

Like A Fish In Water: The Unnoticed Benefits Of Government

My topic today is the benefits of government that nobody notices.

Debates over the role of government – often phrased as “big government” vs. “limited government” – are at the center of our political life. We debate the government’s role in healthcare in regulating the environment. We debate levels of taxation.

Two modern bookends for this debate are provided by Ronald Reagan and Barack Obama. In his 1981 inaugural address, Reagan stated, “government is not the solution to our problem. Government is the problem.” About twenty years later, Obama spoke in a widely noted campaign speech, “if you’ve been successful, you didn’t get there on your own. ... I’m always struck by people who think, well, it must be because I was just so smart. There are a lot of smart people out there. It must be because I worked harder than everybody else. Let me tell you something – there are a whole bunch of hardworking people out there. If you were successful, somebody along the line gave you some help. There was a great teacher somewhere in your life. Somebody helped to create this unbelievable American system that we have that allowed you to thrive. Somebody invested in roads and bridges. ...the internet didn't get invented on its own. Government research created the internet so that all the companies could make money off the internet. The point is that, when we succeed, we succeed because of our individual initiative, but also because we do things together.”

If you are somebody who doesn’t like big government – or maybe even doesn’t like government at all – you may well have been annoyed by my title. I can hear some thinking: typical big government liberal Harvard professor trying to tell us that all these government programs work great. However, I am not going to talk about what it is about government we spend so much time debating about. I am going to talk about what it is about government that is important but that we never think about.

I hope to persuade people here to notice benefits of government that you should appreciate whether you think of yourself as liking government or not. I am going to describe a number of everyday situations, and I am going to invite you to do something I suspect none of you, ever does, which is to think about just how amazing they actually might be.

- We flag down a taxi on the street – excuse the pre ridesharing reference -- go into the driver's car, and don't worry this stranger might kidnap us.
- We are willing to leave our homes and walk on streets filled with strangers.
- We walk on a sidewalk, and don't worry the sidewalk will buckle beneath us.
- We swallow non-descript white pills and assume they contain medicine that can make us better.
- We go to a cheese store, the shopkeeper weighs the cheese, and if they say it weighs 12.2 ounces, we believe that.
- We drive a car, and don't worry the brakes won't work.

These examples might seem far-fetched or even absurd. The argument I want to make is that they seem far-fetched to us precisely because we take the situations they describe completely for granted.

That's the point – we can take them for granted. Maybe you will be able to appreciate the idea that these situations are amazing when I describe situations I've personally experienced or heard about where we cannot take for granted the kind of behavior we do in the U.S. or in many other societies.

When I visited India right after college, almost 50 years ago, I was told, if I went to a post office to mail a letter, I needed to watch the post office worker cancel the stamp on the envelope while I was in front of him. Otherwise, when I left the post office, he might remove it from the envelope and resell it.

I was also told in India that Coke was safe to drink, but to be careful that the bottle was always opened in front of me so I could watch it fizz up. Otherwise, it might be phony. I was always very careful to do this, but one time I was spending the afternoon at the home of a professor at a local agricultural college who was a friend of an American friend who had served in the Peace Corps. The professor brought out some Coke to drink where the bottle cap had been removed, and I was too embarrassed to ask him about it. On taking the first sip, I immediately realized that the Coke was fake. (I didn't swallow and excused myself to the bathroom, where I spit it out.)

More recently, I was to visit Nigeria. My host told me to be sure to get a picture, before I arrived, of the person who would pick me up at the airport. Otherwise, somebody might say they

were picking me up and hope I would just go in their car, or would actually find out my name and come to the airport for me. In either case, I could be kidnapped.

More recently in Mexico City, I was told never to hail a cab on the street, for the driver might kidnap me. (This is said to have improved recently.) In Bali, a few years ago, our taxi driver (ordered by our hotel) told us he was always afraid that at a red light a police officer would come into the taxi and demand a payment to avoid being arrested.

Take these kinds of situations together, and they are a pretty big deal. Life without streets you can rely on not to buckle when you walk over them, purchases that weigh what they are claimed to weigh, pills that have in them the medicine you need, cars whose brakes work would not be just a bit worse than our actual lives – it would be much worse. In fact, if all the phenomena such as these – and examples could be multiplied many times -- we take for granted were typically not present in reality, our lives would be close to unbearable. We would feel more nervous and insecure. We would have to spend a lot more time on self-help activities to check and protect ourselves – like bringing our own scale to a food market -- to create some assurance that our world was as advertised. And there would be many activities we would simply avoid. The world would be much poorer economically, physically and emotionally. And my argument is that we are able to take for granted these things about the society we live in thanks to government.

