

If Government Is So Villainous, How Come Government Officials Don't Seem Like Villains?

The general uncertainty about the prospects of medical treatment is socially handled by rigid entry requirements. These are designed to reduce the uncertainty in the mind of the consumer as to the quality insofar as this is possible. I think this explanation, which is perhaps the naive one, is much more tenable than any idea of a monopoly seeking to increase incomes.

—KENNETH ARROW (1963, 966)

At lunch one day a colleague and I had a friendly argument over occupational licensing. I attacked it for being anticompetitive, arguing that licensing boards raise occupational incomes by restricting entry, advertising, and commercialization. My colleague, while acknowledging anticompetitive aspects, affirmed the need for licensing on the grounds of protecting the consumer from frauds and quacks. In many areas of infrequent and specialized dealing, consumers are not able, *ex ante* or even *ex post*, to evaluate competence. I countered by suggesting voluntary means by which reputational problems might be handled, and by returning to the offensive. I said that in fact the impetus for licensing usually comes from the practitioners, not their customers, and that licensing boards seldom devote their time to ferreting out incompetence but rather simply to prosecuting

unlicensed practitioners. I mentioned cross-sectional findings, such as those on state licensure, prices, and occupational incomes. Overall, I characterized the professional establishment as a group of villains, who set the standards, write the codes, and enforce behavior to enhance their own material well-being. The term economists often use for political operators who seek government-granted resources or privileges is “rent-seekers.” The term is advanced especially by Public Choice economists and connotes villainy.

Here, my colleague posed a question that I found very disarming: “Don’t you think that the average doctor is honest?” “Don’t you think,” he said, “that we might get honest doctors on the state licensing board?”

The question disarms one in a great many areas of policy discourse. Anyone who believes that a status quo policy is grossly inefficient, unjust, and inequitable has to come to terms with it. Many feel that gross inefficiency, injustice, and inequity mark the status quo in numerous areas. Are the defenders of the status quo to be set down as liars? Are they all cynics, soullessly clutching their parasitic rents?

Another possibility is to say that our intellectual opponents are misinformed. They believe that what they want is good and what they say is true. But if so, why are they misinformed? Others stand ready to enlighten them, to show them that two plus two is not five. Why aren’t they easily straightened out? If it is *we* who are misinformed, why aren’t we straightened out? And if both we and they are misinformed, why can’t we all at least believe the same error?

Self-Sorting and Screening

Individuals tend to seek out communities and organizations that appeal to their beliefs and values. They gravitate to positions and responsibilities that suit their personal aspirations and ambitions, and in such pursuits they succeed best. In *The United States of Ambition: Politicians, Power, and the Pursuit of Office* (1992), Alan Ehrenhalt argues that the political process tends to select for

those who most believe in it and make a career of it. He suggests that one advantage held by the Democratic party (over the Republican party) is that the Democratic party is more thoroughly a party of active government, so it better attracts "people who think running for office is worth the considerable sacrifice it entails" (p. 224). Not only does the political process tend to attract those who believe in it, it also tends to prosper believers.

Sometimes the community holds a belief system, or culture, that does not dovetail with the individual's prior beliefs, in which case the individual must pursue one of the following courses: (a) depart the community; (b) change the culture of the community to suit his beliefs; (c) play the cynic by getting on in the community and supporting its goals while privately rejecting the culture; (d) remain within the community but openly voice a dissenting view; or (e) embrace the culture of the community.

For the stark case of conflicting and firmly held beliefs course (a)—departing the community—is the most likely. Thus self-sorting is a major component of the formation and persistence of organization culture. Economists like Tiebout (1956) and Buchanan (1965) have offered models in which people self-select into communities by "voting with their feet": people select the community with the local collective services, such as swimming pools and security services, that suit their tastes. In the present case people also self-select into communities—communities with suitable collective beliefs.

Course (b), remaking the culture to suit one's own taste, is uncommon. It may occur in young communities when a strong-minded individual finds a position of leadership. Course (c), playing the cynic, is also uncommon when beliefs are squarely in conflict. If the individual just keeps his mouth tight and his mind skeptical, he may feel compromised and frustrated. To play the cynic one must make his behavior neatly chameleon. Few can.

Course (d), open dissent, is not only trying for the individual, it is unsatisfactory to the community and often leads to sanctions or expulsion. Thomas Szasz explains the phenomenon of screening out heterodoxy in the matter of drug policy:

Why do we now lack a right we possessed in the past? . . . Why . . . does the federal government control our access to some of mankind's most ancient and medically most valuable agricultural products and the drugs derived from them? These are some of the basic questions not discussed in debates on drugs. Why not? Because admission into the closed circle of officially recognized drug-law experts is contingent on shunning such rude behavior. Instead, the would-be debater of the drug problem is *expected to accept, as a premise*, that it is the duty of the federal government to limit the free trade in drugs. All that can be debated is which drugs should be controlled and how they should be controlled." (Szasz 1992, 96; italics added.)

