Article Type: Research

THE EFFECTS OF RATIONAL IGNORANCE FOR VOTERS, REGULATORS AND SPECIAL INTEREST GROUPS

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Abstract

It is impossible to know everything for anybody even if he/she is a genius person. Because it is inevitable in all humans to some degree, and each person must individually decide what is worth knowing and understanding. It also helps us decide what information will be most beneficial. In this sense, it means choosing to remain uninformed about something; because the potential benefits estimated may be less than the cost of acquiring knowledge. In elective democratic systems, governments come to power withelections. In order to obtain the power, regulators/candidates try to maximize the number of votes they receive in elections and money and/or special knowledge of special interest groups to cover their campaign expenses to give messages to inform voters about their policies. In case of any conflict between voters and special interest groups' outcome, regulators can take advantage of rational ignored voters to give some benefits to the special interest group. In this paper, it will be tried to explain the reasons behind voters' rational ignorance, how voters' utility change in cases of perfect information and imperfect information and how special interest groups can take advantage from voters' rational ignorance situation and how candidates or regulators will behave to maximize their expected votes.

Keywords: Rational Ignorance, Rational Ignorance of Voters, Special Interest Groups, Regulators.

Rasyonel Umursamazlığın Seçmenler, Kamu Düzenleyicileri ve Baskı Gruplarına Etkileri

Özet

Bir kişi dahi olsa bile, her şeyi bilmesi imkansızdır. Çünkü tüm insanlarda rasyonel umursamazlık bir dereceye kadar kaçınılmazdır ve neyi bilmeye ve anlamaya değer olduğuna şahsen karar vermeliyiz. Aynı zamanda, hangi bilgilerin en yararlı olacağına karar vermemize yardımcı olur. Bu anlamda, bir konuda bilinçsiz olarak kalmayı seçmek anlamına gelir; çünkü bilgi edinmenin potansiyel faydaları tahmin edilen maliyetinden daha düşük olabilir. Seçime dayalı demokratik sistemlerde yönetimler seçimle başa gelirler. Adaylar seçimleri kazanabilmek için seçmenlerden aldığı oylarını en yüksek orana getirmeye çalışırlar. Ancak seçim kampanyalarında kendilerini ve politikalarını en iyi şekilde ifade edebilmek ve kampanya harcamalarını karşılayabilmek için çıkar gruplarının maddi desteğine veya danışmanlık hizmetine ihtiyaç duyarlar. Bu iki farklı kesimin çıkarlarının çatışması durumunda kamuyu yönetmeye talip olan adaylar arada bir denge kurmaya ve seçildikten sonra da rasyonel anlamda olayları göz ardı eden seçmenin rasyonel umursamazlığından yararlanarak çıkar gruplarına fayda temin etmeye çalışırlar. Bu çalışmada rasyonel umursamazlığın seçmenler, çıkar grupları ve kamu düzenleyicilerinin birbirleriyle ilişkileri üzerinde olası etkilerinin ne olabileceği konusundan bahsedilecektir.

Anahtar Kelimeler: Rasyonel Umursamazlık**,** Seçmenlerin Rasyonel Umursamazlığı, Çıkar Grupları, Kamu Düzenleyicileri.

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INTRODUCTION

As a human being, we learn things when we are living, studying in school, working in a job, doing something in somewhere else, thus, it is impossible to know everything for anybody even if he/she is a genius person. All the people must individually decide what the level of value is at which someone or something deserves knowing and understanding since rational ignorance is inevitable to some degree for all human being. To be ignorant of something helps us to decide what information would be most beneficial. In this sense, it means intentionally choosing to remain uninformed on a topic because the estimated potential benefits are less than the cost of acquiring the information.

Many economists agree that political parties formulate their policy to win elections instead of winning elections to formulate policies. That means parties' first aim is to maximize their expected votes to win an election. In this sense, when they obtain political power, their purpose is not to maximize citizens' welfare, rather they pursue whatever policies that they will win political support for now and future to defeat their opponents. It can be seen in many cases in different countries that is why many of them lost the next elections.

