

RISK AND THE STATE

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How Economics and Neuroscience Shape
Political Legitimacy to Address Geopolitical,
Environmental, and Health Risks
for Sustainable Governance

Phillip G. LeBel, Ph.D.



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*Risk and the State:
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Environmental, and Health Risks for Sustainable Governance*

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*For
Natasha, Melissa, Ethan, Aurelia,
and
Laurence*

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The January 6, 2021 insurrectionist attack on the Capitol in Washington, D.C. by extremists seeking to overturn the results of the November 3, 2020 Presidential election serves as a reminder that democracy cannot be taken for granted. To maintain a durable democracy, we need not just transparent and inclusive institutions, but also a clear foundation on which principles of state and market relations can be sustained. Inasmuch as the U.S. Constitution set forth remarkable checks and balances, maintaining a democratic rule of law resides on a common understanding of the values by which we choose to live.

The ideas expressed here represent a distillation of a career in teaching, research, and consulting. With an initial focus on economics, my horizon expanded with the insights afforded by neuroscience as I tackled some classic questions in political economy. How we view and respond to various types of risk, and the mechanisms that drive our responses is how I have come to revisit the notion of political legitimacy.

I owe a debt of gratitude to students who in the first instance were engaged in these ideas. In addition, I have had numerous conversations with colleagues and friends over the years and whose ideas have helped me to refine how the various themes are interrelated. Among those who have either read or shared ideas as this project has evolved, I am pleased to acknowledge insights from: Dula Abdu, Tekie Alemu, Hubert Basehart, François Boye, Daniel Caraco, Magatte Diop, Harold Flint, Lawrence

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PREFACE

The theme of political legitimacy today is a subject of increasing interest by specialists in many countries. Research points to a number of unresolved issues that are evolving in a world in constant evolution for which the future is difficult to discern in an unequivocal and clear pattern.

Geopolitical analysis, which encompasses the question of political legitimacy, is drawing interest not just of economists, but also specialists in public international law and those involved in international business. We all face decisions that to varying degrees must be made on the basis of accurate and realistic forecasts, and in the presence of risk and uncertainty. Such forecasts must take into account the status of international relations involving both home-based norms as well as those of their international partners with whom trade and investment decisions are based.

As globalization expands the importance of international trade and investment, not only is there the need for local legislative conformity, but also whether such agreements reinforce or undermine domestic standards of governance. China's experience is instructive. Once an essentially closed communist regime, it began to open its borders to trade under Deng Xiaoping, and set in motion a path of rapid economic growth. While many thought economic prosperity would bring forth a genuinely open trading system and democratic reforms, this has not been the case. China's current mercantile practices seek to limit imports while promoting exports and

imposing technology sharing agreements for those wishing to do business in the country.

In this context, the topic of political legitimacy, well formulated by Professor LeBel, can henceforth best be understood in reference to international economic relations. It is relevant, when in a world that sometimes remains mute, decisions by one country to address economic, social, political, and recently health crises inevitably affects the governance of other economies, whether they be client or exporting partners.

The evolution of global trading blocs today affects more countries than those making key governance decisions. Another example is the UK decision to pursue a Brexit strategy of withdrawing from the European Union. It affects not just the UK but the whole of the EU, and in which trade and investment may revert to historically more closed patterns of the past. It also is pertinent when one contemplates the outcome of the U.S. presidential election in terms of its relations with other major trading partners, with attendant consequences on Sino-global, East European, Latin American, and African relations as well.

Professor LeBel's approach to political legitimacy proceeds in the first instance on the basis of rationality in decision-making. He does so first in a world of perfect information, and then in the presence of risk and uncertainty. As such, he examines the key economic functions of the public sector as they pertain to the allocation and distribution of resources. These functions are equally relevant not just to satisfy a domestic norm but also at an international level.

The historical approach that the author uses clarifies across different time periods the extent to which the economic development of a country is linked to a particular conception of progress. Whether looking at Christopher Columbus or a post-colonial regime, differing notions of legitimacy are seen through differences in historical experience over time. The evolution of differing conceptions of international relations has affected the nature of enterprise organization as well as the various economic

functions of the state. What provides continuity is the underlying notion of how to achieve both good political and economic governance.

In examining varying notions of political legitimacy, the author looks at contemporary relations as to whether a more, or less, intrusive form of government best serves the economic and social needs of society. Thus, in a world of increasing socio-economic interdependence, to what extent does a Chinese authoritarian, or a mixed European, or free market American system provides the optimal path of sustainable growth and governance. This is particularly relevant when taking into consideration income inequality, global warming, or the current COVID-19 pandemic.

