

The Last Empires

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Governing Ourselves, Our Nations,
and Our World

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To Sally, Georgia, and Kieran

Preface

This book was, in part, born of roughly 40-plus years' experience working on public financial management (PFM) technical assistance, aimed at strengthening government policy and decision-making in a wide range of countries. Starting with seven years in Papua New Guinea from 1972, I went on to work in several other countries in the Pacific, Africa, the Middle East and the Caribbean. Then, in Washington, DC, I continued with the Fiscal Affairs Department of the IMF, in a broader range of countries, including a number emerging from Soviet rule, and latterly in consultancies with the World Bank. The experience has been enlightening and rewarding, confirming the sense that people throughout the world, even in radically different cultures, have quite similar broad hopes and concerns for their governance and development. Ultimately though, the picture I have come away with has been deeply disappointing: governments, particularly in the less developed world, have failed—and continue to fail—nationally and globally to meet standards of equitable development and to ensure social stability. Governance in developing countries as well as development potential in them continues to be damaged in many ways by the encounters these nations have with advanced civilizations and

their conflicts. But, even advanced industrialized countries now seem to be failing to cope adequately with the governance pressures emerging in the twenty-first century.

Personal reactions to the current situation, however closely held, must of course consider the broader experience of society. For many in the post-WW2 generations, the dominant themes of societal development in the previous century were those of rapid economic expansion and growing social support. But the century was also scarred by economic depression, violent ideological rivalry and brutal, massively destructive warfare. The Industrial Revolution of the eighteenth to the nineteenth centuries and the emergence of cheap energy created huge commercial and industrial wealth in the nineteenth and twentieth centuries, but it also saw parallel growth of European fiscal military states and the two World Wars. Mid-century saw the defeat of Nazism, the late 1980s the fall of Soviet communism. The so-called Washington Consensus on global macroeconomic management and of neoliberal, market-fundamentalist management of government that emerged in the West after the Cold War seemed to auger well for future world prosperity and cooperative responses to periodic crises.

That promise was not to last. The fall of the Soviet Union was briefly celebrated, triumphally as ‘the end of history’ by Francis Fukuyama in 1992; up to 2007 market forces, aside from demonstrating superior production and armaments potential, appeared to be providing the kind and pace of development that could raise living standards in all nations. The rapid transformation of China seemed also to bear out the power of markets (albeit controlled), but it posed a new threat of potential hegemonic conflict. The global financial crisis (GFC) of 2008 and its continuing aftermath, together with faltering European unity, continuing conflict in the Middle East, and failure of global management of the environment and natural resources, forced a fundamental rethink of many of these early conclusions.

Society’s problems go well beyond economics or any other social theory’s power of explanation. Economics more than rival social disciplines has vigorously peddled its capacity for ‘scientific modelling’ of economic reality, with some implication that economic growth provided

a pathway to more general social well-being. Many prominent economists continue to contribute important ideas on causes and potential ways to revive global economic growth and stability, and indeed to contribute to greater equality. But, the profession's general reputation has been diminished by its general failure either to predict the GFC or to agree on management of recovery from it. Political decisions and public support for these decisions now seem to be driven more by populism and ideological belief than by considered professional and democratic debate. Quality policy debate continues in some sectors of the old and new media, but ideology continues to play a strong role in much of the traditional media; in the social media, volume seems to matter more than content.

Economics still of course plays an important role in addressing our current policy dilemmas, and national and global economic stability and growth remain as central aims of society. However, economics itself has some well-known weaknesses, and much more attention must be paid to these. First, the more practical strands of the profession—PFM, accounting and government finance statistics—must be strengthened. Good economic theory depends critically on accurate definition and measurement of society's main variables and targets as well as genuine accountability for achieving those targets. For too long, economic value has been measured primarily in commercial terms, and the value of government and its processes in producing social goods have lain outside the social worth equation, measured only at cost. Second, economics itself cannot define properly all aspects of social development; other socially oriented disciplines including political science, history, sociology, anthropology and neuroscience are now recognized as providing vital insights into important aspects of social and commercial relationships. The way we measure social worth must be strengthened to look beyond both commerce and narrowly focused economics.

Social science, and indeed economics, is moving in this direction. Critical weaknesses in traditional socio-economic theory are now generally acknowledged. These include: (i) structural weaknesses in economic equilibrium theory, including the need to reflect realistic behavioural assumptions; (ii) the importance of institutions (the 'rules of the game'); (iii) that GDP

is neither the best measure of social welfare nor necessarily a sufficiently reliable basis for testing hypotheses of social causality; and (iv) that social policies must give greater recognition to the importance of tackling economic and social inequality. Behavioural science has become increasingly important; its evidence suggests that the ‘rational economic man underlying economic theory’ assumption needs to be reconsidered. Daniel Kahneman, Aaron Tversky and others have shown that ‘fast thinking’—the use of rules of thumb over informed deliberative discourse—tends to dominate many individual and social decisions but often leads to faulty judgements.

