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Working Paper

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CHOPE Working Paper, No. 2018-12

Provided in Cooperation with:

Center for the History of Political Economy at Duke University

Suggested Citation: Scheall, Scott (2018) : Ignorance and the incentive structure confronting policymakers, CHOPE Working Paper, No. 2018-12, Duke University, Center for the History of Political Economy (CHOPE), Durham, NC

This Version is available at:

<https://hdl.handle.net/10419/182494>

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IGNORANCE AND THE INCENTIVE STRUCTURE CONFRONTING POLICYMAKERS

BY

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CHOPE WORKING PAPER NO. 2018-12

AUGUST 2018



Ignorance and the Incentive Structure confronting Policymakers¹

Scott Scheall

Abstract: The paper examines one of the considerations that determines the extent to which policymakers pursue the objectives demanded by constituents. The nature and extent of their ignorance serve to determine the incentives confronted by policymakers to pursue their constituents' demands. The paper also considers several other consequences of policymaker ignorance.

Keywords: political epistemology; policymaker ignorance; government failure; public choice;

David Hume

JEL Codes: B25, B53, D72, D78, D83, E61

It may occasionally happen that the policy objectives that constituents demand are exactly the same goals at which policymakers would otherwise aim were constituents' demands immaterial, but it is naïve to think that policymaker and constituent are always *simpatico*.² My hope here is to clarify one of the (surely many and complex) considerations that determines the extent to which policymakers pursue the objectives demanded by constituents rather than other goals that

¹ My goal in this short paper is merely to expose an important point that has heretofore been largely obscured and to draw out some of its implications. I do not aim to provide a comprehensive analysis. Indeed, I suspect that solving the relevant problem, to the extent it is has either a theoretical or practical solution, will require a series of analyses in which the various simplifications and idealizations invoked in this paper are modified or dropped. Thus, the paper really seeks to expose a problem that may require a future research program for its resolution.

I have received valuable feedback on previous drafts from Peter Boettke, Bill Butos, Bruce Caldwell, Parker Crutchfield, Erwin Dekker, Ross Emmett, Andrew Farrant, Nicola Giocoli, Andy Khoury, Stefan Kolev, Roger Koppl, David Levy, Leslie Marsh, Thomas McQuade, and Sandra Peart. The standard caveat applies.

² I mean to be neutral regarding the mechanism whereby policymakers attain their positions. In particular, there is no assumption that they are (or are not) democratically elected. Rather, the crucial premise concerning the political system assumed in the paper is merely that constituents widely (though not necessarily universally) believe that the policymaker's proper business is the pursuit of his constituents' interests, just as constituents in our modern world, where even monarchical governments are typically expected to respect republican principles, widely (though not universally) believe that policymakers should pursue their constituents' interests. This is not to say that constituents in the model are as naïve as to think that policymakers always (or even ever) pursue their constituents' interests, just that constituents broadly agree that policymakers ought to pursue their constituents' interests.

constituents demand less, or not at all. The present note considers the relationship between the policy objectives that constituents want policymakers to pursue, the *knowledge* that policymakers either possess or can – or, more significantly, *cannot* – acquire, the various incentives policymakers confront to pursue particular objectives, and the actual objectives that policymakers ultimately pursue.³

It is probably a typical fact of politics that there are ways for a policymaker to get what he wants – whatever this might be, public approval, popularity, praise, power, whatever – that do not require the earnest pursuit of the policy objectives demanded by his constituents. That is, in many political contexts, there are multiple ways for a policymaker to realize his preferred outcomes; one of these *could* be pursuing the policy objectives that constituents demand, but a shrewd politician might accrue the same benefits by instead, say, engaging in a public relations campaign to convince constituents either that he earnestly pursues their preferred policy objectives (while in fact pursuing others) or that they should prefer the objectives he is otherwise inclined to pursue.

I start from the assumption that policymakers know the objectives demanded by their constituents just as well as they know anything at all. By assumption, there is no unique epistemic burden involved in discovering the populace's preference ranking over policy objectives.⁴ The policymaker's sole epistemic burden is confronted in discovering and effectively implementing the specific policy actions that will manifest particular objectives.

