

The nature of the state and future challenges

Bigger Government:

The Future of Government Expenditure in Advanced Economies

Marc Robinson

Arolla Press, 2020

<https://biggergovernment.com>

The Utopia of Rules:

On Technology, Stupidity and the Secret Joys of Bureaucracy

David Graeber

London: Melville House, 2015

The Entrepreneurial State - Debunking Public vs. Private Sector Myths

Mariana Mazzucato,

London: Anthem Press, 2015 (2nd edition)

Bartholomew Steer

Robinson's *Bigger Government* serves as an antidote to all those neo-liberal propagandists who preach the inevitability of the death of the state and the rise of the sovereign individual.¹ It was chosen as one of the books of the year by the *Financial Times* and so some people obviously think it important. This book takes on the myth that the modern state risks being overrun by a combination of pressures, including: the rising costs of health and social care (the biggest), global warming, the rising costs of pensions and welfare payments (as technology wipes out jobs) and the need to invest in crumbling public infrastructure.

The author is one of a rare breed of international consultants specializing in public finance, providing services to the IMF and to countries around the world facing these issues – while based in a lofty perch in Switzerland. His message is reassuring in that, while he calculates the average costs of the pressures identified will take up another 7% of GDP over the next 30 years – i.e. about £150bn in the UK – a combination of tax increases, reprioritization of

¹ This blog item from Alastair Campbell discusses the phenomenon: <https://tinyurl.com/yabb2xz4> or <https://alastaircampbell.org/2020/12/the-brexite-revolutionaries-have-barely-begun-britain-needs-to-wake-up-fast/>.

expenditure and an increase in fiscal 'irresponsibility' can address the issues sufficiently.

Robinson is keen to distance himself from the ideas of modern monetary theory (MMT)² and repeatedly holds up Zimbabwe, Argentina and Venezuela as examples of the inevitable ruin that flows from fiscal irresponsibility. However he seems to regard it as inevitable that governments – or, more precisely, central banks – will take advantage of the insights of modern monetary theory at the same time as preaching financial responsibility and rectitude to left-wingers who might push the boat out too far.

To confidently predict the course of the next 30 years, and put the rising pressures on governments one by one, in dedicated chapter after dedicated chapter of confidently argued and smartly demonstrated analysis, is quite an act to pull off! It becomes, therefore, an excellent reference book for anyone considering the implications of technology on jobs, health and social care, the economics of basic incomes, the ageing population and climate change.

Alongside other products from the large consultancy companies, I suspect that Robinson's book belongs in the category of the higher form of marketing materials but it is at least projecting a more hopeful message.

The late David Graeber's *The Utopia of Rules*, on the other hand, probes more deeply by entertainingly revealing the public embrace of the marvels of the German Post Office, social insurance and pension schemes in the nineteenth and early twentieth century. This was a time when faith in the ability of the people of nations to manage collective/societal problems was much greater than exists today. Whether it was the need for rapid communications, for a social safety net and an income for the retired and elderly; or the bureaucratic challenges of organising large scale tasks (infrastructure: roads, bridge, public transport, provision of clean water, sewage and basic public health measures, provision of utilities and general access to health services) required by society, it was to the state – bureaucracies – that society eventually turned.

While most people see bureaucracy as a bad thing, something that stultifies, denies creativity, promotes inefficiency, rigidity, inequality, secrecy, and the fostering of that most reviled of people – 'bureaucrats' – the author turns the tables. He counterpoises bureaucracy to barbarism, as the essence of civilization. Its rapid exploitation by capitalism provided the basis for the modern corporation and efficient government. Historically it allowed the building of the pyramids, the great cities of the Middle East, Chinese civilization

² Discussed in my review of the Stephanie Kelton book in *Lobster* 80 at <<https://www.lobster-magazine.co.uk/free/lobster80/lob80-deficit-myth.pdf>>.

and, more recently, the very basis of government, markets and everything we hold dear.

Why, therefore, does bureaucracy receive such a bad press? He probes into why something so fundamental should be so resented, shunned and reviled. He goes back to human nature and how humans are attracted by the antitheses of those things they are secretly dependent on. He takes the reader on entertaining digressions on the true meanings of vampires, werewolves, James Bond, Sherlock Holmes, Game of Thrones and other fairy stories that can only be understood in terms of fears and compensations, fantasies and dependencies. Thus he explains why 'bread and circuses' were invented by rulers to maintain rule, while at the same time extending the scope and intensity of bureaucracy.

After a circuitous tour he leaves us with the basis for a theory of bureaucracy. (I never knew I needed one before.) But whenever you hear that the market is superior to bureaucracy, and bureaucrats are held up to ridicule, you will be able to point out that actually bureaucracy created markets and that those that promote deregulation are really only asking for regulation that suits their purpose.