When beliefs are squarely in conflict, the final course of behavior, adapting one's own beliefs, is again uncommon. If the individual tries to surrender his old beliefs for the culture of the community, he may be surrendering precious parts of his selfhood. His old beliefs are like the deep roots of his behavior and habits of mind, so an effort to conform might uproot his moral and intellectual foundation.

When individual beliefs and values are well established prior to participation, therefore, the forces of self-sorting and screening tend to create organizations made up of people with fitting beliefs and values. And, perforce, expertise. Hayek commented on this tendency:

The organizations we have created in these fields [labor, agriculture, housing, education, etc.] have grown so complex that it takes more or less the whole of a person's time to master them. The institutional expert . . . is [frequently] the only one who understands [the institution's] organization fully and who therefore is indispensable. . . . [A]lmost invariably, this new kind of expert has one distinguishing characteristic: he is unhesitatingly in favor of the institutions on which he is expert. This is so

not merely because only one who approves of the aims of the institution will have the interest and the patience to master the details, but even more because such an effort would hardly be worth the while of anybody else: the views of anybody who is not prepared to accept the principles of the existing institutions are not likely to be taken seriously and will carry no weight in the discussions determining current policy. . . . [A]s a result of this development, in more and more fields of policy nearly all the recognized "experts" are, almost by definition, persons who are in favor of the principles underlying the policy. . . . The politician who, in recommending some further development of current policies, claims that "all the experts favor it," is often perfectly honest, because only those who favor the development have become experts in this institutional sense, and the uncommitted economists or lawyers who oppose are not counted as experts. Once the apparatus is established, its future development will be shaped by what those who have chosen to serve it regard as its needs. (Hayek 1960, 291)

Belief Plasticity

Firm prior beliefs give rise to self-sorting and screening. But very often a person comes to an organization without strong opinions on matters relating to the organization's purposes. In this case a common course for belief formation is adaptation to the prevailing culture. The individual's lack of opinion usually reflects his innocence of theory about those matters. In the case of the U.S. Department of Agriculture, the theory is about how the agricultural sector works. In the case of the licensing board, the theory is about how licensing affects the practice of the trade.

An individual uses his belief system as an apparatus to cope with his circumstances. Like the steel producer who chooses his inputs to increase his profits, the individual tends to favor certain ideas and theories that render life more comfortable, more pleasant, and more convenient, given his circumstances. His current

hopes, information, opportunities, and constraints affect how readily he will take to various ideas and theories.

By “belief plasticity” I mean that individuals would believe different ideas if they were to pursue different goals or were to be inserted into a different cultural environment. The set of ideas that everyone is willing to admit as “the facts” does not always dictate unequivocally beliefs about how the facts relate to one another. This is especially so for social and political affairs. Belief structures are plastic: They are affected by the heat and pressure of everyday experience. People—all people—have different pressures and different yearnings, and these give rise to different beliefs. Were the pressures and yearnings otherwise, so would be the beliefs.

H. L. Mencken demonstrated a lifelong fascination with belief plasticity as it manifested itself in a wide variety of human affairs. What follows is a sample from his *Minority Report* (1956).

The influenza epidemic of 1919, though it had an enormous mortality in the United States and was, in fact, the worst epidemic since the Middle Ages, is seldom mentioned, and most Americans have apparently forgotten it. This is not surprising. The human mind always tries to expunge the intolerable from memory, just as it tries to conceal it while current. (Mencken 1956, 169)

[C]onscription in both cases [World Wars I and II] involved the virtual enslavement of multitudes of young Americans who objected to it. But having been forced to succumb, most of them sought to recover their dignity by pretending that they succumbed willingly and even eagerly. Such is the psychology of the war veteran. He goes in under duress, and the harsh usage to which he is subjected invades and injures his ego, but once he is out he begins to think of himself as a patriot and a hero. The veterans of all American wars have resisted stoutly any effort to examine realistically either the circumstances of their service or the body of idea underly-

ing the cause they were forced to serve. Man always seeks to rationalize his necessities—and, whenever possible, to glorify them. (176)

I was once told by a Catholic bishop that whenever a priest comes to his ordinary with the news that he has begun to develop doubts about this or that point of doctrine, the ordinary always assumes as a matter of fact that a woman is involved. It is almost unheard of, however, for a priest to admit candidly that he is a party to a love affair: he always tries to conceal it by ascribing his deserting to theological reasons. The bishop said that the common method of dealing with such situations is to find out who the lady is, and then transfer the priest to some remote place, well out of her reach. (73)