³ I use the word “knowledge” in a broad sense to encompass both propositional and non-propositional knowledge, or what epistemologists call both *knowledge-that* and *knowledge-how* (Ryle (1946) 1971). Moreover, knowledge need not be conscious, but might be merely *tacit* (Polanyi 1966), i.e., knowledge of which we are not “explicitly aware,” but that we “merely manifest...in the discriminations which we perform” (Hayek (1952) 2017, 152).

⁴ The *epistemic burden* of some objective is simply everything that one must know (*that* and *how*), which one does not already know, in order to realize it deliberately as a result of related actions directed to its realization, i.e., not spontaneously, or otherwise in virtue of luck or fortune.

Policymakers know what their constituents want as well as they know anything, but may not know how to realize related outcomes.

Of course, that policymakers know what constituents want is something of an idealized assumption. First, there is hardly any such single univocal thing as “what constituents want.” The policymaker typically confronts an array of constituent demands that are in some degree of tension and cannot all be pursued at the same time for reasons metaphysical, physical, political, or economic. There is no such thing as “the populace’s preference ranking over policy objectives.” Second, the assumption is unrealistic because extant mechanisms of political communication perform their epistemic function quite poorly. What is needed is some sort of epistemic device that conveys the demands of constituents to policymakers in an efficient fashion.

Actually though, this would solve the problem of political communication only with respect to one half of the constituent-policymaker dialogue. Efficient communication between constituents and policymakers requires epistemic mechanisms that convey both the demands of constituents to policymakers and correct information about the actual objectives that policymakers in fact pursue to constituents. Only with such mechanisms in place could policymakers acquire knowledge of the objectives that constituents want them to pursue; and only with such devices could constituents come to know that policymakers earnestly pursue these objectives, rather than merely making to appear that they do.⁵ Unfortunately, as it is, both sides of this dialogue are rather weakly voiced and only ever heard through considerable noise.

⁵ In a perfect world, we would probably also have an epistemic mechanism that conveyed accurate knowledge not merely about the extent to which policymakers pursued, but also *realized* and at what cost, constituents’ preferred policy objectives. See Wolf (1979, 114): “To monitor output quality requires precise, representative, and regularized feedback which is hard to realize for nonmarket output. Congressional committees, the Congressional Budget Office, ombudsmen, consumer groups, voter and consumer surveys, and other ‘watchdog’ devices help, but their separate and collective effectiveness in monitoring output quality inspires only limited confidence.”

As compared to, say, the epistemic processes of the price system (see Hayek (1945) 2014), standard voting mechanisms and other devices for expressing constituents' policy preferences (e.g., [competing] public protests, [competing] political parties, [competing] interest groups, social media) at best convey relevant knowledge to the policymaker in a limited, vague, and confounded form. Unlike price signals, such signals as are received by the policymaker from constituents concerning their policy demands express relatively little about *what to do*. On the other hand, policymakers are often adroit manipulators of public opinion with sizable media budgets who, with journalistic handmaidens in tow, can too easily stoke a public misimpression of their constituent-mindedness. Normal democratic mechanisms – much less whatever mechanisms might operate in non-democratic contexts – are meager epistemic devices.⁶

Suffice it to say that this idealized assumption is made for the sake of simplifying the analysis and does nothing to undermine the relevant conclusions. Indeed, as should become apparent, relaxing the assumption would strengthen my argument (at the expense of making it more complex), as the more realistic premise that policymakers in fact do confront an epistemic burden in discovering the policy preferences of their constituents makes the pursuit of constituents' preferred objectives yet less appealing than other possible pursuits, keeping other factors constant. If policymakers have to perform epistemically burdensome searches to discover the policy objectives that constituents demand, then, *ceteris paribus*, it is (epistemically) easier to pursue other objectives which do not require that such burdens be confronted.⁷

The relevant question is, assuming that policymakers know the objectives that their constituents want them to pursue, how might their ignorance with respect to the means of realizing various potential policy objectives affect the incentives they confront to pursue

⁶ This meagerness is analyzed adroitly by DeCanio (2014).