Likewise, voters try to maximize their utilities when they vote for the preferred policy. In other words, voters vote for a candidate whose policy they believe will benefit them more than those of any other candidates. To expect all voters have perfect information about the candidates' policies and their policy outcomes will not be right. Voters can behave about candidates and their policy outcomes according to their past, retrospective information and also try to collect current information up to the point where marginal information costs do not exceed marginal benefits. Therefore, they can be rational ignorance policies to the policy issues.

The process of collection of information can generate biased expectations. From this point, a door can be opened for interest groups who then can affect the policies of candidates or regulators with their money and special knowledge they have. That is, while voters support the candidate with their votes, interest groups support with their money and knowledge. If voters are rational ignorance about the candidates and their policies, this can enhance special interest groups. At the same time, rational ignorance can place some restrictions on a group's power.

In this paper, it will be tried to explain the reasons behind voters' rational ignorance, how voters' utility change in cases of perfect information and imperfect information and how special interest groups can take advantage from voters' rational ignorance situation and how candidates or regulators will behave to maximize their expected votes.

1. RATIONAL IGNORANCE OF VOTERS

If someone wants to gain knowledge about something, it is always a costly undertaking. Therefore, it is possible that obtaining certain information will benefit less than the costs it will provide. Although there are some debates, it can be drawn an analogy to modern democracy (Radical Social Entrepreneurs). In big countries, you cannot affect the election outcome with a vote. That is, any single

vote has no chance to affect any election outcome in large countries. Because the numbers are too big so it does not matter to the outcome whether any individual votes or not. Therefore, there is little or no value in voting, and especially in spending the time and effort to allot a well-educated vote (Radical Social Entrepreneurs).

In other words, voters need enough information to make a decision but they don't. Increasing the level of education has clearly not solved the problem, and voters tend to make choices based on team-like partisan allegiances, not facts or values. This behavior is rational to some extent because the payoffs are essentially zero once any voter becomes more informed. Therefore, it may be unreasonable to expect voters to be highly educated in public policy issues (Friedman, 2013). Why bother to vote in the first place if one vote of a voter will not change the election outcome? This is why voters are said to be "rationally ignorant" (Somin, 2013). That is, when the benefit of acquiring information is less than the costs to be derived from the information, it is rational to be ignorant. Thus, the economic theory of rational ignorance is developed in mid years of in 20th century by Downs and many economists followed, commented or criticized Down's Theory of Rational Ignorance. Some of the comments as below: "Downs predicted that individuals would remain rationally ignorant meaning that they would have no incentive to learn anything about the election because their individual vote is so unlikely to alter the outcome" (Jones and Hudson, 2005: 242).

In Downs' theory, beliefs about politics often have three staggering properties: high certainty, systematic bias, and little informational basis. According to Kaplan, the theory of rational ignorance explains only little informational basis or low level information (Kaplan, 2001: 3). By taking and adopting the theory to Public Choice School's ideas, Public Choice Economists, especially Becker, have adopted "Rational Expectations Approach" by assuming that people have, on average, unbiased expectations for any policy that has been existed for the time. According to Becker, winners, or losers in the competition for political influence are not only informed but also sufficiently satisfied with public policy consequences (Becker, 1976: 245-246). On the other hand, others assume rational ignorance that some people are both ill-informed and dissatisfied with the policy outcomes (McGuire, 1989: iii).

Rational voters do not expend time and money in order to collect complete information about candidates (Mueller, 1989: 206). When candidates compete for the votes of voters, each individual's vote has a negligible probability of affecting the outcome (Denzau and Murger, 1986: 99). Therefore, information costs are a very crucial factor of rational ignorance. If voters have perfect knowledge of every candidate and their policies, there is zero ignorance according to Anthony Downs (Downs, 1957: 28). On other hand, to have perfect information is very costly even impossible because nobody can have perfect information (Downs, 1960: 542). Therefore, it seems that information problems are inherently linked to the collective decision-making process. Because - by definition - the individual taxpayer has only minor influence on any collective decision, the public sector may opt for a kind of Downs-style "rational ignorance" regarding its parameters (Heyndels and Smolders, 1994: 325).