The really astounding thing about marriage is not that it so often goes to smash, but that it so often endures. All the chances run against it, and yet people manage to survive it, and even to like it. The capacity of the human mind for illusion is one of the causes here. Under duress it can very easily convert black into white. It can even convert children into blessings. (3)

Men always try to make virtues of their weaknesses. Fear of death and fear of life both become piety. (47)

The Network Externalities of Culture

Belief systems exhibit network externalities, which is to say, what is best for an individual to believe depends crucially on what his day-to-day coworkers believe. If the individual works in a Christian Fundamentalist church, he will find it awkward to believe that man has evolved from apes. If he works in the U.S. Department of Agriculture, he will find it awkward to believe in the idea that current agricultural policy is absurdly inefficient, unjust, and inequitable. The individual would be out of sync

with the actions, attitudes, and goals of the organization. His coworkers have certain underlying beliefs that form a web, and his opinions would upset that web. Coworkers would expect his head to nod when it would like to shake; when they chuckle, he may be inclined to grimace. Were he to defend his beliefs his coworkers may respond with cold seclusion or hot animosity. The smooth workings of the organization would be upset by the cultural impasse. In fact, sheer novelty in behavior, regardless of its nature, can cause resentment. One can become unpopular simply by doing something other than the expected, regardless of what that something is.

Upon entry into the organization the individual is exposed to certain information, embedded within certain ideas. Hence, there is a strong element of information filtering. But in addition, as the individual comes into contact with these ideas, he faces strong incentives to subscribe to the organization line. As Adam Smith wrote in *The Theory of Moral Sentiments*:

Nature, when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his brethren. She taught him to feel pleasure in their favourable, and pain in their unfavourable, regard. She rendered their approbation most flattering and most agreeable to him for its own sake; and their disapprobation most mortifying and most offensive. (Smith 1790, 116)

To be an effective coworker, to find goodwill among peers, to fetch promotions, the individual must act in accordance with the practices and expectations of the group, and to so act he must think the ideas of the group, and to so think he must, except in cases of dry cynicism, believe the group's beliefs. And coming to believe the community's ideas will be an uncontested choice if the individual is never exposed to competing theories.

Social psychologist Robert Cialdini (1984) sets out several principles that help explain how people come to hold the beliefs they do. One he calls "social proof" or "Truths Are Us." The idea

is that people rely on the example of those around them as a cue for appropriate behavior and proper thinking. He explains why television producers use canned laughter, why bartenders “salt” their tip jars with dollar bills, why church ushers sometimes salt their collection baskets, and why evangelical preachers sometimes seed their audience with enthusiasts. He explains how members of a cult can reinforce each other’s beliefs, how a victim can suffer a drawn-out vicious assault with dozens of witnesses, not one calling for help, how newspaper reports of suicide can spawn further suicides, and how hundreds of people can line up in orderly and willful fashion to partake of lethal poison, as they did in Jonestown, Guyana, in 1978. If the example of observance by others can decide and reinforce such dreadful beliefs and practices, certainly “social proof” can do much to reinforce the “normal” beliefs and practices of organizations such as duly created government agencies.

An example is the recruiting of individuals to the Unification Church of the Reverend Sun Myung Moon. Here I crib from a discussion of obedience by George Akerlof (1991), who in turn cribs from social psychologist Marc Galanter (1979, 1989). The recruiting process is made up of four steps. As Akerlof explains, “[p]otential recruits are first contacted individually and invited to come to a 2-day, weekend workshop. These workshops are then followed by a 7-day workshop, a 12-day workshop, and membership” (1991, 10). Each step of the program increases in cultural intensity. The structure works beautifully, in conjunction with the self-sorting process, to keep the potential recruit surrounded by other potential recruits who obey and reinforce the practices. The recruit who enters an advanced step of the program does *not* see the resistance that those who have dropped out *would have shown* to the cultural intensification. Nor does he see the resistance that those who *remained* would have shown had they been told in advance what they were to become. As Akerlof puts it, “[b]ecause those who disagree most exit, the dissent necessary for resistance to escalation of commitment does not develop” (1991, 11).

