

From Cairo to California

Kishore Mahbubani

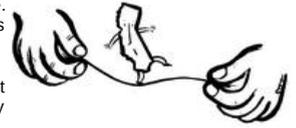


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From Cairo to California

SINGAPORE – Egypt and California are headed in opposite directions politically. Egypt has had too little democracy and is moving towards more. California has had too much democracy and is moving towards less. The common mean point they should arrive at is democracy that delivers good government – and I mean “government,” not mushy “governance.”



For decades, “government” has been demonized. Ronald Reagan famously said that “government is not the solution to our problem; government is the problem.” But Reagan was only the most eloquent spokesman for this *Zeitgeist*. He did not manufacture it; decades of laissez-faire theory and proselytizing did.

Following an explosion of government programs in the 1960's, a belief developed in the minds of key American opinion leaders and policymakers that the best government is the least government. Reagan captured this assumption well, recalling the sixth-century BC Chinese philosopher Lao Tzu's famous words: “Governing a great nation is like cooking a small fish: too much handling will spoil it.”

Two dangerous corollaries emerged from this view. The first was the belief that taxes are inherently bad, and thus that reducing them is the only solution to any public problem. In California, many taxes were reduced by voter initiatives, demonstrating the damaging consequences of too much democracy.

Indeed, such direct democracy helped make California ungovernable. For example, direct ballots on hot-button issues made prison sentencing mandatory, while simultaneously reducing taxes and funding for prisons. In 1978, Proposition 13 capped California property taxes – the main source of public-school funding. School revenues slumped, and from 1974 to 1979, California fell from ninth place to 44th among the 50 US states in *per capita* spending on public high schools, with California's students soon slipping down the rankings as well.

The second dangerous corollary was that markets know best. Former US Federal Reserve chairman Alan Greenspan, the world's leading financial regulator of the past quarter century, seemed to have little faith in either regulators or the need for regulation. In an April 2008 article in *The Financial Times*, he wrote, “Bank loan officers, in my experience, know far more about the risks and workings of their counterparties than do bank regulators.” Similarly, when asked whether he should regulate the market in derivatives, he replied, “These derivative transactions are transactions among professionals.”

Deep down, Greenspan must have believed that he was allowing Adam Smith's “invisible hand” to deliver the public good. But Smith stressed that private interests always pursue selfish interests:

“To widen the market and to narrow the competition, is always the interest of the dealers....The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”

Egypt's problems are, of course, vastly different from those of California. Despite the economic growth resulting from reforms undertaken by Hosni Mubarak's regime in recent years, unemployment and poverty remained at high levels. With a heavy and stifling bureaucracy and the prospect of a dynastic political succession, sheer lack of hope drove hundreds of thousands of Egyptians onto the streets. But, with the dictator driven from power, Egyptians, too, must redefine government.

People in both Cairo and California should look to East Asia. Despite their ideological differences, governments throughout the region have delivered rapid economic growth and improved their populations' livelihoods. Nowhere in East Asia has “government” been demonized.

Despite the fact that most leading East Asian policymakers were trained in American universities, none were seduced by Reagan's belief that “government is the problem.” Millennia-old cultural beliefs in East Asia underpin the view that if government is not part of the solution, no public good can be achieved. Confucius, for example, said: “the man who uses his brain should govern; the man who uses his strength should be governed.”

The quality of American public services has deteriorated steadily over the past few decades, while that of Chinese public services has improved dramatically. Ironically, the Chinese government has been strengthened without oppressing the growth and dynamism of the Chinese economy. There must be some principles of good government that China has developed.

Of course, neither Egyptians nor Americans would ever allow a communist party to rule them. But both must find the right principles of good government to resolve their very different public-policy challenges. Abandoning the Reaganesque ideology that government is inherently bad is a necessary first step.

The bottom line is that the commodity in greatest demand by people all over the world is good government, which provides the best means of improving living standards, especially for those at the bottom. Unfortunately, good government is in limited supply, in part because there is no global consensus about what constitutes it – to the detriment of people from Cairo to California and beyond.

Kishore Mahbubani is Dean of the Lee Kuan Yew School of Public Policy, National University of Singapore, and the author of *The New Asian Hemisphere: the Irresistible Shift of Global Power to the East*.

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Viktor6 07:15 16 Mar 11

?????????

Good governance and government in Asia?

Where?

Hannibal 09:25 17 Mar 11

"Chinese public services has improved dramatically. Ironically, the Chinese government has been strengthened without oppressing the growth and dynamism of the Chinese economy. There must be some principles of good government that China has developed".

That is just a steaming pile of dung. If the author is not hopelessly ignorant, then he is lying right through he teeth.

jkf Felix 06:23 20 Mar 11

It is a well established psychological fact that, when confronted with evidence to disprove the bases for deeply held beliefs, almost all people will simply find or invent new rationales rather than abandon those beliefs. Hence the sustaining power of Reaganism. While many things in China and other East Asian countries are still below American standards and many more are totally different because of different cultural standards, no reasonably well informed person can doubt the truth of this article's assertions that life in these countries has improved dramatically over the last 30 years for every class of their society. Yes, they still have a long way to go in some areas, but they seem to be moving in the right direction. Unfortunately, just the opposite has occurred in the US and the downslide continues propelled in large part by this Reaganesque ideology.