WHY DO GOVERNMENT OFFICIALS BELIEVE IN THE GOODNESS OF BAD POLICY?

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Link to Youtube video of lecture
https://youtu.be/elZfwtpno7M

"If Government Is So Villainous, How Come Government Officials Don't Seem Like Villains?" *Economics & Philosophy* 1994

- *Revised, on my website*

Better title:

Why Do Government Officials Believe in the Goodness of Bad Policy?

Why do bad policies prevail and persist?

- According to most economists:
  - ❑ *Agricultural subsidies, restrictions*
  - ❑ *Sports/stadium subsidies*
  - ❑ *Restrictions on international trade*
  - ❑ *Rent control*
  - ❑ *Payments for kidneys*
- According to enlightened economists:
  - ❑ *Min wage, FDA restrictions, occupational licensing, drug war, anti-trust, . . .*

One answer: Cynicism, dishonesty, greed, villainy

- Rent seeking, capture.

- But you meet these "villains" and they seem sincere, even decent.

David Hume:

"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 . . . It is, therefore, a just *political* maxim, *that every man must be supposed a knave*: Though at the same time, it appears somewhat strange, that a maxim should be true in *politics*, which is false in *fact*."

Alternative interpretation

- Not evil, just systematically wrong.

- But:

Why do they persist in error? Why aren't they prepared to learn that 2 + 2 does not equal 5?

culture

- The question can be asked about general popular opinion, leading to big-think about human psychology, evolution, and our cultural institutions.

- Here I want to narrow the question:

  Why do *government officials* believe in the goodness of bad policy?

A big wrinkle:
What about political appointments at the top?

- A theory of organizational culture must look at what happens at the top.

- Political appointment adds a different layer to my story.

- I will come back to it.

Mechanisms

- Self-sorting
- Screening
- Belief plasticity and lock-in

Self-sorting

- Sometimes you hold prior beliefs that conflict with those of the organization.

- What are your options?

When your beliefs conflict

5 options:

1. *depart the organization*
2. *change the culture of the organization to suit your beliefs*
3. *play the cynic by getting on in the organization and supporting its goals while privately rejecting the culture*
4. *remain within the organization but openly voice a dissenting view*
5. *embrace the culture of the organization.*

How's that working out for you?

- – *change the culture*
- – *play the cynic*
- – *remain but openly voice a dissenting view*
- – *embrace the culture.*

Screening: How much will *they* tolerate before expelling you?

- – *change the culture*
- – *play the cynic*
- – *remain but openly voice a dissenting view*

Self-sorting and screening make a spiral

- Your peace of mind is related to the hazard of dislike or expulsion.
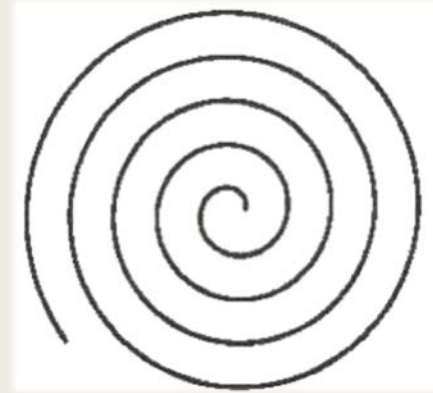
- Most likely: Departing the organization

Hayek, *The Constitution of Liberty*

"The organizations we have created in [the fields of 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 indispensible. . . . .

[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. . . .

[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)

Thomas Szasz on the drug war, 1992

"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.)

What if you do not have prior beliefs?

- You come to the organization without definite opinions on matters relating to the organization's purposes.