⁷ DeCanio (2014, 639) makes a similar assumption for similar reasons and to the same effect.

particular policies and, thus, to the extent such incentives determine their actions, the policy objectives they ultimately pursue? Plainly put, assuming policymakers know what constituents want, how might ignorance of the means to realize what constituents want influence the policymaker's incentive to pursue what constituents want, other factors held constant?

In earlier work (Scheall, Butos, and McQuade 2018), my co-authors and I pointed out that, other factors held constant, the epistemic burden of narrowly self-interested policymaking, pursuing policy goals that the policymaker takes to be in his own selfish interests, is often though not always, lower than that of broadly altruistic policymaking, i.e., pursuing objectives that the policymaker believes to be in the interests of his constituents. The epistemic burden of self-interested policymaking tends to be lower than that of constituent-minded policymaking. If you like, the means to selfishness are often (not always) more easily known than the means to altruism. As we put the point previously, "Other things equal, the relative epistemic complications of satisfying the wishes of the public should incent more self-interested policymaking. We should expect to find more self-interested political behavior where (*ceteris paribus*) the epistemic burden of making effective public-minded policy is comparatively heavy" (Scheall, Butos, and McQuade 2018, p. 9, fn. 7)

This point can be generalized. *Other factors held constant, the relative weights of the epistemic burdens of competing policy objectives serve to determine the objectives that policymakers pursue.* If this is right, then, *ceteris paribus*, the policymaker is incited to pursue policy objectives that bear the lowest epistemic burden, i.e., those goals he knows or has the best prospects of learning how to realize. Other factors held constant, the policy objectives that constituents demand will be pursued only if they impose a lighter epistemic burden on policymakers than alternative policy objectives. Otherwise, the policy objectives that

constituents demand will be ignored in favor of other policy pursuits (perhaps accompanied by a public pretense of the pursuit of constituents' demands). In short, the nature and extent of his ignorance of the means required to realize his constituents' demands serve to determine the extent to which the policymaker pursues constituent-minded rather than other policy objectives. The relative epistemic burden of constituent-minded policymaking is a factor that contributes to determining how much of it we get.

This thesis bears several implications.

1. If the relative epistemic burden of the pursuit of the policy objectives that constituents demand is heavy relative to other potential pursuits, even where policymakers are entirely predisposed to pursue their constituents' demands, we are likely to find the pursuit of objectives other than those demanded by constituents. Where the epistemic burden of satisfying their constituents' policy demands weighs comparatively heavy, even the most constituent-minded politician by predisposition can be incited into pursuing objectives that constituents demand less or not at all. The notion that there are principled, publicly-minded policymakers who will pursue their constituents' interests come what may is terribly quaint.
2. However, it is also an error to assume *a priori* that policymakers are no less self-interested, no more altruistic, than non-political actors. In this regard, public choice economics misplaces the cart of incentives in front of the horse of epistemics. Whether and to what extent a policymaker pursues self-interested or constituent-minded objectives is not some brute inexplicable fact but is partially determined by the relative epistemic burdens involved in being one rather than the other. The

policymaker's incentives to self-interest rather than constituent-mindedness are partially determined by the burden involved in acquiring the knowledge necessary to realize through political action the demands of his constituents. The nature and extent of his ignorance serves to determine the incentive structure confronted by the policymaker.

The first problem of constitutional economics would seem to be less (*per se*) how to write constitutional rules that limit the negative effects of self-interested political behavior than how to write a constitution that limits the negative effects of policymaker ignorance, one of which is non-constituent-minded political behavior, which encompasses self-interested political behavior.⁸

When seeking explanations of government's failure to satisfy constituents, one place to look is the gap separating the knowledge required to realize outcomes that constituents want and the knowledge that the policymaker possesses or can acquire. If this gap is too large, if the burden of acquiring the knowledge necessary to realize his constituents' demands is too high relative to the burden of acquiring the knowledge necessary to realize other policy objectives, then, *ceteris paribus*, the policymaker is incited to pursue the latter and neglect the former.⁹

⁸ Of course, the constitution-maker, no less than the constitution-bound policymaker, confronts an epistemic burden in discovering the means by which this end might be achieved that affects his incentive to pursue it. For an argument that the very project of *designing* an effective constitution is ill-founded (an argument with which I am sympathetic), see Devins, Koppl, et al., 2015.