Related here is another principle of belief formation set out

by Cialdini: self-consistency and commitment. Because people fancy themselves wise and consistent beings, once a person has taken steps down a certain path, he is receptive to supplementary information and ideas that support the initial decision, and he tends to turn away from information that discredits it. As Adam Smith said,

The opinion which we entertain of our own character depends entirely on our judgments concerning our past conduct. It is so disagreeable to think ill of ourselves, that we often purposely turn away our view from those circumstances which might render that judgment unfavourable. (Smith 1790, 158)

Isn't it likely that "Truths Are Us" and self-consistency would be operating in the case of those rising to leadership in an organization? Consider the rise of an individual to the state medical licensing board. Most likely such a person must first be a prominent and not-too-innovative member of the profession—bold innovation is often a sign of irreverence. Then perhaps he would find a position in the professional association. After gaining the confidence of influential people in the establishment, he might finally join the state licensing board. Through the stages the individual would be increasingly enveloped by the inner culture of the profession. With each stage outside viewpoints would be cleaved away. Dissenting pleas from powerless outsiders are politely dismissed and privately derogated. Herbert Simon (1976, xvi) says, a person "does not live for months or years in a particular position in an organization, exposed to some streams of communication, shielded from others, without the most profound effects upon what he knows, believes, attends to, hopes, wishes, emphasizes, fears, and proposes." The incentive to maintain and advance one's prior commitments to the profession would be enhanced; to challenge or innovate would cause disruptions both personally and in the day-to-day workings of the organization. As James Q. Wilson (1989, 110) says, "the perceptions supplied by an organizational culture sometimes can

lead an official to behave not as the situation requires but as the culture expects." And only those amenable to the necessary commitments would climb the ladder.

The same argument applies to any organization, whether communal, commercial, nonprofit, or governmental. But the most important application is to government organizations, since they have the most far-reaching and peremptory power. As Hayek (1944, 104) said, "the power which a multiple millionaire, who may be my neighbor and perhaps my employer, has over me is very much less than that which the smallest *fonctionnaire* possesses who wields the coercive power of the state and on whose discretion it depends whether and how I am to be allowed to live or to work." Government officials wield incomparably greater power than do businessmen, and they exercise it with much greater likelihood of calamitous consequence. One need only consider petty officials at the FDA who routinely make decisions that prevent suffering individuals from being helped by new drugs.

The network of beliefs within a community may be related to the idea of "path dependence," or "lock-in," discussed by Paul David (1985; see also the important work of Liebowitz and Margolis, 1990). A path-dependent process is one that reinforces and steers itself once it has begun. Once members of a primitive society begin using copper as a medium of exchange, everyone joins in the use of copper. Once one particular textbook becomes customary for the Introductory Economics sequence, each professor has the incentive to stick with that textbook. Once the copper or textbook gets a foothold, it becomes "locked in"; that is, the arrangement is the reason for its own perpetuation. The moral of the story is that perhaps the original foothold was made in an adventitious or shortsighted way—gold actually would serve better than copper, or some textbook other than the one chosen—but once down the path a reversal is difficult to make. The result may be perpetual suboptimality. Hats off to the French rationalists who forced their countrymen to use the metric system—and chalk one up for *dirigisme*.

David explains that path dependence occurs when three

features are present: technical interrelatedness, economies of scale, and quasi-irreversibility. Although David explores technological systems, the ideas can be applied to belief systems within communities or organizations. The first feature, technical interrelatedness, is the need for compatibility among members of the network. Again, network externalities are clearly exhibited by the belief system of a community. A common apprehension of ends, values, and opportunities is crucial to the efficiency of the community. A mind with the wrong beliefs can disrupt the smooth working of an organization in much the same way that a stretch of railroad track with the wrong gauge can disrupt the smooth passing of a locomotive train.

David's second aspect of path dependence, economies of scale, says that the more that system A is adopted within the community, the easier it will be to bring an additional individual into system A. Learning and using the system gets easier the more the system is used. This principle would seem to apply to belief systems. The more that one's coworkers share a common belief system, the more solidified and imposing that system will be. Beliefs that are very common come to be taken as "common sense." Basic notions become second nature, and, building on basic notions, community practices produce a mortar of supplementary beliefs, procedures, and rituals. Questioning the community's common sense is sure to gain one unpopularity. Often basic cultural premises are so uncontroversial that they go wholly unstated and unchallenged (see Kuran 1995). Truths are us.

When most of the people working in an organization share a belief system, newcomers are quickly socialized and they then help solidify that system. In an organization, then, some system will come to dominate the thinking of the workers, just as in a "Polya urn scheme" some color will come to dominate the balls in the urn.¹ To change the metaphor, those who percolate

1. David (1985, 335) explains the Polya urn scheme: "an urn containing balls of various colors is sampled with replacement, and every drawing of a ball of a specified color results in a second ball of the same color being returned to the

through the cultural filter of an organization afterward might *become part of the filter* and enhance its purifying properties.

