SYMPOSIUM ON
HETEROGENEITY AND PUBLIC POLICY

PART 1

Stanley L. Winer, School of Public Policy and
Administration, and Department of Economics,
Carleton University, Ottawa

ABSTRACT

It is a cliché to observe that modern democratic states are composed of citizens with diverse interests. Yet it seems fair to say that the formal study of how heterogeneity in an electorate - of incomes, preferences, political influence and in other dimensions - plays a role in shaping the policies that emerge in competitive democratic equilibria is, if not in its infancy, still far from mature. The purpose of this symposium is to call attention to the importance of explicitly addressing the role of heterogeneity in theoretical and applied research on public policy and to contribute to this task.

INTRODUCTION

One way or another, the operation of the collective choice process in a mature democratic state leads to the balancing of opposing and heterogeneous interests. This is a messy process which those studying why governments do what they do try to simplify, for understandable reasons. It is easy to make a model of public policy complicated. It is much harder to produce an analysis of it that is relatively simple and yet still revealing.
Early formal models of public policy in democratic states, say those of 40 years ago, relied on the elegant median voter model of Duncan Black (1958). In this framework, the careful study of a single decisive voter was almost all that was needed. Understanding and empirically modeling the evolution of a particular policy required the identification of the key factors underlying the decisive voter's demands for public services, a task for which standard microeconomic theory was sufficient.

The median voter model remains a useful tool of analysis. However, it has become increasingly clear that it is desirable to consider more explicitly how diverse interests are represented in the sorts of policies that emerge in competitive political equilibria.

Almost three decades ago, Allan Meltzer and Scott Richards (1981, 1983) showed that (even) in a median voter framework, the evolution of government size depends importantly on the skewness, or third moment, of the distribution of income. As income becomes more skewed to the right, so that the median falls farther below the mean, the incentive for the decisive voter to use the public sector to effectively redistribute in his or her favor increases.

Heterogeneity of tastes for public services are also involved, as Dan Usher (1977) explained in an earlier contribution. When financed by progressive taxation, public provision of private goods may be evaluated by voters as a tradeoff between an implicit redistribution of income and the possibility of a mismatch between the amount of the good provided by the government and the amount each person would prefer the government to supply. There may or may not be a majority in favor of public provision depending on the relative strengths of these two considerations.
The seven papers in this symposium, which is divided into two parts, continue in the tradition of Usher and of Meltzer and Richards by identifying and studying particular aspects of heterogeneity in democratic societies which play key roles in determining the formation and evolution of public policies of various kinds. These papers cover a wide range of situations and types of policies, and emphasize different aspects of heterogeneity.

As a whole, the papers in this Special Issue are not intended to supply a comprehensive theory or approach to the study of heterogeneity in collective choice. Indeed, such a theory may never be possible or even desirable. The purpose of this issue is to call attention to the importance of explicitly addressing the nature and role of heterogeneity in the study of public policy, in both theoretical and applied work and, of course, to contribute to this task.

The first two papers of Part 1 of the symposium are concerned with the impact of income inequality on public policy outcomes. In "The Distributive Implications of Indivisible goods", Dan Usher studies the interaction of income inequality and the indivisibility of goods or services. An indivisible good, such as a heart transplant, augments a person's utility when just the right amount is consumed, where more is superfluous or even harmful and less conveys no benefit at all. He derives several propositions about the relationship between the demand for such goods and the distribution of income, among them that indivisible goods are natural candidates for socialization, and that the burden of monopolization of indivisible goods can fall disproportionately upon the poor.

Philip Mohl and Oliver Pamp ("Income Inequality and Redistributive Spending: An Empirical Investigation of
Competing Theories") review the substantial body of empirical work on the relationship between inequality and redistribution, and then conduct a fresh battery of empirical tests of their own using data from OECD countries over a thirty year period.

Their key findings are that it is the inequality between the middle and top income groups that really matters for redistributive spending in these countries, and that such spending tends to be targeted at middle income groups. The latter result is reminiscent of, but different from Director's Law which holds that redistribution will occur from both ends to the middle.

The third of the four papers in Part 1 is "Strategic Consensus and Heterogeneous Voters When Voter Turnout is Uncertain", by Toke Aidt and Jayasri Dutta. The authors consider the conditions required for the existence of a competitive political equilibrium when the policy issue space is multi-dimensional and opposing and heterogeneous interests are ever present. They argue that a competitive political equilibrium is made more likely if the nature of voters' interests are uncertain from the perspective of politicians. Moreover, as a result of this uncertainty, politicians are forced to seek more consensus among opposing interests than they otherwise would. In effect, the uncertainty protects minorities (to some extent) from exploitation. They draw a key policy conclusion from this result, which is that election laws should not be drawn up so as to reduce uncertainty about electoral outcomes, for example by attempting to force voters to the polls.

The theoretical setup in the Aidt/Dutta paper has similarities with the setup of the probabilistic spatial voting model. (See, for example, Peter Coughlin, 1992). But it differs importantly by doing away with the requirement that
the indirect utility functions of voters in the expected vote function that parties optimize must be strictly concave. As they point out, it will be interesting to carefully reconcile their approach to the existence of a policy equilibrium with that of the probabilistic spatial voting literature.

In the last paper in Part 1, "Tax Complexity with Heterogeneous Voters", Paola Profeta and Emma Galli start right in with a probabilistic spatial voting approach to the balancing of heterogeneous interests in order to study tax complexity. Here complexity of the tax system - and it is usually very complex in reality - arises because competition forces politicians to address the varied interests of citizens in the pursuit of political power.

Profeta and Galli first formalize and then study the political costs and benefits of tax complexity in detail. They also relate their analysis to Italian experience over the last decade or so, which involves some swing of the pendulum back towards a simpler, though far from simple, taxation regime.

There is evidently a lot to digest in each of the two parts of the Special Issue on Heterogeneity in Public Policy. I hope that every reader will find something really interesting among the seven papers presented here.

To complete this Introduction, I would like to thank the contributors to this Special Issue as well as the anonymous referees of the papers. I would also like to thank Sophie Bernard and Peter van der Hoek for their editorial assistance.
REFERENCES