Social media, public polling and plebiscites on major political issues, moreover, seem to be magnifying rather than tempering this tendency. Political developments like the election of Donald Trump to the US presidency and the UK’s vote to leave the European Union raise major questions both about emerging fragmentation in national and global society and the validity of long-accepted processes in modern liberal democracies. Trends in globalization of economic activity, urbanization and increasing inequality among social groupings are posing new challenges that our legacy institutions are not well equipped to handle.

Social discourse, if it is to be constructive, cannot continue to rely on limited models of social transactions; all forces, established or emergent, that bear on political decisions—and society’s consideration and acceptance of these decisions—should be subject to deep analytical and political review, and these deliberations should be communicated clearly to the public. The complexity of these processes and full engagement with all of society’s issues are massive challenges, but they are ones which can no longer be avoided.

Much of my analysis of the current basis of social policy formulation is based significantly on the work of the French intellectual and philosopher Michel Foucault, who died in 1984, just at the beginning of Reagan/Thatcher neoliberal-inspired political ascendancy in Western countries. Many changes have occurred in our understanding of social and political relations since then, but Foucault’s work on the scientificity of social investigation and the epistemic mechanisms that determine social ‘truth’ remain landmark insights that should be more firmly embodied in modern social theory and political thinking. While these views have had little

currency in practical economics or social policy over the last 30 or so years, their relevance to our rapidly changing modern world is becoming increasingly apparent.

Foucault aimed to explain how government of self and society must balance the basic social forces of state sovereignty, government surveillance and control of its institutions, and opportunities for free expression by individuals to state power. He traced the changing balance of these mechanisms through history: sovereignty's journey from the tyranny of antiquity to Greek city-states, through Roman and post-Roman rule, to modern sovereignty of the middle class; surveillance and control from its initial formalization in Bentham's eighteenth century panopticon design for prison surveillance to application of panoptic principles in modern institutions; and ordinary citizens' link to power, as articulated in the Athenian notion of *parrhesia*, which described the right, standing and courage of a free citizen to speak to power.

Latterly, Foucault used the term 'biopolitics' to capture the nature of interaction among these basic social forces. In the 1978–79 lecture series *The Birth of Biopolitics*, where he introduced that term into his work, he deliberated as to whether neoliberal economics, particularly as advocated by Gary Becker, may offer a mechanism to replace traditional sovereignty and guide society towards its goal of self-government. At the end of those lectures, however, he concluded quite strongly that what we now define as neoliberal economics could not by itself offer such a mechanism. The overall body of his work provides a rich though complex analysis of the way biopolitical forces have operated over the millennia and given rise to social change and competing ideological claims. While drawn initially to the application of the 'scientific' methodology of the phenomenologists to social philosophy and science, he found the approach inadequate to explain the evolution of social governance. His work remained incomplete, but his rejection of structuralist, quasi-scientific modelling of social development bears directly on the current crisis of validation in social disciplines; all dimensions, scientific, social, ethical and political, must be given due weight in recognizing social truth.

A central message from Foucault's work is that social change results from the people's assent to well-reasoned public policy; its truthfulness must be judged on the merits of the policies and forces that led to such

change. Lack of challengeable and challenged reasoning, or public assent based on spurious reasoning, are fundamental failures of governance. When failure occurs at potentially catastrophic levels, recovery is both extremely difficult and highly uncertain. The fundamental Nietzschean/Foucauldian proposition is that a broad society *can* rise to these challenges and establish a will to social knowledge and power. We appear, however, once again to face the possibility of catastrophic failure in critical areas of our miraculous heritage of knowledge of the physical world and ourselves. Can we face these challenges? This book does not attempt to predict that outcome, but it offers a range of suggestions on how we can improve both our measurement of outcomes and rewrite our inherited rules to increase the chances of balanced social discourse and hence human progress to the next stage of societal development. I apply both Foucauldian theory and modern social science thinking to these questions and propose a way of thinking in a collective environment to work towards global prosperity and harmonious development. The introductory section that follows briefly describes the book's structure and major themes.