The third feature of path dependence is quasi-irreversibility of investments, which is to say, the costs of the original capital (whether animal, mineral, or intellectual) are at least partially sunk; switching to a new capital good would entail further investment. The first two features of path-dependent systems may present a sufficiently severe collective action problem to account for the persistence of suboptimal outcomes, but quasi-irreversibility reinforces the difficulty of jumping to a better path once the community has started down a suboptimal one. In the case of belief systems, Cialdini and Adam Smith have told us that individuals become attached to their beliefs. New experiences that compel one to change his mind can be both depressing, since his old intellectual investments will no longer serve him, and heartbreaking, since his old investments will have come to hold personal and sentimental value. Such new experiences can be tragic, much the way a conflagration can be. Hence the saying, "Ignorance is bliss." Like installing a smoke detector, sometimes we program ourselves to detect and avert new experiences and new arguments because they would jeopardize the peace of mind that our current beliefs afford us. And sometimes we refrain from challenging the beliefs of another, not out of fear of jeopardizing our own peace of mind, but out of a compassionate impulse to safeguard his.²

In an important work, Timur Kuran has modeled public

urn: the probabilities that balls of specified colors will be added are therefore increasing (linear) functions of the proportions in which the respective colors are represented within the urn." It has been shown that "the proportional share of one of the colors will, with probability one, converge to unity."

2. "The loss of faith, to many minds, involves a stupendous upset—indeed, that upset goes so far in some cases that it results in something hard to distinguish from temporary insanity. It takes a long while for a naturally trustful person to reconcile himself to the idea that after all God will not help him. He feels like a child thrown among wolves. For this reason I have always been chary about attempting to shake religious faith. It seems to me that the gain to truth that it involves is trivial when set beside the damage to the individual" (Mencken 1956, 141).

opinion as a process of path dependence and multiple equilibria. In his main model individuals are endowed with “private preferences” and then choose their “public preferences,” or outwardly displayed preferences. Which preference one finds most advantageous to display depends, due to the peer effect and social incentives, on what others are displaying.³ Thus suboptimality might become locked in, or we might witness sudden revolutionary swings in outward preferences—in the manner of the French, Russian, Iranian, and East European revolutions. Kuran is interested especially in the attitudes of overall society, *where exit is very difficult*; hence his focus on preference *falsification*. I am more interested in beliefs within a subgroup, where exit is easier, and hence my focus on belief adaptation and self-sorting. But it should be noted that Kuran also gives much attention to the possibility of the *private* preferences being dependent on the path, thereby highlighting the idea that all belief formation is a contingent social process.

Much earlier William James wrote of belief systems as a social process and acknowledged the possibility of lock-in. He said:

Our ancestors may at certain moments have struck into ways of thinking which they might conceivably not have found. But once they did so, and after the fact, the inheritance continues. When you begin a piece of music in a certain key, you must keep the key to the end. You may alter your house *ad libitum*, but the ground-plan of the first architect persists—you can make great changes, but you can not change a Gothic church into a Doric temple. You may rinse and rinse the bottle, but you can't get the taste of the medicine or whiskey that first filled it wholly out. (James 1963 [1907], 75)

3. “[A]n individual, when he joins a crowd, whether of life-long Democrats, Methodists or professors, sacrifices his private judgment in order to partake of the power and security that membership gives him” (Mencken 1987 [1921], 154).

James goes on to explain that what we call “common sense” is in fact the product of circumstances and, quite possibly, historical accidents. Sometimes we find ourselves in conversations in which our “common sense” and the other guy’s “common sense” cannot find much in common.

As for the individual who stumbles into a community and finds herself traveling a path involving elaborate new beliefs, the story is a case of what the pragmatist philosopher Richard Rorty calls “contingency.” In *Contingency, Irony, and Solidarity* (1989) Rorty describes the broad terms of social life as set, not only by necessities or human deliberation, but also by blind contingency. Who we are is not essential, but accidental, the result of what family we were born into, what theories we were exposed to, what schools we went to, what jobs we landed, the time and place of our existence. Not only could our physical doings have been otherwise, but the *way we describe* physical doings, including our own, could also have been otherwise. Culture not only generates incentives to believe in certain ideas rather than others, it provides the ideas among which we choose our beliefs. Rorty’s view, like James’s, is uncompromisingly anti-essentialist—there can be no metacultural description, only cultural ones—and hence he preaches concession to ironism.

There are, then, several distinct principles that help explain uniformity in behavior or belief: self-sorting and screening (noted by Akerlof 1991), network externalities and belief adaptation (noted by Mencken and discussed in the context of technology, not cognition, by David), filtered information (noted by Simon), imitation based on uncertainty (congruent with Cialdini and developed by Bikhchandani et al. 1992), preferences to conform (noted by Cialdini, Adam Smith, and Kuran), and sanctions on deviants (discussed by Kuran and noted by Mencken).

The Genealogy of Organization Culture

If organization culture exhibits lock-in, there remains the question of which path will emerge. Path dependence tells us that the enduring equilibrium may have very adventitious ori-

gins, so in that sense there may be no way to generalize about what sort of equilibrium results. But the consideration of origins and of certain incentives that operate irrespective of cultural specifics may permit some generalization.