Rational voters collect information up to the point where marginal cost equals his expected marginal benefit. For this, it can be used Microeconomics basic knowledge to draw the shape like illustrated in figure 1 below.
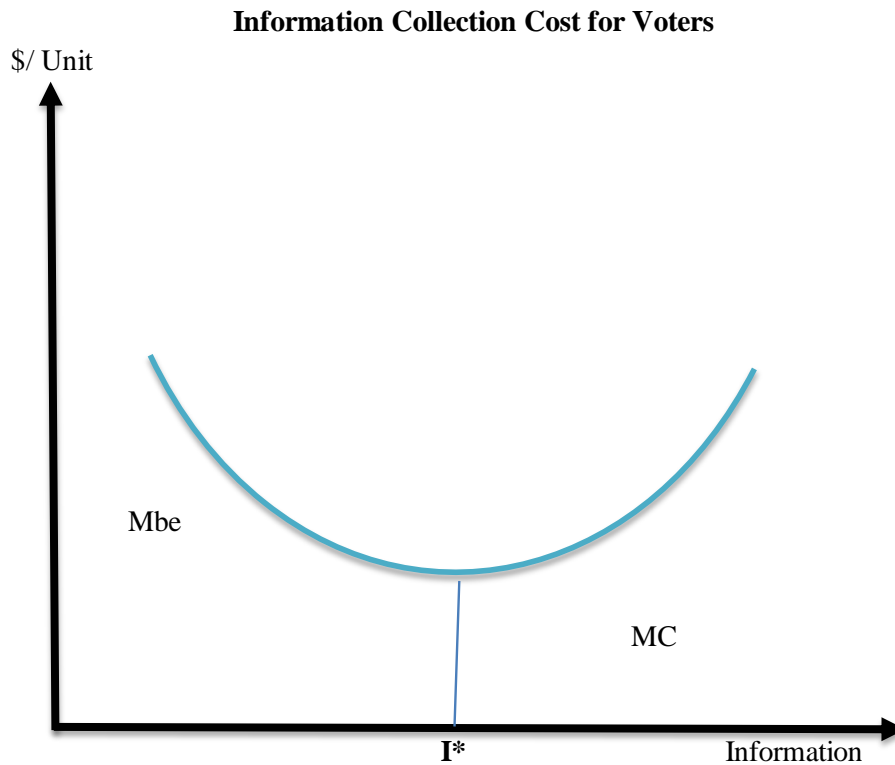
Information Collection Cost for Voters

$/ Unit

Mbe

MC

I*

Information

Figure 1 : Voters' information collection cost

According to figure 1, I* is the ideal point for voters because at that point their marginal costs equal expected marginal benefits. On the other hand, complete information occurs when expected marginal benefits equal zero as in the monopoly's revenue maximization problem. In other words, people acquire new information only as long as they expect the additional benefits from a better choice to exceed the additional costs of obtaining the information necessary to make it (Galles and Sexton, 1995:424). At the same time, voters can behave according to their retrospective information about the candidate and policy outcomes. The best example for this can be the 1988 and 1992 presidential elections of the USA. In the 1988 election, for example, voters' behaviors were according to parties' performance and are pleased or displeased with the candidate or parties' performance. Therefore, it can be said that George Bush's fate in 1988 and 1992 illustrates the importance that voters attach to past governmental performance. The economy of the USA was in good condition in 1988 but in 1992 was in the longest recession since War World II (Patterson, 1996: 191).

Therefore, the poll showed that people believed in 1988 Republican Party was better manage the economy and other things while four years later, the economy's conditions changed and people believed that it was the result of the Republican Party so that they showed their dissatisfaction with not to choose Bush in the elections (Patterson, 1996: 191). The same also can be said for the last 2016 election of the USA. All the poll results showed that the Democrat Party candidate will win the election since

Democrats made many good things in economy after 2008 financial crisis. Unemployment rate increased up to 16% in 2008 but this rate decreased to 5 % in 8 years Democrats management. When two candidates compared, one of the reasons that American people found Democrat Party candidate untrusted that is why they chose Republican Party candidate in 2016 election (Montanaro, 2016, available May 28, 2021).