- Often adapt to the prevailing culture.
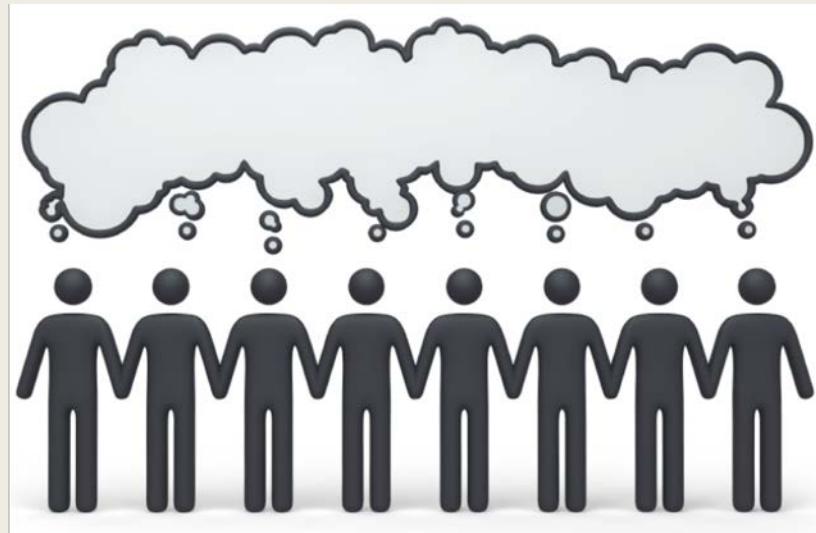
- Your purposes depend on your situation.

- Your situation includes job, work life, career.

- Individuals would believe different ideas if their situation were different.

- Belief structures are *plastic*: They are affected by the heat and pressure of everyday experience.

H.L. Mencken on belief plasticity

- "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

- "[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 underlying the cause they were forced to serve. Man always seeks to rationalize his necessities -- and, whenever possible, to glorify them."

… Mencken

- "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."

William James
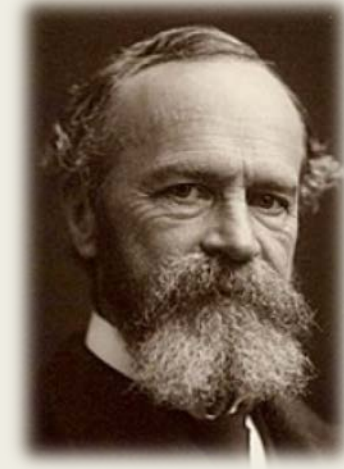
"You may alter your house *ad libitum,* but the ground-plan of the first architect persists -- you can make great changes, but you can not change a Gothic church into a Doric temple."

(1963 [1907], 75)

Social psychology

- "Truths are us"
- Commitment and self-consistency
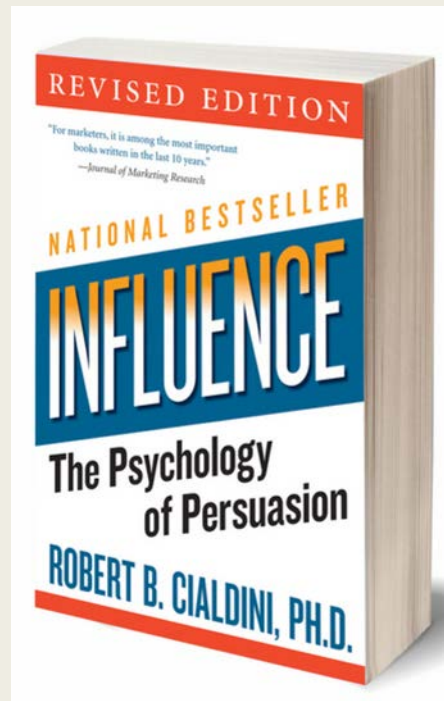
"Truths are us"

People rely on **social cues**:

- ❑ *canned laughter*
- ❑ *bartenders "salt" their tip jars with dollar bills*
- ❑ *evangelical preachers seed their audience with enthusiasts*
- ❑ *hundreds of people can line up in orderly and willful fashion to partake of lethal poison, as in Jonestown, Guyana in 1978*

Truths are "Us"

If "social proof" has power, certainly it can do much to reinforce the beliefs and practices of duly created government agencies.

Social cues by immersion

- The Unification Church of Reverend Sun Myung Moon.