⁹ In reviewing Schuck's (2014, 150) discussion of Charles Wolf's (1979) "Theory of Nonmarket Failure," Levy and Peart (2015, 669) write that "Perhaps a policy fails because it fails to align the private goals of acting individuals who administer the policy and those in the collective polity who establish the administering agencies on the basis of an articulation of public goals. Economists typically take Wolf's 'public' goals as motivational forces, whereas they may neglect important private goals that counteract or confound the so-called 'public' goals." In effect, part of what I am arguing here is that in order to ensure that "public" and private goals align, the epistemic burden of realizing the first category of goals cannot greatly exceed that of the second. The extent to which "public" goals act as motivational forces is partially determined by the relevant knowledge that policymakers possess or can acquire.

By "private" goals, it should be noted that Wolf (1979, 116; italics in the original) meant "'internalities': The goals that apply within nonmarket organizations to guide, regulate, and evaluate agency performance and the

Political epistemology is in some sense prior to political economy.¹⁰ The policymaker's knowledge and ignorance serve to determine what policy objectives he is incented to pursue or to not pursue, but the opposite is not true: that a policymaker is incented to some objective is irrelevant to whether he possesses or can acquire the knowledge required of its realization. Whatever incentives policymakers confront to realize world peace are grossly insufficient to its epistemic requirements. Epistemic burdens are factors in the determination of incentives, but incentives are irrelevant to epistemic burdens. In particular, that a policymaker faces an incentive to pursue some policy objective cannot lighten his epistemic load.

Indeed, political epistemology is prior to all normative political considerations, i.e., to all questions of what policies policymakers "ought" to pursue. To see this, consider the significance for both policymaking and the methodology of political inquiry of the principle that *ought implies can*.

It is generally accepted that there can be no normative obligation to pursue the impossible. Insofar as we accept this principle in everyday life, our judgments concerning what we can possibly achieve bracket the choices to which we then apply normative criteria. That is, we normally include among our options only things that we think we can do. Of course, such judgments are often made only sub-consciously.

performance of agency personnel [...] nonmarket agencies often develop internalities that do not bear a very clear or reliable connection with the ostensible public purpose which the agencies were intended to serve." The argument is not materially affected if the range of "private" goals is expanded to include, in addition to such "internalities," other less constituent-minded policy objectives.

¹⁰ Much of what falls under the heading of political epistemology in the existing literature concerns issues that I have explicitly set aside here, namely, either the epistemic characteristics of constituents, i.e., whether voters are "wise" or "rational," or the means by which knowledge of constituents' demands is conveyed to policymakers. If there is anything to the present analysis, such researches miss the fundamental political-epistemological point. Even were constituents maximally rational and some means for perfectly conveying their demands to policymakers discovered, the problem raised in the present paper would appear insofar as policymakers remain ignorant of the means to realize these demands.

When considering various potential modes of travel, for example, no (sane) person explicitly considers attempting to fly like a bird without mechanical assistance. On some less-than-fully conscious level, we all recognize that flying like a bird without mechanical assistance is impossible and therefore irrelevant to the travel options to which normative considerations apply. If we do not think we can do something, we typically exclude it from our incentive structure. What we can do – at least, what we can do *deliberately* – depends on what we know or can learn. The array of options from which we choose is partially determined by whether we believe that we possess or can acquire adequate knowledge to realize some potential outcome. Men may do what they are incited to do, but what they are incited to do is partially determined by what they know.

Of course, there is always the possibility that some outcome might be realized, as it were, spontaneously or non-deliberately, despite the actor's ignorance. I might just run off a cliff and find myself flying like a bird without mechanical assistance for the first time in human history—but, I do not consider this sufficient ground to include this possibility when considering the best (according to some normative criteria) mode of getting from point A to point B. We occasionally get lucky despite our ignorance, but we do not include among our options possibilities that, given the nature and extent of our ignorance, require considerable luck for their realization.

Thus, insofar as we bracket possibilities that require such luck, *ought to X implies can X, which implies knows (or can learn) enough to X*.