Notes

1. The time spent in PNG was a formative experience. I was part of a very solid effort by the Australian Government then administering the Territory of Papua and New Guinea (which became Papua New Guinea (PNG) in 1972 with its own Assembly under then Chief Minister Michael Somare) through its transition first to self-government (1973) and then to independence in 1975. The key initiative during that time was to establish a disciplined planning and budgeting system (termed the National Public Expenditure Plan) that required a clear macroeconomic perspective on expenditure, revenue and borrowing trends and disciplined, cabinet-controlled setting of priorities for expenditure. It worked reasonably well but was dependent on Australian budget support. However, a few years after PNG gained its independence, Australia switched to a system of project support that relied on donor oversight rather than national government discipline. A consequence of the change was that PNG no longer had responsibility for results accountability, and national oversight and control of its budget and accounting system was greatly diminished. It

became accountable to donor governments. International and bilateral agencies have continued to follow this pattern, and it has only been questioned as a basis for reform under the Paris Declaration for Aid Effectiveness (discussed later). The original PNG model seemed appropriate for its circumstances and for forging an accountable government, and much of the subsequent developments in PNG I believe are attributable to the poor fostering of national accountability for budgeting and fiscal policy. An account of that early experience was given in Allan and Hinchliffe (1982).

2. The term *neoliberal* is used frequently throughout. Like most ideological descriptions, it covers a range of views that have changed over time, but like all ideologies, presents an explanation of social development that can be used to direct a group, a nation or all of society towards objectives shared by a powerful group—or one aspiring to power. The fundamental ideas of neoliberalism (often associated with the work of Friedrich von Hayek and with the Mont Pelerin Society as discussed in Chap. 1) are that free markets, guided minimally by government, will lead to prosperity for all; and the alternative, state planning, will lead to totalitarian state control and inefficiency. These ideas have taken strong root mainly in the United States (where the term is little used because ‘liberal’ has become associated with socialism); there and elsewhere ‘neoliberalism’ is particularly associated with low-tax, small government reforms implemented by Thatcher in the UK, and, at least rhetorically, in the US under Reagan, and then, as described in Chap. 3, taken up most vigorously by the Bush–Cheney administration and the Greenspan Federal Reserve.
3. Foucault himself rejected much of the labelling of contemporary philosophical schools as ‘structuralist’, ‘post-modern’, etc. (See Schrift [2006] and Foucault/Rabinow [1997b], Vol. 2, pp. 433–458. My use of the term ‘structural’ throughout is more general: I apply it to all approaches that apply simple modelling of social disciplines along the lines of the physical sciences. Such approaches are not of themselves invalid, but their potential for erroneous interpretation with regard to social and political action is magnified by their limited vision. I believe this interpretation is consistent with Foucault’s own description of the evolution of his approach in response to philosophy’s move towards ‘objectification’ of the ‘subject’, or humankind investigating its own realities (see Foucault/Rabinow 1997b, Vol. 2, *Foucault*, pp. 459–463).

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Introduction and Outline of the Approach

The book is organized into three parts. Part I, in two chapters, first reviews key elements of Foucault's wide-ranging work and its links to and importance for modern social and economic theory. Second, it applies a broadly Foucauldian perspective to review the major shifts in global power and resulting government and social development from the late nineteenth century to the present. This section both sets the broad analytical framework and presents the main challenges we face in this and coming centuries.

Part II describes key practical areas of governance that must be tackled individually, nationally and globally in the immediate future if society is to succeed in eventually governing the world with some assurance of reasonable prosperity and security for all. The section has four chapters covering the following topics: (i) Re-establishing global macro-economic management and social accountability; (ii) measuring social well-being more accurately and fairly in relation to all forms of capital used by enterprise and government—covering environmental and human capital as well as traditional forms of financial capital; (iii) tackling the issues of growing inequality both within countries and between the industrialized and developing economies; and (iv) managing the environment and specifically and urgently tackling global warming nationally and globally.

Part III, in two concluding chapters, looks first at the institutional framework—or the rules of the game—that ultimately determine the possibility of major governance reforms being undertaken successfully. The final chapter completes the circle by bringing all the proposals back to the Foucauldian/ Nietzschean question of whether society can acquire the will to power and knowledge to address them. It proposes a broad socio-philosophical model as a template to test progress in this direction.

Part I

Chapter 1 outlines Foucault's interpretation of the way in which philosophy and the emergence of scientific and political ideas has contributed to the evolution of government practice. He developed an analytical historical overview of the way in which power and ideas interact to establish social institutions, particularly focusing on the 'classical' period of the seventeenth and eighteenth centuries, when, he argued, recognition of major discontinuities began to replace the then-prevalent view of a continuing linear growth of knowledge. He linked his and our personal and tribal predicaments to the biological factors that shape them, arguing along Nietzschean lines that we should create the will and the mechanisms of social discourse that would allow us to govern ourselves and others. The chapter briefly describes the main elements of his methodology: (i) an 'archaeological' review of social disciplines, and (ii) 'genealogical' analyses of interactions among disciplines. Both are set within the social power and disciplinary framework of the period being analyzed.

