent of abstract ideas, is empirically mistaken. Instead, the twin foundations of public opinion seem to be education and ideology, and the content of “what educated people think” and “what defines ideologies” is not a passive reflection of “objective conditions.” However, Hayek probably overstated the extent to which all ideas originate with intellectuals. There is considerable evidence that “populist” ideas—from scapegoating foreigners and greedy capitalists to promising something for nothing—have a life of their own (Caplan n.d.b, n.d.d). Such ideas survive and even thrive without a veneer of academic credibility. Thus, although winning abstract debates works in the expected direction, such victories have a smaller effect than Hayek’s analysis would predict: not because politics is a compromise between ideas and self-interest, but because it is a compromise between emotionally appealing populist pre-conceptions and relatively sophisticated ideas transmitted by ideology and education.

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