If the principle that ought implies can is as applicable within as outside political contexts – and one would need an independent argument to think it less pertinent in

politics – then, by parity of reasoning, the same priority of epistemic over normative considerations exists in the political realm. Thus, whatever the context, political or otherwise, before we decide what we ought to do, we need to determine what we can do deliberately, which means determining what we know or can learn to do.^{11, 12}

Epistemic considerations are crucial to determining what is and what is not included, and, if so, where, in a person's – in this case, a policymaker's – incentive structure. Policy objectives the realization of which require the policymaker to accept a heavy epistemic burden are likely to be either excluded altogether or deeply discounted in his incentive structure *prior* to the application of other normative considerations. Other factors held constant, epistemic considerations serve to determine whether or not some option is included and, if so, where it is initially placed, in a person's incentive structure.

In his essay “Of the Independency of Parliament” (1742), David Hume famously argued that “Political writers have established it as a maxim, that, in contriving any system of government, and fixing the several checks and controuls of the constitution, every man ought to be supposed a knave, and to have no other end, in all his actions, than private interest.” If my argument here is sound, then Hume and the political

¹¹ The main point does not ultimately hinge on acceptance of the principle that ought implies can, which, though widely accepted, is not without controversy. One might think that a logical connection weaker than implication obtains between normative and epistemic considerations, and still agree that the normative force of policy objectives about which policymakers are ignorant is relatively weak.

¹² DeCanio (2014, 639) “examines specific problems associated with knowledge, democracy, and the market and presents a method for mitigating the effects of ignorance on human affairs.” However, DeCanio misses the fundamental issue concerning knowledge and politics. Granting his explicit argument for his method for mitigating the effects of ignorance, do policymakers possess, or can they acquire, the knowledge required to effectively implement the method? Other factors held constant, if the epistemic burden of DeCanio's method is too high, or seems to require greater luck, as compared to some other method of mitigating the effects of ignorance – in short, if it is to ignorance-mitigation what flying like a bird is to human travel – DeCanio's method will not even figure among the options to which policymakers apply normative considerations. DeCanio (2014, 643) notes correctly that knowledge problems do not depend on incentive structures but fails to notice that the opposite is in fact true: the nature and extent of our ignorance serves to determine what we are incented to do and, more importantly, to not do.

writers to whom he referred misplaced the normative cart before the epistemic horse no less than their descendants in the public choice tradition. We should assume not that all men are knaves, but that all men are ignoramuses and that the extent of their knavery is in part a function of the extent of their ignorance.¹³ Perhaps unfortunately, “All men are ignoramuses and, because of this, sometimes knaves too” falls from neither tongue nor pen as mellifluously as Hume’s famous phrase.¹⁴

If we assume that all men are knaves in political affairs and should be analyzed as such, then we will be hard pressed to explain why policymakers ever earnestly pursue the objectives demanded by their constituents (to the extent that they ever do), except to say that, in the case in question, the political demands of constituents happened to align with the interests of a bunch of knaves. This is not a very satisfying explanation. Indeed, it may not be an explanation at all as it comes dangerously close to implying that bad things happen when people do bad things and good things happen when people do good things. As social scientists, we want an explanation of *unintended*

¹³ This is a fact that authors in the Austrian economic tradition have always understood (see Leeson and Subrick 2006, 109, and Boettke 2018, 945). In their various attacks on the feasibility of socialism, neither Ludwig von Mises (1920) nor F.A. Hayek ((1935) 1997a, (1935) 1997b, (1940) 1997) assumed that socialist administrators were knaves. Rather, their respective socialist calculation arguments started from the premise that such administrators were purely constituent-minded and knowledgeable about the central plan, i.e., the relevant set of policy objectives, that constituents demand. Both appreciated that there would be practical difficulties involved in coming to such agreement, but this was not the central point of either of their critiques. Similarly, Hayek’s ((1975) 2014) “Pretence of Knowledge” argument against the effectiveness of countercyclical policymaking assumed that policymakers aim always and only at effective macroeconomic management. The problem, as Mises and Hayek showed, is that an insurmountable knowledge problem remains even if such assumptions are granted. Good intentions and knowledge of the desired policy objective are insufficient to ensure the realization of a well-intentioned plan. The socialist administrator still requires knowledge of the *means* by which the plan can be realized, and this requires knowledge, i.e., of what Hayek ((1945) 2014) called “the particular circumstances of time and place,” that extends beyond the policymaker’s capabilities. Indeed, according to Hayek ((1968) 2014), such knowledge simply does not exist outside of market contexts.