But these benefits are unnoticed because government's role here is like water for a fish, providing a background environment that is crucial but inconspicuous. A metaphor first introduced by the author David Foster Wallace at a famed 2005 commencement speech at Kenyon. Wallace talks of two young fish swimming along, who happen to meet an older fish swimming the other way, who nods at them and says, "morning, boys, how's the water?" and the two young fish swim on for a bit, and then eventually one of them looks over at the other and says, "what the hell is water?" Wallace concludes, "the most obvious, ubiquitous, important realities," are often the ones that are the hardest to see and talk about."

These benefits of government exist whatever we think about the appropriateness or the effectiveness of its other more-visible roles – the subjects of our ongoing public debates. Even for a Ronald Reagan, these are not areas where government is the problem. These are areas where government is the solution.

What makes it possible for us to proceed into taxicabs without worrying is the reliability of strangers and our ability to count on them every day: we can generally trust them not to physically attack us or to try to cheat us.

And this reliability from others, with our trust has developed thanks to government. Government provides the legal requirements that others behave non-violently and with basic honesty. Beyond that, government creates the conditions, beyond explicit legal requirements, for taking the reliability of strangers for granted.

As the distinguished social theorist Francis Fukuyama notes, trusting strangers is “unnatural.” We may indeed be programmed to be suspicious of those with whom we don’t have pre-existing ties with. And we may likewise be programmed to be violent both for gain and to respond to slights or insults. If you are willing to go back far enough into prehistory, before governments came into existence, or to the few isolated societies today that don’t have governments -- the gap between people being reliable and unreliable -- between going into a taxi in the U.S. and a Mexican taxi -- becomes even more dramatic.

What do we know about life in a state of nature – with no government or with an extremely weak government? We know two things. One is that it is hugely marred by violence and violent death. The other is that large-scale cooperation among strangers for economic or other purposes is impossible.

First, violence. Despite the myth of the peaceful savage, we have a lot of evidence that in primitive, prehistoric societies with no government at all, or the few more recent societies with essentially no government, violence as a cause of death is exponentially more frequent than in our societies. Steven Pinker reports in The Better Angels of Our Nature that, based on prehistoric archeological sites, on average 15% of the population in pre-government societies died violently (including in wars), a percentage similar to that in contemporary hunter-gatherer non-states; the comparable figure for the U.S. today is under 1%. Even if you take the war-ridden first half of the twentieth century, the number rises only to 3%.

In these societies, there is also little or no cooperation among other than family and perhaps a few friends. This in turn sets strong limits on economic progress. The key change post-leviathan, which created the societies we observe today, was the development of trustworthiness.

How did we get from those early violent and non-cooperative societies to a society where people take for granted that strangers will generally be reliable? I give here only a stylized answer. My basic message though, is that we have government to thank for this change. The first step is the creation of what the 17th century British philosopher Thomas Hobbes called “leviathan” – a ruler with a monopoly over the legitimate use of force that, using harsh punishments, frightened people into behaving decently - not killing or cheating.

The second step, a much longer process whose progress is much more uneven, was to move from fear as a driver of reliability to a society with significant trustworthiness and trust. Your trustworthiness is a precondition for my trust – if others are not trustworthy, we will either never develop trust in them or lose it through disappointment. Trust can gradually begin to replace fear as a driver of decent behavior. As trustworthiness spreads, trust can become taken for granted.

How do we get from leviathan to trusting others? This has been a very slow process that has proceeded at different speeds and to different extents in different societies. Initially, societies vary in how well they do punishing defections from decent behavior. In societies where defections are punished, people begin to feel safer cooperating with each other. As they do so, they get to experience trustworthiness in others in more and more contexts. Trust can gradually begin to replace fear as a driver of decent behavior. The more trustworthiness people observe in others, the more trusting of others they become themselves. More cooperation creates spiraling opportunities for cooperation and the trust that grows with it. We start interacting much more with strangers.

A different mechanism for building trust involves interactions among people who initially are strangers but who come together voluntarily for some activity or activities of a social, collective, or political nature, in such activities, worry about trustworthiness is not so much an issue. If people come together in a choral society or a bowling league – two of the examples cited by the political scientist Bob Putnam in his work on trust – they are not like people cooperating in a business venture, where untrustworthy behavior could destroy the cooperation. This is much less of an issue in a voluntary association. Here the relationship builds trust by giving people an opportunity to get to know strangers better and to undertake valuable joint activities with them. That kind of interaction generates trust among former strangers.

So again, just as with people living in societies that differ in terms of the ability or willingness of government to punish defections from decency, so too are there differences in the presence of voluntary organizations in different societies. Putnam's work on Italy suggests that divergence in the development of voluntary organizations in different parts of the country began hundreds of years ago.