A relativist tradition beginning perhaps with Protagoras and including such thinkers as Machiavelli, La Rochefoucauld, Vico, Mandeville, Marx, Spencer, Nietzsche, Sumner, Mencken, and Burke maintains that interest drives social mores, and social mores drive morality. Members of a community come to call "good" any behavior that promotes the interests of the community and "bad" any that damages it. By a process of legitimation, interest is transformed into propriety and justice. Thereafter community members obey not only their interest but also their conscience. When a community is isolated the culture governs all and the society is tranquil in its practices. But if the community is embedded within a larger society, the way a government agency is, the cultural development of the agency is constrained by the interests and theories of the larger society. The interests of the society may in fact be bred into the members of the agency, so the agency may faithfully serve the greater good. But there will be some interests particular to the agency and its members.

Everyone wants more comfort and wealth. Almost everyone wants recognition, prestige, eminence, and power. We want a sense of significance, importance, potency. We feel important when we can believe a story in which we get to play the hero. We want to take credit for both the good and the greatness achieved. We want to not hurt colleagues and associates near to us. As Akerlof (1989, 13) says, people "choose beliefs which make them feel good about themselves." Call it the *self-exaltation principle*. It will sometimes conflict with the conscience, but the plasticity of belief will to some extent permit the conscience to accommodate self-exaltation even when onlookers perhaps feel it shouldn't. Government officials, especially high-ranking ones, find comfort and prestige in their position. They will come to find legitimacy as well. They like to see their agency's actions as the cause of achievement, and themselves the cause of the agency's actions. The self-sorting and screening effects tend to

prevent someone with strongly contrary views from entering the community; most of the others join the community and embrace the culture, which claims importance and legitimacy. The propensity of self-exaltation is universal enough that we can expect it to be one of the forces shaping cultural development—that means the pursuit of expanded power and a willful reluctance to surrender it.

We might also generalize on the basis of agency founding. We find what may be called the *founding principle*: the founding of the agency gives a cultural foothold to certain theories and goals that will to a great extent determine the belief system into the future. The push for occupational licensing was fueled by doctors seeking, often quite unabashedly, to limit competition, and justified by the theory that society needs protection from quacks. The Department of Agriculture grew out of the theory that farmers were getting a bad shake and the goal became arranging price supports and subsidies. The public school system was rationalized by the need for instruction and the goal of public instruction persists. A mountain of literature has persuaded many people that the public school system is cause for great remorse, but few in the education establishment have been persuaded.⁴ As the Viennese social critic Karl Kraus asks, “Who is going to cast out an error to which he has given birth and replace it with an adopted truth?” (1990, 114). Those who favor *laissez faire* and doubt the efficacy of government are likely to see badness persisting in the cultural systems of government agencies, since those agencies were founded to abridge *laissez faire*.

The self-exaltation principle gives reason to believe that the culture of government agencies will favor expanded government power, and the founding principle gives another reason to expect the culture to be highly statist. Although outside theories

4. Chubb and Moe (1990, 46) say the following of those in the public school establishment: “Although traditionally they have tried to portray themselves as nonpolitical experts pursuing the greater good, they are in fact a powerful constellation of special interests dedicated to hierarchical control and the formalization of education.”

seep into the agency through its many holes and cracks, given belief plasticity and the network externalities within the agency, libertarians have reason for saying that government officials and allied parties often pursue bad policies but believe in their goodness. Thomas Jefferson would agree that the irreproachable honesty of the members of the medical licensing board is no evidence of beneficence:

It would be dangerous delusion were a confidence in the men of our choice to silence our fears for the safety of our rights; that confidence is everywhere the parent of despotism. Free government is founded in jealousy and not in confidence; it is jealousy, and not confidence which prescribes limited constitutions, to bind down those whom we are obliged to trust with power. (Kentucky Resolutions, November 16, 1798)

Example: “The Culture of Spending”

James L. Payne has written a book about Congress that emphasizes belief plasticity and network externalities in cultural systems. He argues that the beliefs of congresspeople “will be affected by the information and opinions they are exposed to day after day.” In fact, Congress “is overwhelmed by the advocates of government programs.” Payne, who himself spent much time in the bowels of the persuasion process on Capitol Hill while researching his book, provides data showing that in the persuasion process the ratio of pro-spending voices to anti-spending voices is more than 100:1 (1991, 13). Even though one might understand from afar why only pro-spending interests seek the ear of Congress, in the barrage of pro-spending testimony the human mind simply succumbs to the senses and begins to accept what it hears. How unpleasantly and unremittingly jaundiced one must become otherwise! Like the poles that form the cone-shaped frame of a tepee, the lobbyists, agency staffers, media personnel, aides, and congresspeople all reinforce

one another's beliefs. The principle of mutual reinforcement is nicely captured by an aphorism of Karl Kraus, who wrote bitterly against the First World War: "How is the world ruled and led to war? Diplomats lie to journalists and believe these lies when they see them in print" (1990 [ca 1918], 81).