For an argument from outside the Austrian economic tradition that similarly emphasizes the policymaker’s epistemic difficulties *given* their moral probity, see Friedman (1947).

¹⁴ David Hume is my favorite writer of all time, so I am pained to present this critique. I prefer to think that Hume was not wrong on this point as much as he simply forgot to fully follow the principles of his epistemological skepticism, as applied to the realm of politics, through to their ultimate consequences.

consequences. We want to know why bad things can happen even when people do good things and *vice versa*. The public choice economist need not start from the perhaps, at least in some cases, dubious assumption that policymakers are self-interested; he can instead start from the manifest fact that policymakers are ignorant and get the same results. The analytical accomplishments of public choice economics notwithstanding, the assumption that all men are ignoramuses and, because of this, sometimes knaves too, promises to yield a richer understanding of the interrelationships between knowledge, incentives, policy pursuits, and social outcomes.

3. Where we observe a relatively high degree of disappointment with government, we will often find constituents demanding the pursuit of comparatively epistemically burdensome policy objectives. Under such circumstances, constituents are disappointed because they demand outcomes from policymakers that require more knowledge than the latter either possess or can acquire.
4. The motivations of those who enter politics vary from one person to the next. At one extreme, there are people who enter the political arena in pursuit of personal recognition and power over their fellows. At the other extreme, there are those who enter politics with the best intentions in mind, the desire to serve the public and improve the lives of others. However, there is in any case no reason to think that these attitudes remain static over the course of political careers. Empirical observation, as well as common sense, seem to suggest a gradual tendency, frequent but by no means universal, toward a deterioration of motivations for political action over time. That which once motivated, say, the first-term congressperson often no longer moves the

sixth-term congressperson. The thesis that the incentive to pursue constituent-minded rather than other policy objectives is determined by the relative epistemic burdens involved implies an explanation of this phenomenon: the wide-eyed constituent-minded idealist new to politics is eventually ground down over time by (*inter alia*) the dawning recognition of the comparatively heavy epistemic burden involved in pursuing his constituents' demands.

5. In general, potential policy objectives range from the unambitious and epistemically simple to the grandiose and epistemically difficult, if not impossible. Other factors held constant, we should expect to find more simplistic than more ambitious policymaking.¹⁵ Anyone expecting policymakers to address the world's most complex problems – especially when there are epistemically simpler options on the table, including that of merely pretending to address the world's most complex problems – is neglecting the effects of ignorance on the incentive structure confronting policymakers.
6. There is a direct relationship between the height of political expectations and the extent of political disappointment. Put another way, there is a tension between effective government and ambitious government. A state in which policymakers are

¹⁵ One might be inclined to think that the *ceteris paribus* assumption is carrying too much of the weight of the argument of the paper. There are a number of things to say against this initially plausible objection. First, the present paper is meant to be the opening salvo of a research program focused on the implications of a seemingly important, but heretofore largely neglected, problem, namely, the problem of policymaker ignorance. The relevant assumptions should certainly be loosened at some point in the development of this research program, but, there can be no obligation to complete the research program in its initial statement. Second, for reasons similar to those given above concerning the consequences of the more realistic assumption that policymakers do confront an additional epistemic burden in discovering the policy demands of their constituents, loosening the *ceteris paribus* assumption would seemingly complicate the analysis for both analyst and analysand. That is, the policymaker in a world in which all other relevant factors are not being artificially held constant does not necessarily because of this confront a less epistemically burdensome situation. *A priori* of the development of the relevant research program, there is little reason to think that loosening the *ceteris paribus* assumption would necessarily undermine, rather than bolster, the current argument.

constitutionally constrained to the pursuit of goals the epistemic burden of which is relatively light is likely to be quite effective as compared to a more ambitious government in which few potential policy goals are constitutionally debarred. We can have a government that is effective in the sense that it regularly meets policy objectives or we can have a government that is ambitious in the sense that it permits the pursuit of comparatively epistemically burdensome policy objectives, but we cannot have both. Until policymakers approach omniscience and omnipotence, governments of the latter kind will always be less effective – they will tend to achieve their objectives less regularly – than will governments of the former kind.¹⁶