- Four steps. "Potential 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".

- Compare to US Department of Agriculture. Taboos, superstitions

Self-consistency and commitment

- People fancy themselves wise and consistent beings. Once a person has taken steps down a certain path, he is receptive to information that support the initial decision, and he tends to turn away from information that discredits it.
- Confirmation bias.

Adam Smith on commitment and self-consistency

- "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."

- The rise of an individual to the state medical licensing board.

  Such a person must first be a prominent member of the profession. Then he would find a position in the professional association. After gaining the confidence of influential people in the establishment, he joins the state licensing board.

- **Groupthink:** He is enveloped by the inner culture of the profession. Outside viewpoints are cleaved away. Dissenting pleas from powerless outsiders are politely dismissed and privately derogated.

Groupthink goes for private organizations, but . . .

- Govt is far more dangerous.

- Far-reaching peremptory power.

- Think of FDA reviewers.
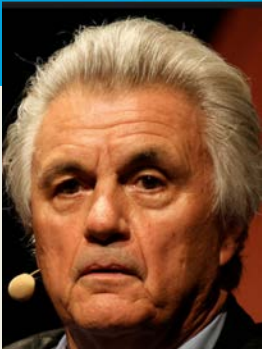
Correction mechanisms

- Private organization depend on **voluntary** support and participation.

- Governments use **coercion**:
  - *Taxation*
    - govt as **huge and centric player**
  - *Restrictions on:*
    - competitors
    - opponents
    - critics
      - *Privileges*

Think of cultural systems like technological systems

- Technological standards:
  - *One railroad gauge versus another*
  - *Inches, feet, miles vs. metric system*
  - *Qwerty vs. other keyboard layouts*
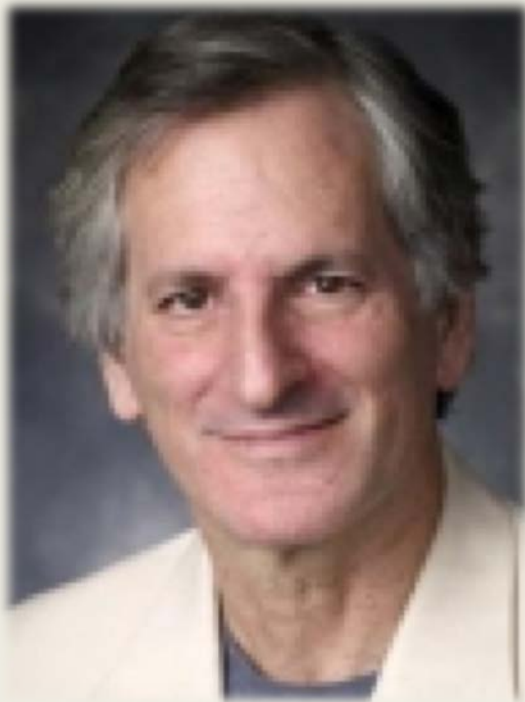- path-dependence, lock-in
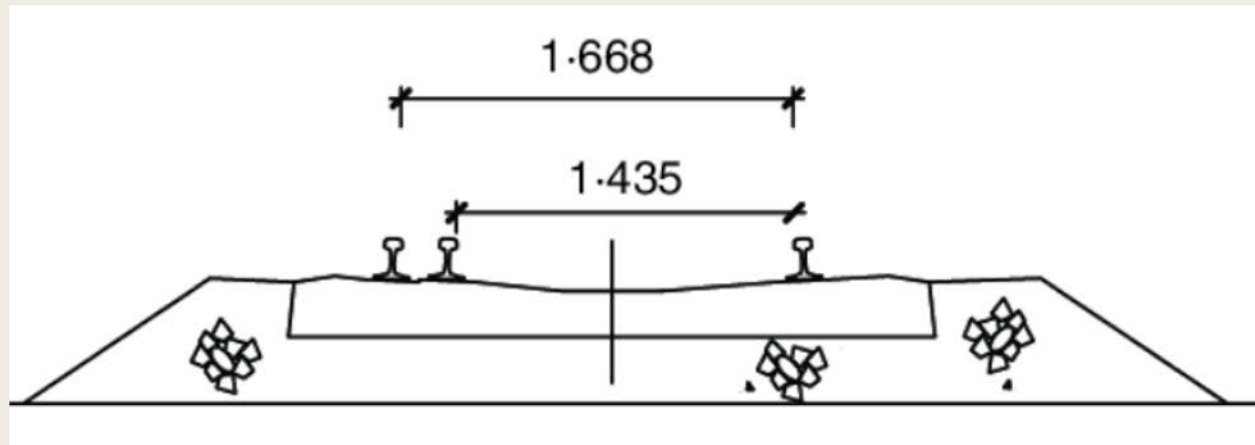
Paul David's theory of lock-in

