Chapter 10

Vote Trading and Efficiency

1. INTRODUCTION

Our models in Chapter Nine showed that simple-majority collective decisions in the case of a single public good under direct democracy are practically always inefficient. Collectively-decided tax-sharing schemes would practically never lead the median voter to choose the optimal amount of the public good. Both the distribution of preferences among voters and income distribution virtually assure that there is inefficiency in the economist's sense of the term. In addition, there is likely to be voter dissatisfaction with the outcome. Finally, we showed that majority-rule, collective decision-making can cause goods to be supplied even though some people, possibly even a majority, are harmed by the financing arrangement. And we may judge that the harm is greater than the benefit. A supra-majority rule would seem to result in fewer harmful decisions. However, such a rule would lead to greater negotiation and, therefore, to additional collective decision-making costs.

Inefficiency and the Incentive to Buy and Sell Votes

Let us now take the next step. Assume that a simple majority in a direct democracy does *not* choose the theoretically efficient quantity of the pure public good. If members of the collective expect this to happen, could they make any adjustments that would reduce the inefficiency? Economics teaches an important lesson about such situations. It is that inefficiency implies that there are potential gains from trade. And when there are potential gains from trade, people try to make the trades that they expect to remove the inefficiency.

Consider the position of the median voter, as described in the models of Chapters Eight and Nine. His vote decides how much of the good will be supplied. Suppose that he changes his vote. Then a different voter would be the median voter and the amount of the public good chosen by the collective would be slightly higher or lower. From the median voter's viewpoint, this is undesirable. However, under ordinary circumstances, his loss would not be very much. Now consider the viewpoints of some other voters who want a much larger or much smaller amount of the public good. To some of these, a small change in the quantity of the public good supplied may be very valuable. More importantly, there are likely to be many people who would gain from such a switch. Under the circumstances, the gainers would have an incentive to buy the median voter's vote. Suppose that the quantity preferred by the median voter's is inefficiently low. Then vote buying by individuals who preferred a larger quantity would cause the quantity chosen by majority vote to move in the direction of greater efficiency. Of course, many people are also likely to lose from a change in the median voter's vote. Prospective losers would have an incentive to block such trades, perhaps by making counter offers to the median voter or to other voters.

Vote buying by high-demand voters may also lead to inefficiency. This would be the case if the quantity preferred by the median voter was already inefficiently large.

Legislative Vote Trading

All democracies have laws against buying and selling votes. In general elections, such laws may seem unnecessary because of the secret ballot.[1] Why would A buy B's promise to vote if he could not verify that B would keep his promise? If there are laws against vote-buying, how can our

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[1]However, see part 3 of this chapter.

analysis be relevant to real democracies? The answer is that although individuals in mature democracies have no incentive to buy the votes of ordinary voters, they do have an incentive to buy the votes of their representatives. We saw in Chapter Four that members of a democratic collective make few decisions about laws directly. They divide themselves into voting districts and delegate their decision-making to elected representatives who make up the legislature. In the legislature, there is no secret ballot because voters want to know how their elected representatives vote.

Logrolling: the trade by a legislator of a vote on one issue for another legislator's vote on a different issue.

A legislator's vote is valuable because it can be used to influence legislation. There are two ways that a legislator may influence legislation: (1) by voting for a bill and (2) by trading her votes on some bills for other legislators' votes on other bills. The first way is straightforward and direct; the second is indirect. In the second way, the legislator barters her vote on other laws for other legislators' votes on the law in question. Bartering of votes in the legislature is called *logrolling*. Thus, vote buying consists of some outsider paying money or providing some service[2] to a legislator in exchange for his promise to use his vote to influence legislation.

If there were no laws against outright, or direct, selling of legislators' votes, we would expect the legislators to get very rich. However, citizens ordinarily outlaw this, although the strength and enforcement of anti-vote-buying laws differ in different countries. They also ordinarily outlaw the exchange of votes for services of the type described in footnote 2. However, citizens cannot prevent the *indirect* selling of votes. We saw in Chapter Eight that campaign contributions can help a candidate get elected. People who stand to gain from a vote may be able to influence legislation by contributing money or services to a legislator's reelection campaign or to her political party.

Plan of the Chapter

The purpose of this chapter is to use some simple examples to demonstrate the incentive to buy and sell votes and to show the outcome of vote trading. The easiest way to introduce the subject is to assume a

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[2]For example, a construction company may buy a legislator's vote by offering high-pay employment to his sons and daughters.

direct democracy and an open (i.e., non-secret) ballot. After we understand the incentive to trade votes in this situation, we will be in a better position to understand legislative logrolling and other actions that influence votes in the legislatures of everyday life. The final part of the chapter discusses vote-buying in new democracies that have been started in countries that previously followed a traditional patronage system.