The culture of spending on Capitol Hill, explains Payne, revolves around two central premises: (i) "the philanthropic fallacy," or the virtual nonexistence of alternative uses for the citizen's tax dollar, and (ii) the efficacy of government programs. Regarding the "philanthropic fallacy," Payne highlights how the will to self-exalt shapes beliefs:

Everyone wants to have a high opinion of himself. . . . When the congressman comes to Washington, he is surrounded by beneficiaries and claimants who are pleading for his "help." He is strongly invited to accept the role of philanthropist, strongly encouraged to believe that he has assisted people and left the country better off by funding government programs. . . . This high self-opinion would be directly threatened if the donor of funds [that is, the taxpayers] were brought into the picture. As soon as one recognizes that in order to help some people you have to hurt others, much of the glow goes out of being a congressman. For this reason, congressmen are reluctant to face the opportunity-cost issue. (Payne, 1991, 53)

Regarding the presumption of government efficacy, Payne says, "Congressmen tend to trust that government programs actually accomplish their intended purpose. They suppose that programs to 'help farmers,' or 'help science,' or 'help the poor' actually do what they are intended to do. One has to work long and hard pointing out defects in each scheme to overcome this basic credulity" (Ibid., 163). Payne highlights the Truths-Are-Us nature of these beliefs: "For most congressmen, spending programs are cultural 'givens,' an aspect of their environment that

they accept without question”⁵ (Ibid., 173). In discussing the source of program evaluation information, Payne remarks on the role of self-sorting and screening: “personnel in government agencies will tend to believe that what their agency does is useful. . . . An official who believed his program was useless or harmful would probably weed himself out of the agency even before the system expelled him” (Ibid., 36).⁶

Payne explains that the congressperson’s beliefs are, to a great extent, adopted only once the politician enters the culture of spending:

When the innocent enters policy realms armed only with the general idea that “spending is bad,” he is easily seduced, for this abstract homily is overpowered by visions of starving millions and eroding continents. The situation is not unlike sending a farm boy to town and telling him to “keep out of trouble.” Because he is unaware of all the appealing and subtle forms “trouble” can take in specific instances, this general advice is practically worthless. (Payne 1991, 158)

Payne supports his theory with a variety of forms of evidence, to show that congresspersons of both parties become substantially more pro-spending the longer they dwell in “the culture of

5. Hayek (1960, 112) makes the following related remark: “For the practical politician concerned with particular issues, these beliefs are indeed unalterable facts to all intents and purposes. It is almost necessary that he be unoriginal, that he fashion his program from opinions held by large numbers of people. The successful politician owes his power to the fact that he moves within the accepted framework of thought, that he thinks and talks conventionally. It would be almost a contradiction in terms for a politician to be a leader in the field of ideas.”

6. Although watchdog agencies like the Congressional Budget Office and the General Accounting Office are supposed to challenge the overly convenient beliefs of lawmakers, such agencies in fact are influenced by the lawmakers themselves and are rather ineffective (Payne, 66–70).

spending.” (There is an unresolved scholarly debate on this question.⁷)

Other theories of congressional spending, such as pork-barrel politics, log-rolling, and vote maximization, give the impression that politicians must be rather venal characters. Payne gives a different impression:

The high-spending congressman does not feel he is a crook. He does not perceive that he is taking money away from some people to give it to others. He lives in a world of euphemism where the federal government “generates” a “general revenue” that well-intentioned “public servants” can spend to “promote the general welfare.” (Payne 1991, 166)

7. One type of evidence used by Payne is longitudinal data, tracking over time congresspersons’ voting records on spending bills, and he presents evidence of congresspeople becoming, beginning with their second year, increasingly in favor of spending. Aka, Reed, Schansberg, and Zhu (1996) also do a longitudinal study and find that the “culture of spending” results dissolves for a sample size larger than what Payne used. Payne has noted in correspondence, however, that the Aka et al. analysis does not properly control for several features of the problem, including prior government experience by congresspeople (in which they have been immersed in a culture of spending before their freshman term), the “apprentice effect” concerning the common peculiarity of first-year voting patterns, the phenomenon of a congressman like Ted Kennedy maxing out on the spending barometer and therefore not evidencing a tendency to become more in favor of spending over time, and the way national-defensive bills are handled. In private conversation with the author, Eric Schansberg has expressed a recognition of the conceptual validity of these points in relation to his own study, and seems to feel that the question of a correlation is still an open one. It should be noted that the general validity of Payne’s culture hypothesis really does not depend on there being a correlation between voting-for-spending and tenure-in-Congress (although such a correlation would be nice evidence for it). If the acculturation occurs prior to arrival in office (for example, in prior government service or during the campaign), the correlation will not be found, but the culture theory might nonetheless help us understand why spending is as popular as it is among congresspeople. I hope researchers try to refine the empirical investigation of the culture hypothesis.