- Bad system might get locked-in

- "market failure"

- We need the government to get us out of it, and onto a better system.

BTW

- As argument for government intervention in technological standards, Paul David's theory has been countered (Stan Liebowitz and Stephen Margolis).
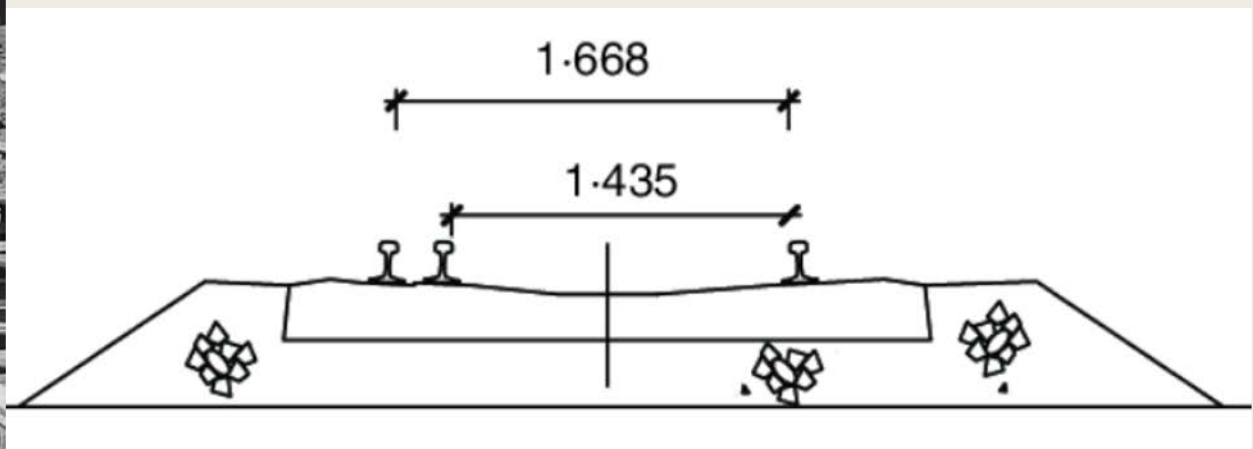
But I like the lock-in theory for *culture*

- Particularly the culture of government agencies
- I draw on Paul David

Paul David:
Path dependence arises from three features:

