

State Priorities, Not State “Capacity”

In the last few years, social scientists have started heavily appealing to “state capacity” to explain the wealth of nations. Why do some countries prosper? Because they have great state capacity. Why do others flounder? Because they have crummy state capacity. What do floundering countries need to do in order to prosper? Build state capacity, naturally.

Many of these same social scientists see the coronavirus as a great vindication of their research. Which countries are coping well with coronavirus? The ones with great state capacity. Which countries have been devastated? The ones that lack state capacity. How can we resolve our current crisis? Again, build state capacity.

Two years ago, I heavily criticized the state capacity fad. Weak and question-begging empirics aside, the whole literature is conceptually confused. But the current crisis has convinced me that I’ve been overly generous. How so? Because the coronavirus crisis plainly shows that Western democracies have *overwhelming* state capacity. Check out the muscles on these governments! They haven’t just effortlessly raised and spent trillions of dollars. They handily shut down their entire “non-essential” economies. In a matter of weeks, they casually disemployed many tens of millions of workers, shuttered millions of businesses, and virtually sealed their borders to trade as well as travel. After this staggering exercise of power, I don’t see how you can fairly attribute *any* shortcoming of these governments before the crisis on lack of state capacity. The sheer capacity of these states beggars belief.

Why, then, do most of the Western democracies seem to be doing such an incompetent job? Perhaps most egregiously, the U.S. federal government spent over two trillion dollars on relief, but next to *nothing* on testing or research. As Alex Tabarrok summarizes:

We would also save medical costs by suppressing the virus. (The focus on ventilators has perhaps been overdone given that ventilators in no way guarantee survival-better to stop people needing ventilators.) We would also save lives. Thus, a program of mass testing seems like a no-brainer. Yet, there is no direct funding for anything like this in the \$2.2 trillion CARES bill which is stunning. Here’s Austan Goolsbee:

We literally put in a tax break for retailers and restaurants to expand their capacity but not money

for production of more COVID tests.

Here's Paul Romer:

We have an economic crisis because it is not safe for people to work or consume. Our Congress just passed a bill that will spend \$2.2 trillion to deal with the crisis. Can anyone identify any spending in this bill devoted to making it safe for people to work and consume?

What's going wrong? Simple: Despite fantastic *state capacity*, the U.S. government has absurd *state priorities*! Instead of squandering trillions on poorly-targeted relief, the U.S. government could have spent a few hundred billion on testing and vaccine research. Better yet, it could have offered hundreds of billions in prizes for progress in these areas – prizes open to anyone on Earth to win.

So why didn't this happen? Simple: Because the people in charge in virtually every country are irresponsible, disorganized, innumerate, impulsive, and emotional. Blaming their failures on "lack of state capacity" is like blaming Bill Cosby's imprisonment on "lack of financial capacity." Cosby's in jail because he's a serial rapist, not because he lacked the money to hire a good lawyer. When your resources are superabundant, the top remaining explanation for failure is your own terrible choices.

My point: As a matter of logic, success and failure depend on *two* factors.

Factor #1: The total resources you possess – your "capacity."

Factor #2: How you choose to *use* those resources – your "priorities."

Isn't this obvious? It is to me. But I don't think I've ever heard a fan of state capacity research acknowledge this obvious point, much less try to fairly adjudicate it. I don't think I've ever heard such a fan say, "You could say that some governments fail because they squander resources that are more than sufficient to handle their problems. But using our new measure of squandering..." I don't think I've ever heard such a fan say, "You could say that some governments would succeed if they simply revised their priorities. But using a new data set on priority revision..." I'm tempted to say that appeals to state capacity are

tautological, but even the tautologies are half-baked.

The underlying confusion: When a person *doesn't* do X, we often casually announce, "He *can't* do X." That, my friends, is a total leap of logic. Yes, perhaps the person in question genuinely can't do X. On the other hand, maybe he's simply made X a low priority. The only way to really know is to see what happens when the person in question unambiguously makes X his absolute priority. In slogan form: "Can't implies won't. Won't does not imply can't."

The same goes for organizations, including governments. The Soviet Union failed to grow enough food to feed its people. That does not imply, however, that the Soviet Union lacked the capacity to do so. The real story, in fact, is that the Soviet government doggedly prioritized military might over civilian diet.

So what? At minimum, we need to audit the entire state capacity literature. To what extent can the problems it attributes to "state capacity" instead be assigned to "state priorities"? Unless we miraculously discover that capacity, not priorities, explains 100% of all sub-perfect government performance, the next step is to dial-down the multitudinous simplistic pleas for "increasing state capacity" – and replace them with pleas for *better state priorities*. Instead of pretending that the coronavirus crisis somehow confirms everything they've been claiming, this is a time for the fans of state capacity to engage in poignant soul-searching. Western democracies have decisively displayed their gargantuan capacity. But what good is gargantuan capacity in the hands of short-sighted, power-hungry demagogues?

There's a great scene in *Kill Bill* where Vernita Green tells the Bride: "That's being more rational than Bill led me to believe you were capable of." And the Bride responds, "It's mercy, compassion, and forgiveness I lack; not rationality." Next time a researcher sees poor government performance and blames "lack of state capacity," tell them, "Perhaps it's good priorities it lacks, not capacity."

Then tell me how they respond, because I'd really like to know.