He reveals that in the early nineteenth century Europeans looked to the United States

' . . . as a kind of utopian experiment, with its rejection of laissez-faire economics, and its widespread reliance on cooperatives and government sponsored projects and tariff protections. It was only with the rise of corporate capitalism after the Civil War that the United States also adopted something closer to the German model of bureaucratic capitalism'. (p. 159)

By also linking the rebellions and mayhem described by Mark Ames³ to the modern day rebellions within the successor to the post office, i.e. the internet, he creates a space to discuss what we mean by rational management by the state and points to the hidden attractions of Trumpism.

He divides the categories in this discussion between Sovereignty (or the claim by rulers for the monopoly on the use of violence); Administration (or the very basis for the entities that we know and trust to exist: cities, organizations, armies); and Politics (rule by the best – where the job of democracy is to enable the people to choose amongst the best as to who should rule). On the one hand freedom is seen as the ability to reduce all forms of power to a clear and transparent set of rules (e.g. the EU). On the

³ In *Going Postal: Rage, Murder and Rebellion: From Reagan's Workplaces To Clinton's Columbine and beyond* (New York: Soft Skull Press, 2005)

other there is a rebellion against the truth (that the rules are not fair, the processes not transparent and subject to capture by cliques), which asserts anti-authoritarianism and an emphasis on creative synthesis and improvisation (or freedom as basically play).

His final words, however, show that he has no illusions that either extreme can be allowed to hold sway and he exposes:

‘. . . where bureaucracy has been the primary means by which a tiny percentage of the population extracts wealth from the rest of us, they have created a situation where the pursuit of freedom from arbitrary power simply ends up producing more arbitrary power, and as a result, regulations choke existence, armed guards and surveillance cameras appear everywhere, science and creativity are smothered, and all of us end up finding increasing percentages of our day taken up in the filling out of forms’. (p. 205)

A more positive line is taken by Mazzucato. The message of her book is that the state has a crucial role in leading innovation, growth and prosperity in nations’ affairs. Most will be aware of how important the debates have been on the extent and confidence with which this role was played out. Over the years, these debates have ranged from Britain’s comparatively poor economic performance (when compared to that of France, Germany and Japan) to the role of National Enterprise Boards, National Investment Banks and how best to use the receipts from North Sea Oil. More recent debates have discussed how to rebalance the economy away from a reliance on financial services and estate agency – the proper role of the state is the key subject.

Mazzucato is an economist and provides a brief review of past economic debates, quotes Keynes approvingly, Polanyi’s ‘The Great Transformation’, and provides examples of where the state has stepped in across the world to lead nations to a more developed and prosperous outcome. Her intention is to energize those in the UK who have lost confidence in the state as an economic actor, to remind them of the state’s role in recent examples of economic success, the real motors for that success, and to encourage a more interventionist attitude.

What gives the book punch, however, is that she and her researchers had uncovered that every one of the dozen or so technological discoveries and innovations incorporated in the i-pad, i-phone and i-pod originated in state-sponsored institutions. It wasn’t venture capitalists, or entrepreneurial individuals, or firms that stood behind Apple but the US military, the US government and, for good measure, the EU and other national governments. Everyone knew that the Space Programme had spin-offs but it turns out that

Silicon Valley was the biggest spin off of all.

The pharmaceutical (or biotech) industry also turns out to be the beneficiary of state largesse. Three-quarters of the new molecular biopharmaceutical entities owed their creation to publicly-funded laboratories. In the previous ten years, at time of writing the book, the top ten companies in this industry had made more in profits than the rest of the Fortune 500 companies combined. The book goes on to discuss the rapidly burgeoning green energy sector and how governments are seeking to position their industries as leaders in this field. (Significantly this is not being done in the case of the UK.)

As asides to the main thrust, short shrift is given to the contributions of the venture capitalists and senior executives who have enriched themselves in the transition from scientific invention within state institutions to the market place. Tribute is paid to Steve Jobs – but mainly for ignoring the demands of the market and focusing on his long-term product vision.

She identifies upfront why she thinks her book was needed to increase the self-confidence of the state:

'Indeed, when not confident, it is more likely that the state will get "captured" and bow to private interests. When not taking a leading role, the state becomes a poor imitator of private sector behaviours, rather than a real alternative. And the usual criticisms of the state as slow and bureaucratic are more likely in countries that sideline it to play a purely "administrative" role' (p. 6)

and warns:

'[the state] has responded to criticism by becoming vulnerable and timid, easily "captured" by lobbies seeking public resources for private gain, or by pundits that parrot the "myths" about the origins of economic dynamism'. (p. 19)

We can see why she was taken on as an adviser by Jeremy Corbyn. What is more difficult to understand is why the underlying messages from these books are not better reflected in public debates today. It probably is as Graeber explains: the fear of werewolves (the poor) and the simultaneous attraction to and repulsion from power (vampires).