- 1) quasi-irreversibility, inability to fully recoup costs if one attempts to switch (sunk costs)
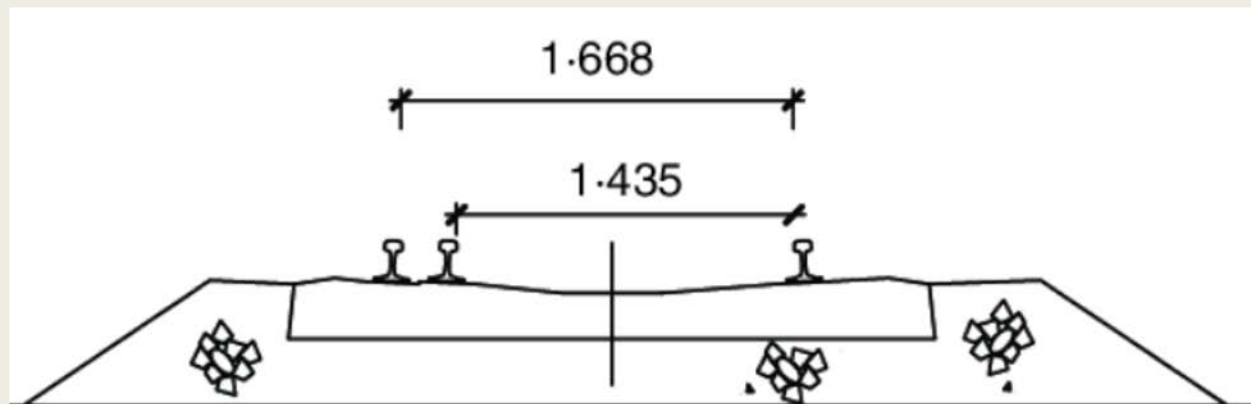
Paul David's theory of lock-in

■ 2) **technical interrelatedness**, or the interrelation of one's use of the technology with its use by others.
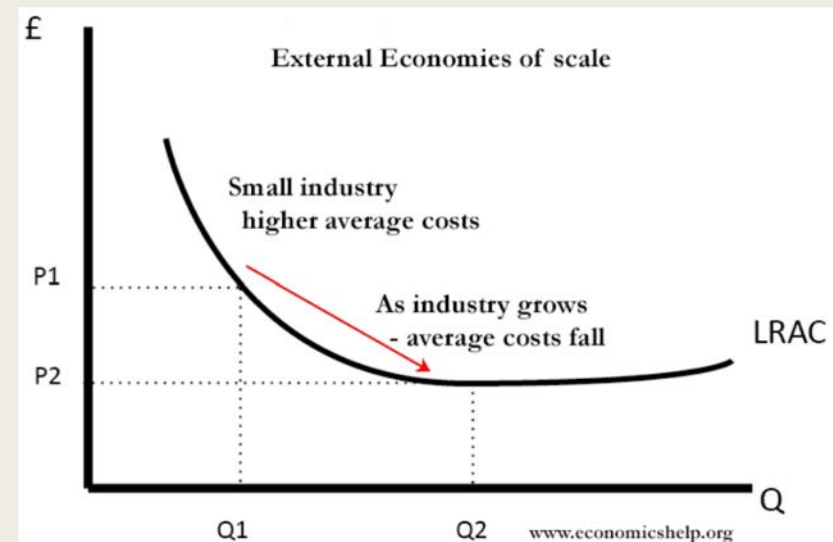
Being off the standard can be disastrous!!

Paul David's theory of lock-in

- 3) **economies of scale**, or the increasing facility with which new users/uses are added to the system as the system of users gets larger.

  - *Social cues are more pervasive and convergent the more dominant the cultural system.*

All three features fit organizational culture

- Especially government

- Thus, self-sorting, screening, and belief plasticity/lock-in all lead us to the following expectation:

Govt organizations will exhibit a culture that is quite uniform, inert, and impervious.

Will the creed be random?

Path dependence tells us that the enduring outcome may have very adventitious origins, so no way to generalize about the creeds?

The creed will not be random!

The genealogy of organizational culture.

Origins and incentives permit generalization.

Self-exaltation principle

- 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.

Self-exaltation → glorification of the agency
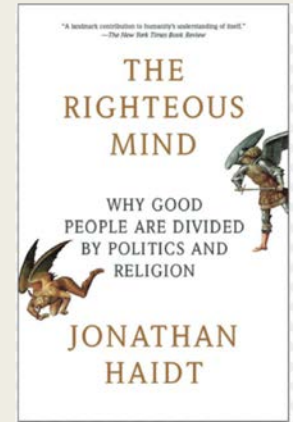
- Officials find comfort and prestige in their position. They will come to find legitimacy as well.