When it is looked to European side, it can be seen the same results as in the USA. According to Eurobarometer data, it is found that intention to vote is linked to the importance of voting as proxied by the perceived impact of national government upon the individual that people vote in the hope of changing election outcome (Jones and Hudson, 2005: 242-243).

Up to this point, rational ignorance is said to be a result of imperfect information but it was not said that rational ignorance occurs whether from biased or unbiased information point. The process of collection of information can generate biased expectations. Therefore, some voters can choose completely ignorant to some policy matters.

2. SPECIAL INTEREST GROUPS

Special interest groups can take advantage of voters' ignorance. As in the case of free ride or positive externality, special interest groups take advantage from the policy outcomes at the expense of voters (Galles and Sexton, 1995: 425). The free ride or positive externality means using or overusing something without paying anything. Externality or free rides may not be a good example for interest group activities, but the result is almost the same. The difference is only, in externality somebody makes something and others use it. Here, people pay a small amount of money to be a member of the group and then use this money to affect the regulator for the group's benefits. Thus, while voters pay taxes, their ignorance to policy outcome reduce their benefit. In a result, special interest groups use voters' ignorance to affect the regulator to get benefits for the group.

Special interest groups, in other words, have special knowledge about the policies and policies' outcomes. The group knows that voters are ignorant to the policy so that it can be said the group is an active seeker of outcomes from regulators. Whoever regulator is to close group, then they will support him/her in the campaign or give some bribes to get benefits.

Rational ignorance of voters, on the other hand, can constrain the special interest group's power. First of all, as explained above, interest groups contribute money to the regulator in order to obtain benefits from him. But regulators use this money in their campaign expenses to give messages to inform voters about his policies. Although rational ignored voters do not pay attention about the candidates or regulators' policies, some media (newspapers, TV news, radio, internet and other types…) and opponents' advertising can be made aware of what is going on the policies so that rational ignored voters can realize their situation. Thus, regulator may be constrained to serve interest groups. In this sense, regulator must consider not only the reaction of voters given current knowledge, but also the expected reaction if voters were to find out (Denzau and Murger, 1986:100).

Another constraint, if voters and the group have the same requirements, this could limit the interest group. In this situation, group's sources could be wasted for nothing. Otherwise, it will search for other regulators. The other constraint can be the price of regulation to the interest group. If the price is too high, getting that service or goods from regulators is impossible for the group. So gains can be constraint because of its price (Peltzman, 1976: 219). And other constraints can be geographical area. If the interest group's interesting area for the service is small, voters can easily recognize to this situation.

3. REGULATORS OR CANDIDATES

Regulators/candidates try to maximize the number of votes they receive in elections. For this reason, they choose policies to maximize their prospects for the election. To maximize votes in an election, the candidate involves in a campaign in which he is unsure of the identity of his competitors. The candidate actively looks for some ways that he can win the election such as he can use the knowledge which is attractive to the voters. In other words, campaigns are modeled to give information or persuade the voters where candidates use campaign contributions to send messages to voters via different platforms. When the candidate became a regulator, he can provide some services to the interest groups or provide some constituency services to the voters (Denzau and Murger, 1986: 91). This situation can be illustrated in Figure 2.