As to whether one system of governance or another provides the best answer depends on the institutional legacy of a region as well as to whether a measure of global convergence and cooperation can best serve the world community. Professor LeBel's book is an important contribution in addressing the enduring question of political legitimacy as we look to the future.

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CHAPTER ONE

POLITICAL LEGITIMACY ON TRIAL

Why Political Legitimacy

Political legitimacy is a set of rules and conventions by which a population chooses or accepts to be governed. It differs from military conflicts where the setting of geographic boundaries is often decided. In the West, by which we can think of Western European nations and those in North America for the most part, political legitimacy has come to mean the emergence of democratically elected governments in which sovereignty vested in the population determines who shall govern. This said, it also in the West that political legitimacy is now on trial.

Democracy is often thought to be the logical successor to oligarchies and dictatorships. That notion, a product of the 18th century European Enlightenment, runs counter to historical experience. Ancient Greece and Rome each went through a period of republican government, only to fall to civil unrest and the emergence of dictatorships. France toppled its absolutist monarchy in 1789, and then went through a wave of regimes before settling on a more democratic system in the 20th century. The Weimar Republic, founded after the end of World War I, eventually succumbed to the rise of Nazi Germany under Adolf Hitler. What numerous examples point to

is a simple observation: Democracy cannot be taken for granted, nor is it universally recognized as a superior form of government. The question is why should this be so and is it the foreordained path to the future?

The Enigma of Economic Prosperity and Political Nationalism

We live in an age of economic prosperity amidst rising protectionist nationalism. How can we explain the contradiction of growing economic prosperity alongside nationalist movements? Four considerations may help in understanding the nationalist reaction to globalization, even if they do not provide a ready justification nor a solution. They are: 1. The geographical and structural contours of states; 2. Rising economic inequality in an age of prosperity; 3. The gathering and dissemination of information relevant to decision-making; and 4. Perceptions of risk that shape the economic functions of the public sector. These considerations can be understood by looking first at the current state of governance in various regions.

It is paradoxical that authoritarian nationalist regimes should arise at a time when globalization has produced unparalleled increases in income and wealth. Real per capita incomes have grown substantially over the past 70 years with global life expectancy reaching never before attained levels.¹ Much of this wealth creation is a result of pro-growth and market-based policies through which international trade and investment have played a key role. Why, then, should we see the rise of nationalist authoritarian regimes at a time of economic prosperity?

One key to understanding the paradox of authoritarian nationalism amidst economic prosperity is in terms of how national identity and geographic frontiers are redefined through globalization. Borders of traditional nation-states coalesced historically along lines of ethnic, religious, or language and cultural traditions. In many cases, they emerged from empires founded in previous centuries in which conformity with narrow lines of identity often were less important than the commercial prosperity that an

imperial regime used to justify its existence. In Europe, the British, French, Russian, and Ottoman empires were carved out of the conquest of trading routes, and then fell apart following the destruction wrought by World Wars I and II. What can be said is that the stronger the geographic border, the narrower is the definition of sovereignty, and thus, the narrower will be the range of civil and political rights for residents within such a country.

In the West, it was long thought that rising economic prosperity through multilateral trade and investment agreements would lead to the emergence of electoral democracy in authoritarian countries. This was clearly the case that emerged from the Second World War in which democratic governments took on and won against authoritarian regimes in Germany, Japan, and Italy. Those same democratic governments also embarked on a reconstruction of the global economy through a series of international agreements in support of international trade and investment, along with the creation of international security institutions to promote such cooperation. It was a remarkable transformation that, with some exceptions, produced both economic prosperity and the expansion of more inclusive democratic institutions.

Following the end of the Second World War, reconstruction in Europe first placed emphasis on the building of institutions that could provide a basis for sustained economic prosperity. On April 3, 1948, U.S. President Harry S. Truman signed the Economic Recovery Act, and which became known as the Marshall Plan, after the then U.S. Secretary of State George C. Marshall. It was a signal event that helped shape the future of Europe.

Under the Marshall Plan, the United States provided over U.S. \$12 billion dollars in low cost loans and grants to West European countries, equivalent to almost \$100 billion in 2018 dollars. This initiative was driven in part by the unfolding Cold War, which was first characterized by former British Prime Minister Winston Churchill as an Iron Curtain between Stalin's Soviet Russian occupation of Eastern Europe and the Allied countries in the West.²

George F. Kennan, Deputy Chief of the United States to the USSR from 1944 to 1946, wrote an article in *Foreign Affairs* in 1947 under the