- They like to see their agency's actions as the cause of achievement, and themselves the cause of the agency's actions.

- Sacred beliefs.

- Self-exaltation is universal enough that we can expect it to shape the culture → the pursuit of expanded power and reluctance to surrender it.

Another basis for generalization: The founding of the organization

- The founding gives a cultural foothold to certain theories and goals that influence beliefs into the future.

- That founding was a story about how social affairs needed governmentalization. The founding theory was that liberal arrangements failed.

- Liberals are likely to see badness persisting in the cultural systems, since those agencies were founded to abridge liberal arrangements.

Genealogy of organizational culture

1. The self-exaltation principle

2. The founding principle

Both suggest that the uniform cultural within the government organization will be pro-governmentalization.

John Chubb & Terry Moe 1990 on 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."
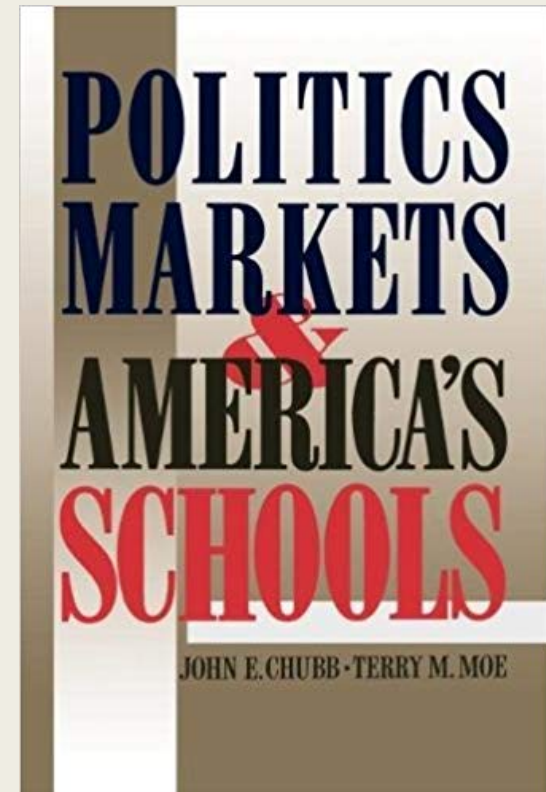
- We *do* have theories of why bad policy persists.

- A self-supporting system.

Karl Kraus

"How is the world ruled and led to war? Diplomats lie to journalists and believe these lies when they see them in print."

Mencken

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

Thomas Jefferson:

- "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."
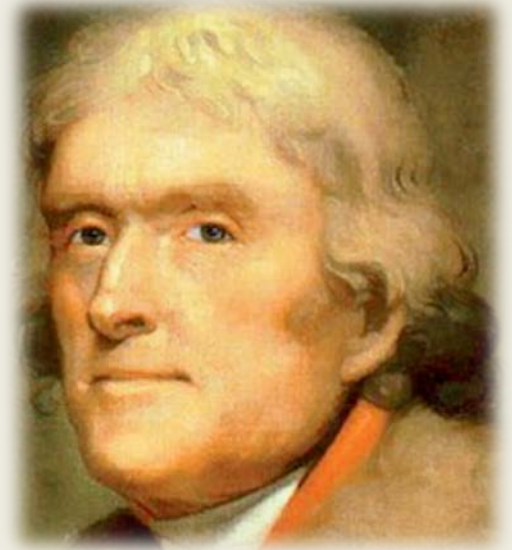
Hope?

What sustains the bad cultures is insulation from criticism.

New communications might empower enlightenment.
marijuana liberalization.

What about political appointments at the top?

- "People are policy."

- Now there may be people at top at odds with the staff!

- Reform is very difficult.

- Intra-organization conflicts—cultural, moral, administrative.

Consolation

- Even if it does not manage to improve government policy, enlightenment is a good in its own right.

- By virtue of communications, a subculture is more easily sustained, developed, and enjoyed.

- Today, it is easier to breathe enlightened culture.

Thank you
for your attention!