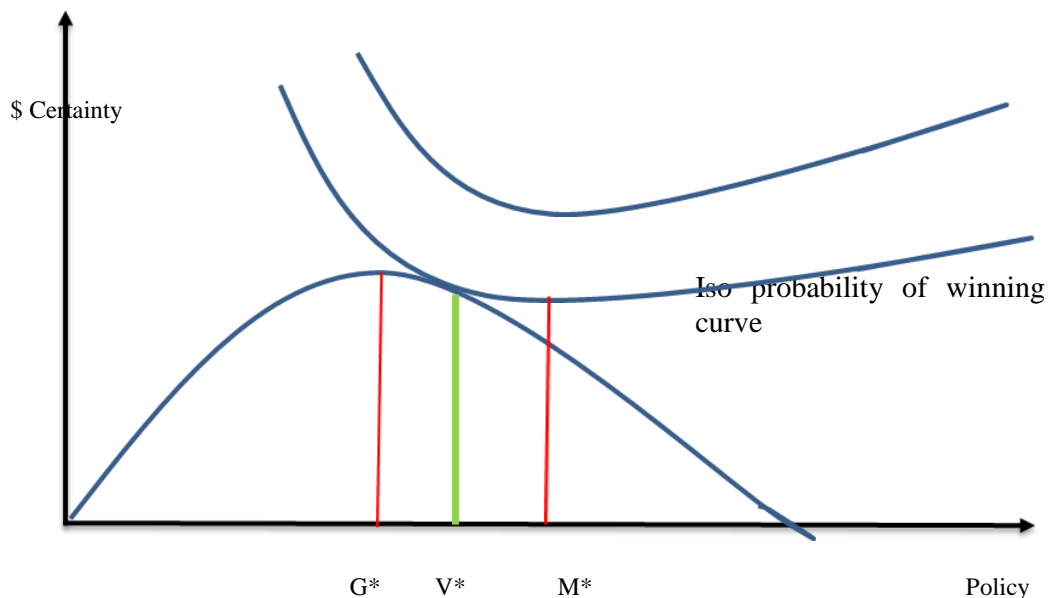### 3.1. The Relation Between Certainty and Policy

Figure 2: The relationship between certainty and policy
(Source: Mueller, D: 1989.45 and Congleton, R.'s grade notes used to draw above figure 2)

In figure, G* shows maximum donations from the groups or donors, V* candidate's position that maximizes his winning probability, and M* median voters' ideal point. According to this figure, a

candidate has to be made tradeoff between satisfying the median voter and securing campaign resources for a successful campaign running. The ISO probability curve can be different shapes. For example, if that curve is vertical, the campaign does not matter, and policy matters for only the median voter. Or if that curve is horizontal, only money is matters.

Through competition for people's votes and interest groups' money candidates or regulators give an opportunity to influence the policies of the government (Patterson, 1996: 232).

4. PERFECT INFORMATION CASE

In the case of perfect information, the median voter is assumed that he gets what he wants as a policy outcome so there is no effect of interest groups in the policy outcomes. Therefore, the game is between voters and regulators. Voters, as explained above, try to maximize their utilities. Assuming that a median voter maximizes his utility by two goods which are a private good Z and a public good P. It can be shown as U = u (Z, P). In this case, interest groups do not spend any money and also candidates do not campaign to affect the voters.

The public good is provided at the expense of median voters who pay a flat tax, T and each median voter has a budget constraint, W= Z+T (Congleton, available 30/04/2021)[2]*. The number of tax payers are N. so a median voter's utility function;

(1) $U= u\ (Z,P)$

(2) $W= P_z\ Z + T$

(3) $p(P) = NT$

(4) $T = p(P)/N$

(5) $W = P_zZ + p(P)/N$ then $Z = (W – p(P)/N))/ P_z$ so

(6) $U = u\ ((W- p(P)/N/ P_z),\ p(P))$

It can be determined median voter's ideal public good amount simply taking first order condition of number 6 of above function and it gives;

(7) $dU/dP = dU/dZ\ ((-d_p/dP)/N)/P_z) + dU/dP.\ D_p/dP = 0$ at maximum P*.

Here, voters' wealth and the number of voters affect the amount of public good. That is,

$P* = p(W, N)$.

From this point, it can be checked whether there is a relation between voters' wealth or not by taking partial derivatives of the number 7. In other words, implicit function gives us what we want to see in this equation.

If number 7 of above equation defined as an H then;

(8) $P*/W = (dH/ dW)- (dH/dP) = d^2U /dZ^2 (-d_p / dP)/NP_z)\ 1/P_z + d^2U /$

$dPW)/ - (d^2U/dZ^2 (-d_p/dP)/NP_z)^2 + dU/dZ (-d^2_p/dP^2/NP_z)$

$= (dH/ dW)- (dH/dP) = d^2U /dZ^2 (-d_p / dP)/NP_z)\ 1/P_z + d^2U /$

$$2d^2U/dZW(-d_p/dP)/NP_z) + d^2U/dP^2)$$

$$= (+ / +)$$

So that it is greater than zero means that voters' wage has positive impact on the public good amount and when the wage increases, the public good per voter increases as well.

