

Chapter 9

Inefficiency of Majority Rule

In this chapter, we introduce another reason why the provision of public goods by means of a democratic government is likely to be inefficient. This is also another reason why we can expect government failure in a democracy. It is that it is practically impossible in reality for majority voting to result in the optimal supply of a public good. We demonstrate this point by using some simple models of direct democracy. In addition, we show that most voters are likely to be dissatisfied with the quantity of any particular public good that is supplied collectively. Most would prefer a different quantity.

Part one of the chapter defines the economic idea of efficiency in the supply of a public good. Part two discusses the efficiency of public goods supply when the amount supplied is decided by simple majority rule and when the tax for the public good is shared equally. Part three does the same except that it assumes that the tax paid by each person varies with his income. Part four shows that simple majority rule decision-making may lead to the supply of a good which benefits some people but causes greater harm to others. Part five briefly discusses how our conclusions would have to be modified under a supra-majority rule. As mentioned in Chapter Five, this is a collective decision-making rule that requires more than a 50+% majority for a public good to be supplied.

In the models of this chapter, it is assumed that the decision to supply one public good is made separately from the decision to supply other

public goods. In real democracies, this is not the case. Part six discusses this fact and how it bears on the conclusions reached in earlier parts.