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# Why Governments Fail



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The pandemic was supposed to prove the value of public health institutions like the CDC; instead, it exposed their inability to deal with a serious pandemic without serious errors. Tyler Cowen, a professor of economics at George Mason University, worries that these failures have a deeper cause: as the citizens of countries like the United States come to trust each other less and less, they are increasingly incapable of meeting the big challenges that await them.

In this week's conversation, Yascha Mounk and Tyler Cowen talk about populism, the failure of state institutions during the pandemic, and the value of economic growth.

*This transcript has been condensed and lightly edited for clarity.*

**Yascha Mounk:** What has the pandemic told us about the state of our political institutions and the state of our economic institutions? Have you changed your mind about what's working, or what's not working, in light of the experience we've had over the last months?

**Tyler Cowen:** Let's focus on the United States. Our early response, especially in that first two months, was essentially non-existent. It was from the Trump administration, but to be entirely fair, Democratic governors did the same thing. There were Democratic Party rallies up until some date in March. The voters did not rebel against this, so it is ultimately a failing of American society. The failures of our public sector are, in some ways, mirroring the failures of our private sector. For instance, if you take the libertarian critique of the FDA, which I very much agree with, I think one has to notice also [that] voters have not rebelled against various FDA decisions. The public health experts who are not working for the FDA often will endorse what the FDA is saying, and they are private sector individuals. The failings of our government are reflecting broader failings with the country, and I think you'll find that in many other countries as well.

**Mounk:** Let's start with the failings of the state institutions. I increasingly worry that this should really change our model of how well we're going to be able to deal with a crisis. The institutions don't seem capable of understanding when a situation has changed. And that failure seems to be reflected, as you're saying, at the level of what people can actually imagine, what people can actually demand. Is that something we should just get used to?

**Cowen:** Part of the picture, especially for the U.S., is that on the vaccines front, we put in one of the best performances in all of human history, in terms of the science and eventually, after a

bad start, the mobilization. We do need this bigger picture, where our government was incredibly good at one thing, and it needed to be something that the U.S. is culturally good at, which is a kind of mass mobilization of getting stuff out to people. It's one of the greatest events in human history. It's maybe a common pattern in American history that we close well and start off very poorly. Also, [with] the vaccines, it was something where you can hand out goodies to voters. And government, often for the worse, is good at that. In this case, obviously, it was for the better.

**Mouk:** So what do you think a more rational set of policies would have been?

**Cowen:** Well, we should have approved rapid testing immediately, and put it into widespread use, if only using the private sector. I'm not sure we should have locked down sooner than we did. If you lock everything down for four weeks, and nothing is happening, people will get frustrated with it. If you need to lock down later, with a rise in cases, people won't support it. So you have parts of the country such as West Virginia, which early on had very, very few cases—I even went there. And then when they actually had problems, they were relatively unwilling to lock down. Other than vaccines and fiscal policy, it's hard to think of areas where we did very well.

**Mouk:** I've been following the public debate in Europe, and I have been astonished by how little anger there is at political institutions in general, and how little anger there is at the European Union in particular. For context here, the EU decided to take the lead on vaccine acquisition and distribution to the member states. They negotiated for months on really small details, like a couple of Euros saved per shot. By the time they had concluded those contracts, most vaccine makers had made firm commitments to other countries. And so this is a big part of the reason why the EU got to the vaccine so late. I would expect long-term damage to the reputation of the EU from that. [But] I'm not sure that I have seen any actual evidence of that happening so far.

**Cowen:** But don't you feel that the next time there's a crisis, pandemic or otherwise, individual governments will simply go their own way? They'll do what Serbia did with the vaccines, cut their own deals. The EU is not going to disappear, or collapse. But it won't be looked to solve major problems, and it will be each country for itself. Isn't that now a likely alternative?

**Mouk:** I think, actually, European politicians are trying to emphasize a positive. They're saying, "Hey, you know, at least we didn't have vaccine nationalism within the EU, at least we were able to have solidarity about how we distribute vaccines."

**Cowen:** And can't you imagine that in less than two years, we will have a Western Europe without real leaders? So Merkel, of course, is stepping down. There's not an obvious successor, vote distribution—it's not clear where it's headed in Germany, but probably not to fully mainstream parties. And then in France, again, the forces of the center seemed badly weakened and not having a positive agenda. And the original plan of Macron to sell French people on a stronger EU than ever before now sounds absurd. In essence, there'll be an intellectual and ideological vacuum in most of the EU. To me, it's much more worrying than anything going on in the United States.

**Mounk:** Let me ask you about your view of populism. I think we agree on finding those parties and those candidates to be very concerning. And that's been implicit in what you've said about European politics a moment ago. You have been more critical of the status quo in such a way that might make you think that political shakeup is to some extent an opportunity. I'm wondering to what extent you think of these movements as a deeper existential threat to our institutions. Are you not worried about Donald Trump running again in 2024 and what that might do to the country?

**Cowen:** There's always plenty of things you can worry about. I'm certainly not rooting for Trump to run again, or to win again. But at the end of the day, if you look at what I would call market price signals, they seem fairly bullish on the United States. Personally, I root against what people call populist parties. I'm uncomfortable with that term. I don't know what it means. It's like when people use the term popular music, they mean something like—well, not classical music, not jazz, but a lot of popular music isn't popular. A lot of populist parties aren't necessarily popular. So maybe it's contrasted with some understanding of elites. But I think the changing power and influence of elites has evolved very generally, not just like within the populist parties, but also within the current Democratic Party. So when people say populism, I get nervous, because I don't always know what they mean by that.