Payne's persuasion hypothesis answers many questions that other theories do not, including the most immediate one of why politicians, even with all their platitudes, seem more-or-less sincere in their efforts.⁸

Conclusion: They Are Honest and Rent-Seeking

... and they are not the less quacks when they happen to be quite honest.

Mencken (1919, 80)

The annual produce of the land and labour of England . . . is certainly much greater than it was . . . a century ago. . . . [Y]et during this period, five years have seldom passed away in which some book or pamphlet has not been published . . . pretending to demonstrate that the wealth of the nation was fast declining, that the country was depopulated, agriculture neglected, manufacturers decaying, and trade undone. Nor have these publications been all party pamphlets, the wretched offspring of falsehood and venality. Many of them have been written by very candid and very intelligent people; who wrote nothing but what they believed, and for no other reason but because they believed it.

Smith (1776, 327)

The proximate spark igniting me to write the present paper was my friendly argument over occupational licensing. This paper is an extended response to my colleague's challenge invok-

8. One can imagine methods of studying belief effects in organizations. For example, one might learn about self-sorting effects by interviewing those who depart the organization and those who do not, or new arrivals versus veterans. One might learn from studying massive shifts in personnel, or in the creation of new subunits, staffed either by insiders or outsiders, or by a change in where the agency reports its activities.

ing the honesty of the average doctor. I have said that I found his point disarming; also I found it a little naïve. Wouldn't we expect the members of a state licensing board to be exceptional *and sincere* advocates of the cause? Are we surprised to learn that the A.M.A. opposes midwife birthing, the right to die, and the relaxation of prescription requirements on drugs? Are we surprised that the education establishment vociferously opposes school vouchers? Are we surprised that civil engineers champion rail transit projects, that university professors champion the value of higher education, or defense officials, the need for a strong military? Of course not, nor do we seriously doubt their sincerity. Although I firmly believe that occupational licensing serves existing practitioners and disserves the public at large, I do not suspect venality. It does not surprise me that a leading student of the subject reports that, "Despite the many opportunities that exist for bribery and corruption in the granting of licenses and deciding disciplinary cases, the record is amazingly clean."⁹ I hope that the present paper lends structure and refinement to the intuitions held in this regard.

Does the culture theory suggested here conflict with theories that portray political actors as cynical egotists? Not necessarily. We just need to make clear that when we offer a description based on assumptions of self-seeking behavior, we present the description as one, simplified description of the matter, and *not* the one that the political participants themselves believe. When Milton Friedman (1953, 19) said we can describe the growth of a plant as behavior aimed at maximizing sunlight exposure subject to constraints, he certainly was not saying that the plant saw it that way. Baldly cynical theories (the Public Choice perspective) can give useful insights into the behavior of real people who are in fact not cynical. Malady does not imply malevolence, just as benefit does not imply benevolence. Some consequences are unintended.

As investigators of government failure, we may toggle

9. Shimberg 1982, p. 9. There is much scholarly literature on occupational licensing, almost all of it critical to one degree or another. A good survey is Hogan (1983).

between what Sanford Ikeda distinguishes as the *deception thesis*, which he associates with Public Choice economists, and the *error thesis*, which he associates with Austrian economics. Austrian political economy, says Ikeda, grants if only for the sake of argument, scruple, and public interest on the part of government officials (Ikeda 1997b). The present paper suggests that the two approaches are not necessarily beginning with different assumptions, but rather may be describing the same assumptions in two different ways (cf. Ikeda 1997a, 114, 119, 148, 149, 240). The appropriateness of each description depends in part on one's discourse situation and rhetorical purpose.

Sometimes it is appropriate to incriminate government officials. For the cynical and irresponsible ones, we might deem their behavior reprehensible. It will depend on how we delimit responsible beliefs given the individual's personal constraints. But I suggest that we strain to see how bad conclusions might have been reached by thought processes that were ordinarily honest and good-willed. Libertarians should meet and join institutions of power, they should cooperate and negotiate with those in power. To do that effectively, we must tell ourselves that it is up to the wise to undo the damage done by the merely good.¹⁰

No matter how disagreeable we may find the culture of another community, there is no profit in addressing its members strictly on our terms. As Payne says, the "congressman will not be persuaded by lobbyists who believe he is a dishonest cad" (166). If the political-intellectual-academic arena is one of cultural struggle, success is not called triumph or victory, but persuasion.

10. I find this saying in the good and wise book by Wildavsky (1988, 91).

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