5. RATIONAL IGNORANCE SITUATION

In this case, there are three players in the game. Regulators and interest groups try to take advantage of voters' rational ignorance situation. As assumed above, candidates use voters' vote and interest groups' money. So his aim is to maximize his votes to get the power. According to this explanation the next equation;

(9) $V_r = v$ (M, I, S) here is M= voters, I = Interest groups and S= Campaign expenditures.

(10)   I = I (C, P), C= Contributions to candidate, P = Public good

(11)   M = u (Z, P), M is median voter's utility as in the perfect information case.

As explained in Figure 2 above, candidate, in order to get power, will try to maximize M's votes and I's contributions. In order to make a successful campaign, he will spend S amount campaign spending to get as much as possible votes to be a regulator. Thus, in this step, the candidate does not take account voters' utility and interest groups' benefit maximization to his function. After he became a regulator, when he makes a decision about the P, he will consider both voters' utility function and interest group's benefit maximization function in order to be reselected in the next election. In this sense his function will be;

(12) $V_r = v(u(Z, P), i (C,P), S)$. Also regulator knows voters' budget constraint,

(13) $V_r = v$ (u (W-p(P)/ P_zN), p(P)),S) and accordingly regulator's vote and contribution maximization problem,

(14) $dV_r /dP = dV_r/dM \, d_v/dU \, ((d_u/dZ \, (-d_p/dP/NP_z) + d_u/dP \, d_p/dP) + dV_r/dI \, d_v/d_i \, (d_p/d) = 0$.

While in case of perfect information N voters are paying taxes, N people used P. In this case, in the expense of N voters, $N+I_i$ (Interest group members) people are going to use this P if the regulator decides voters are imperfect information about this issue and believes that it will not affect them in the future election.

In case of rational ignorance, a regulator would provide some services for a special interest group. As mentioned above, a special interest group would use P without paying tax. This would reduce voters' utility from P because of their ignorance. On the other hand, regulator would use special interest group's knowledge as well as money. Although the regulator uses special group's knowledge and money, this service to special interest group may limit his success in the next election since his opponents can provide some information to about what he did and how he used his power against voters.

This eventually would restrict his ability to provide services to the interest groups. Also, the special interest group's ability would be restricted taking advantage from voters' ignorance. Since the regulator would want to win next election. For this reason, he would need voters' vote and would not

provide everything special interest groups want. The result, special interest groups would not reach all requests asked to regulator. Candidates use advertising to inform voters what and how he will do or use his power if he gets the power. So the purpose of the campaign is to get to know by voters better. Therefore, voters' rational ignorance, anytime could be broken and could realize what is going on with the taxes they have paid. Besides this, because of a free ride, some people can take advantage of special interest group's efforts.

CONCLUSION

In the case of perfect information, the median voter gets whatever he/she wants. The regulator provides services for the voters to win the election because his goal is to win election and to keep power in his hand.

Voters are ignorant to the policy issues because they believe that regulators or candidates do not constraint themselves to tell the truth. They rely on unsought free information provided them and evaluate it less carefully. Advertising by candidates is cheaper and collecting all information about candidates and their policies is more costly for voters. Taking together these effects voters have a lack of information about candidates or regulators and their policies. As a result, voters become rational ignored to policy issues, and rely on retrospective information about that issues.

In the rational ignorance of voters, special interest groups try to get some services from the group members' benefit by spending members' fees to affect the regulators or in the election time whoever they believe will get the power.

Also, regulators or candidates would behave to make both voters and special interest groups be satisfied because they need voters' votes and interest groups' money to be elected or reelected in the election.

In the end, voters may not invest the time needed to learn about political issues and candidates if they have reason to believe that any action they take will have little or no impact on the political outcome. So, a voter's vote in an election probably won't change the outcome. In other words, one's political beliefs are unlikely to change society. The busier the voter is, the more logical it is to remain politically ignorant.

From a political party or regulator point, in order to win the election, it may be necessary to follow or advocate a moderate policy and avoid taking a position on controversial issues.

Financial Support:	None
Conflict of Interest:	None
Ethics Committee Approval:	None

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