Neither of these two paths from fear to trust – the transformation of leviathan and voluntary organization in civil society -- works with equal effectiveness in all societies. If government is biased or ineffective, it can't be counted on to punish defections from trustworthiness, and the growth of trust will be less because people will cooperate less. In terms of participation in civil society organizations, Putnam argues in his work on the centuries-old differences in social trust in northern and southern Italy that northern Italy early on developed a rich tradition of voluntary organizations that southern Italy lacked, and that this produced a strong difference in being able to take reliability for granted.

The result of all this is that we have societies at various different stages of people being able to take reliable behavior for granted, and thus at very different levels of being able to reap these benefits from government. Putnam argues in his work on the centuries-old differences in social trust in northern and southern Italy that northern Italy early on developed a rich tradition of voluntary organizations that southern Italy lacked, and that this produced a strong difference in being able to take reliability for granted.

I have, up to now, taken examples of situations where reliability is a problem from societies such as Nigeria or Mexico with many dysfunctions. My last topic for this part of my presentation are some dramatic examples from the U.S. in recent years. An important U.S. example in the last decade of suddenly not being able to take the reliability of our interactions with strangers for granted is the 2008 financial crisis.

In normal times, we take the safety of our financial system for granted. We trust that if we put money into a bank, it will be available to us if and when we need it. While much of the history of the development of trust is a story of virtuous circles where increasing trust begets further increases in trust, in financial panics like in 2008, this is replaced by a vicious circle. Some people get scared and withdraw funds from financial institutions. Others learn about this and, to be careful, withdraw funds themselves. Others learn about the increased level of sales,

and sell themselves. This starts to feed on itself. As then-treasury secretary Tim Geithner wrote in his memoirs, “the more money runs, the more pressure mounts on other money to run.” Geithner writes about a conversation with Lloyd Blankfein, CEO of Goldman Sachs, illustrating worries about a vicious circle of downward spiraling trust. “Lloyd”, he said, “you cannot talk to anyone outside your firm, or anyone inside your firm, until you get that fear out of your voice. You can replace it with anger or you can cover it up. But you can’t let people hear you like that.” “I was scared too”, Geithner writes, “it looked like the system was going to collapse, taking down the strong firms along with the weak.”

I vividly remember a conversation with my brother Mark, who teaches at Stanford Law School, at the height of the crisis, where he wondered, at least semi-seriously, whether our trust in our currency would collapse, returning people to a pre-government world of barter. What the U.S. government did in 2008 and 2009 was in some sense to dramatically recreate government, at least in terms of the financial system, out of a kind of state of nature where no government existed by backing up the financial system with huge resources, a credible assurance was created that trust in the safety of the system would not be punished, that leviathan would reward reliability.

A second contemporary U.S. example of people not being able to take reliability for granted involves police interacting with black children. White children are generally raised to believe the police are friends and can be trusted – that if one runs into a problem when parents are not present, you should seek out a police officer. Black children cannot take this for granted – their parents (and they) believe police officers they encounter may well beat or commit violence against them. Black parents typically teach their children self-help behavior to reduce the risk of police aggression, typically involving steps the child takes to reassure the police he is not dangerous.

My last topic for today is to look at the situation in China in terms of taking reliability for granted. I will be giving my impressions as an outsider here, I am by no means sure anything I am saying is correct.

One thing that impresses me as a foreigner is the worry in Chinese culture, particularly Chinese political culture, of luan. The suggestion is that perhaps China is still in danger of reverting back to a situation where, as in the days long ago before government, levels of reliability and trust are low, and people are even killing each other in large numbers. There is

fairly recent Chinese experience – during the civil war and perhaps especially the Cultural Revolution – of luan. As best an outsider can tell, this seems to be something that very much worries the country's leadership. The virtues of “social stability” are discussed and emphasized in China far, far more than in the U.S. In many local jurisdictions, social stability as a performance metric is what is called a “veto goal,” by which is meant that in evaluating government officials, a failure to meet a social stability target will produce a poor performance rating even if performance on other goals, such as economic growth, is good.

All this suggests a worry that stability may collapse. This is an important justification for restrictive policies the government of China follows to reduce activities seen as potentially harmful to social stability.

A foreigner looking at the rise of China is, I think, inclined to think that the government worries too much. Surely the China of today is much less at risk for luan than the China of 1945 or 1965. And each year China grows in strength and confidence. Does this mean that China could survive with fewer restrictions on pluralistic activity? In an era when China no longer feels the need, as in the phrase of Deng Xiaoping in the 1980's, to “hide our capabilities and bide our time” in its international posture, does it still need to feel the need to hide its capabilities and its time in terms of surviving to greater pluralism?