7. I have silently and purposely conflated these issues to this point, but we can further distinguish the consequences of *first-order* and *second-order* policymaker ignorance. A policymaker is first-order ignorant with respect to some policy objective when he lacks some of the knowledge required to deliberately realize it. Spontaneous forces are required to realize an objective with respect to which policymakers are first-order ignorant. A policymaker is second-order ignorant with respect to some policy objective when he is ignorant of his first-order epistemic condition regarding the objective.

A policymaker who is both second-order and first-order ignorant – i.e., who is ignorant of his ignorance – with respect to some policy objective is a potentially dangerous character, for he can easily fall into the trap of believing he can accomplish things through political action that he manifestly cannot. It would seem to be such

¹⁶ Note that my criterion of policy effectiveness is more modest than some alternatives that might be preferable on independent grounds. Schuck (2014, 41), e.g., argues that determining whether a policy is effective is a matter of deciding whether its “benefits exceed its costs and whether it is cost-effective.”

characters that F.A. Hayek ((1975) 2014) had in mind when he spoke of policymakers' "Pretence of Knowledge" in his 1974 Nobel Prize Lecture.

In keeping with the analysis above, the incentive structure of a policymaker who is second-order knowledgeable about his first-order ignorance – i.e., who knows that he is ignorant – with respect to some policy objective will be partially determined by his epistemic circumstances, other factors held constant. The objective will occupy a lower place, if it appears at all, in his incentive structure than it would, *ceteris paribus*, were its epistemic burden lighter.

A policymaker who is second-order ignorant of his first-order knowledge – i.e., who mistakenly thinks he is ignorant – with respect to some policy objective will be less inclined, other factors held constant, to pursue this objective than he, in fact, knows enough to deliberately realize. The excessively epistemically humble policymaker would seem to be a rare bird, seldom observed in the wild.

Finally, a policymaker who is second-order knowledgeable about his first-order knowledge – i.e., who knows that he knows – with respect to some policy objective would seem to be something like the wise captain of the ship of state. The incentive structure of such a policymaker is unaffected by epistemic considerations. Because he is knowledgeable of the means of realizing his constituents' policy demands and knows *this*, (second-order) ignorance cannot dissuade him from their pursuit. Of course, other factors might subsequently dissuade him, but ignorance will not be among them. However, where constituent-mindedness bears an epistemic burden over and above other potential policy pursuits, as I have suggested it often does, this

counterpart of the wise captain of the ship of state would seem to be a mythical creature.

8. The problem of policymaker ignorance is not unique to any particular political system or party. As Mises and Hayek showed (see footnote 13 above), policymaker ignorance confounds the effectiveness of central planning, but the effects of policymaker ignorance will appear to some extent or other wherever political representatives, whether democratically elected or not, are expected to act in the interests, and as the agents, of other people. Insofar as this condition obtains, the problem that Mises and Hayek raised for socialists appears even in liberal systems.
9. The central problem exposed in the present paper, namely, that the epistemic burden of some policy objective serves to determine whether and where it appears in the policymaker's incentive structure, is not unique to political contexts. It can arise elsewhere. Indeed, it is a problem that arises whenever a *proxy* acts on behalf, and presumably in the interests, of some other person. If there is a disconnect between the knowledge possessed by the proxy and the knowledge required to do the thing that the proxied demands, the problem appears, i.e., *ceteris paribus*, when considering his options, the proxy discounts or neglects altogether those options that he takes the person proxied to prefer.

The problem is common in policymaker-constituent relationships, but can arise elsewhere, e.g., in the context of corporate shareholder-voting, or doctor-patient, lawyer-client, teacher-student or, indeed, parent-child relationships.¹⁷ In this respect,

¹⁷ Many thanks to Parker Crutchfield for helping me see some of the other contexts in which the problem appears.

the present paper exposes some of the epistemic aspects of a very general principal-agent problem.¹⁸

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¹⁸ The research contained in the present paper was supported by a grant from the Charles Koch Foundation.

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