**Mounk:** Let me give you my brief definition. I don't think that to say that something is populist necessarily means they're popular. There can be populist parties that, thankfully, only have three or four percent of the vote and that shouldn't stop us from calling them populist. I agree with you that anti-elitism is one of the necessary elements of populism. That's true in every populist party, but it's true in a lot of non-populist parties as well. If you go to the election campaign of Ronald Reagan in the 1980's, or Barack Obama in the 2000's, they had strongly anti-elite elements in their rhetoric. What I think is specific about populist parties is anti-pluralism. And that helps to explain what the word has to do with the term people which

is they say, “I and I alone, truly represent the people and anybody who disagrees with me is by virtue of that fact illegitimate.”

**Cowen:** But I'm still worried about the definition because as you present it, it seems to me a significant percentage of the intellectual Democrats I know regard the current Republican party as illegitimate. You might even agree. I'm not trying to argue that point. But it would seem then that they are populists. And that's, to me, too broad a definition. And if I look at what the Democrats are doing, they're copying Trump's policies and relabeling them with different cultural capital... In a funny way, I see it as a bigger issue than you do. I agree with Martin Gurri that, because of the internet, there's been a collapse of faith in many layers of authority. There's a general decline of faith in religious authorities, and political authorities and public health experts. You can go on down the list. And then, that takes many particular manifestations. One of them is populism which, as you describe it, I don't like. But I don't think the populists are the enemy. I view them as one symptom of a broader transformation. And where the world needs to head is to establish new means of producing credibility and good reputation that are robust to current technologies. What we're now calling “populism” might turn out to be the least of our problems.

**Mouk:** As you're saying, government institutions are failing, but people aren't even particularly demanding that the government institutions fix those things. That makes me nervous about our ability to deal with problems like climate change, and so on. But it also seems to speak to the topic of your book, which you published a few years ago about a sort of “complacent class,” and the way in which Americans and perhaps people across the West have become unadventurous and unable to imagine a different future, both on the individual and on a collective level.

**Cowen:** There's been a decline in entrepreneurship, a decline in the rate of innovation, a decline in people moving across the country. People are bringing up their children in highly paranoid ways. Just general risk aversion is going up quite strongly. I now think there's a decent chance that rhythm has been broken. We will see. But here's the contrary case I would make: maybe people today are more complacent about emergencies because they think someone will come along and save the day. And during the pandemic, what did we see? In fact, Pfizer, Moderna, BioNTech came along and saved the day! Operation Warp Speed. So, in a funny way, the complacency was a bit validated. And I'm not saying we can count on that for every problem. But even with climate change, it seems technologies have progressed more rapidly than we might have thought. Electric cars are on their way, solar power is 10% to 15%

cheaper every year. In a world with all of this division of labor, maybe complacency is a bit underrated—just to argue against myself for a moment.

**Mouk:** Over the last ten years, a lot of people have started to think about economic inequality as being the primary thing we should worry about, in good part because of the popularity of Thomas Piketty's work. And in the last few years, that has taken on a particularly racial lens. Your work has emphasized instead the moral imperative of economic growth and the value of overall GDP as a metric for how we're doing. Why are you not as worried about economic inequality, as many other economists are?

**Cowen:** Well, I don't think how we measure GDP now is the right metric. First, the work of Piketty, I think has been refuted. The rise in wealth inequality seems to have come through an increase in the value of land, driven in large part by NIMBYism, not from some kind of superior return to capital. So in my view, that's just wrong.

**Mouk:** Say a little bit more about that. So NIMBYism means “not in my back yard” -ism. And obviously, the huge increase in property values in many Western countries comes from the great difficulty of building new housing. But why does that refute Piketty's theory?

**Cowen:** Well, land is worth much more in London, in San Francisco. If you take out that increase in the value of land, which of course accrues only to landowners, the increase in wealth inequality basically goes away. And Matt Rognlie showed that numerically, and there's never been an effective response. So, I say Piketty is wrong.

**Mouk:** And what's the wider implication of that? Part of the idea of Piketty's work was to say that the natural tendency of capitalism is towards greater and greater inequality and to need either these sort of destructive wars, which reduced inequality in the 20th century, or very radical political action in order to stop the rich from getting richer and the poor from stagnating or getting poorer. And what you're saying is: “No, actually, what you need to fix is NIMBYism, and the sort of very artificial increase in the price of land, and that would be enough to make sure that economic gains are more fairly distributed.” Is that roughly the argument?

**Cowen:** I don't want to use the word “fairly.” I'm not sure what's fair. I'm just saying the observed increase in wealth inequality in these nations goes away when you abstract from land. So capital is not the problem. Let's deregulate building. I'm not saying the result of all that is necessarily fair, that's a tougher question. So, if Apple as a company earns much, much more money by selling iPhones around the world, income inequality is going to go up by a lot.

In the globalized system, that's inevitable. I think that's a good thing, not a bad thing. So inequality is not the problem, poverty is the problem.

**Mounk:** I think poverty reduction is incredibly important. But why in a society like the United States do we need that much more economic growth? Especially when you look at the average metrics of happiness in the United States over the last fifty or so years, they don't seem to have actually gone up over time. So aren't we in a rat race where we keep trying to improve our GDP? And it doesn't actually do very much for us?

**Cowen:** If you look at the cross section, wealthier people are much happier than poorer people in the United States. But we still have major social problems. Let's think of another thing I would love to do to fight poverty. I think the U.S. now should buy an mRNA vaccine for every person in the world and help distribute it. We're not doing that. A wealthier society is in a better position to do that.

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