The Chinese leadership may be guided here by the Confucian concept of ju an si wei telling rulers always to notice and think about all the unsafe elements in society even when everything seems safe. Even though things look peaceful on the surface, turbulence could be accumulating. President Xi has used this phrase a number of times, most recently during his 2016 visit to Macao; he also stated in a 2014 speech soon after creation of the new national security council that ju an si wei was an important principle for ruling China.

The worries of the Chinese government suggest they believe that China has not evolved fully into taking reliability for granted. There is a view that frauds and cheating involving strangers are common in Chinese society, including phony charities and fake appeals for money to help cancer victims or other sick people. A number of years ago it was discovered that one of China's largest charities was using funds they had raised to invest in private real estate on land set aside for charitable activities. And there seem to be problems in China with consideration and reliability in many everyday interactions.

Let me give a personal example. In the U.S. there are times when I have needed access to a cellphone, usually to call my wife about something like picking me up, and didn't have my phone. When this happens, I stop a passerby on the street and ask to borrow theirs. When I have done this, nobody has ever said no. But one time I was coming to China and was going to be met at the airport by somebody I didn't know personally. I suggested we meet by him holding a sign, but the person was afraid lots of people would be passing through at the terminal exit, and we wouldn't see each other, so he asked me to call him on my cell so we could meet up. However, my cell would not yet be set up to work in China. So I suggested that if this happened, I could ask somebody to borrow their phone. But he said Chinese people would be very hesitant to let a stranger use their phone, because they would worry about a scam and be distrustful. Stranger.

A Wikipedia discussion of traffic etiquette on roads in China noted that “one often sees “motorists and cyclists turning or merging straight into the path of other traffic believing that the onus is on the other person to avoid a collision. When the right-of-way is unclear (such as at unmarked intersections) it is common practice for drivers in many parts of the world to make eye contact with each other and use nods or hand gestures to either exert or defer right-of-way. The opposite applies in China, where people actively avoid eye contact, and in fact turn away from the person whose progress they are impeding so as to communicate their intention to proceed regardless.”

I myself have many times observed that cars seldom stop or even slow down at crosswalks where pedestrians have the right of way. There are similar issues on the Beijing subway. A foreign blogger writing in the Chinese newspaper Global Times noted that “it may seem like a smart idea to wait for people to exit the subway before elbowing your way on, this rarely happens, and people prefer to crowd around the doors, shoving their way inside as those on the subway try frantically to get off at the right stop. Seats are fought over like dogs fighting for a bone, and simply being heavily pregnant or elderly gives you no higher chance of getting a seat.” A Schwarzman scholar said to me priority seats on the subway are always first to be taken.

These shortcomings have given rise to a government effort, both under discussion and already the subject of experiments, recently started in some local areas, to use conscious government action as a way to jumpstart a sort of great leap forward in social trust. I refer to

discussions of setting up a “social credit system” in China. This emerging effort will be my last topic.

The basic idea is to use a lot of databases that gather information on individual behavior – good things such as being named a model worker or bad things ranging from cheating on exams to running a red light to not paying back loans to academic fraud to not visiting your parent – to give individuals an overall rating. That rating will be used to influence benefits people get from government. People with the highest scores would have preference for government support when starting a business and applying to join the communist party, government or the army; or applying for a promotion. People with low scores would be penalized. For a separate list of those who have defaulted on court judgments, there has been discussion of not allowing them to buy airline or bullet train tickets.

The purpose of the system, according to documents from China’s state council, is to “allow the trustworthy to roam everywhere under heaven while making it hard for the discredited to take a single step,” to “forge a public opinion environment that trust-keeping is glorious.” the idea is that rewarding trustworthiness will produce more trustworthiness, and that will produce more trust. Like other virtuous circles, once started it can spread further by itself. China will pull her trust level up by her own bootstraps.

The reporting on this effort in Western media – this has been covered by The Economist, The Wall Street Journal, and The Washington Post among others – has been generally negative, and there have been some criticisms inside China as well.

I will confess my own views not as negative. I want to assume away problems of the accuracy of the underlying data. This is of course a practical issue, but if we assume away this problem, we can see to what extent people would still oppose this idea even if the data were accurate. And also let’s make an incorrect assumption, which is that things interpreted as political dissent would not produce a lower trustworthiness score. I am intrigued about this idea.

Let me summarize my message: if you don’t see how government has been crucial from moving from the earlier world to the current one, you are missing some really important facts about human history! Within the confines of normal political debate, Reagan’s contention that government is the problem is a reasonable one (though some will disagree). But seen from the perspective here, Reagan’s contention doesn’t make sense.

As Oliver Wendell Holmes once said, "I like to pay taxes. With them I buy civilization." Playing on Holmes and at the risk of being provocative, I would thus say in summary, if you like civilization, you should like government.