Foucault's archaeology defined truth not simply in terms of the growth of ideas and their verification: truth must engage with power and across social disciplines, and 'truth' in this sense is a social construct. He preferred the term *veridiction* to describe the process of social acceptance and defined the emergence of social truth in terms of *epistemes*, units of social knowledge that emerged in successive eras. An episteme, however, was but a stage on the way to truth. His genealogical studies concluded that interaction between separately rational disciplines in an epistemic period often led to socially negative results. While for a time he considered that neoliberal

economic theory may offer a rational framework for linking power to ideas and balancing individual aims and social goals, he ultimately rejected that idea as inadequate. Modern developments in social theory and practice are beginning to show the possibilities of an approach to social decision-making that meets some of Foucault's requirements. These are considered in Parts II and III.

Chapter 2, applying this perspective, begins by outlining the major shifts in power and prosperity that occurred over the past two millennia as measured by economic and military dominance. It stresses the complementarity of commercial and fiscal growth with military power. This cohesion eventually led in Foucault's 'classical' period to strong competitive fiscal military states in Europe that fed hegemonic and ideological competition. These developments in turn led to hubristic imperial expansion, colonization of marginal states, two World Wars and the Cold War.

Many of the imbalances we now face, the chapter argues, are a result of biopolitical imbalances that emerged in the twentieth century. The politics and power shifts of the time failed either to balance national sovereignty and global interests or to address the self-governance needs of colonial and other territories marginalized by European conflict. The consequences of these failures need to be faced soon, and the chapter identifies major areas where reform appears most urgent. Possible pathways to reform key areas are considered in detail in the four chapters of Part II.

Part II

At the beginning of the section, Chap. 3 focuses on the shift in the last part of the twentieth century towards neoliberal (or, as characterized by Kaletsky, 'market fundamentalism') ideology as the dominant political belief in Western economies, led by the United States. Neoliberalism was seen by many prominent economists as a logical development of economic theory. To be sure, it appears positive and more benign than ideologies of past centuries, most obviously last century's Nazism and Lenin–Stalinist communism. The defeat of Nazism and Stalinism by the combined productive and military capacity of liberal market economies provided persuasive evidence of the power of free market organization in

democracies. In recent times, however, the argument of fundamental market superiority has been applied relentlessly to the very different post-WW2 context of the expansion of the welfare state in many Western countries.

Few, even in formerly state-planned economies, now doubt the importance of markets, and there are many genuine concerns with the nature and efficiency of much government intervention. The chapter argues, however, that neoliberal calls for small government as a secular need and fiscal austerity as the primary response to instability resulting from the GFC are simply not justified by economic theory or practice. Many of the factors ordering our present global responses have little to do with economic theory differences and much more to do with the way economics has interacted with politics, the press and public opinion. Moreover, many major weaknesses arise from the dominance of market values and private influences in government decisions. A better government rather than a smaller government is necessary to address these issues properly.

The chapter reviews the biopolitical forces that have interacted to create our present ideological and policy impasse. It discusses in turn: the politicization of popularized economic theory; development of a coalition of powerful elements of the traditional media and neoliberal and neoconservative politicians; and political and economic hubris in the so-called platinum age from 1986 to the great crash of 2008. Because of these factors, the role of economists and government policy specialists was greatly diminished while neoliberal political power massively increased in the build-up to the 2008 crash. Weaknesses in economic and social theory are being recognized, but the shift towards more direct political control and the declaration that reducing the size of government is a self-justifying goal negate efforts to improve government efficiency and effectiveness. The latter question raises the issue of the way in which our present system of valuing production treats government outputs and outcomes relative to those of commercial enterprise. Chapter 4 takes up these points and those of valuing the external benefits and costs that arise from commercial activity.

Gross domestic product (GDP) emerged in the twentieth century as the primary measure of an economy's well-being; it now dominates discussion of global progress and the relative strength of nations, regions

and sub-regions; yet, its faults are widely recognized. Chapter 4 characterizes as both inaccurate and unfair GDP's exclusion of non-commercial dimensions of well-being. While the need for reform of GDP measurement is well established, actions to this end have so far been partial and inadequate; reform of such a basic and powerful measure of economic and social activity will necessarily be a very long-term process. However, some basic principles of accounting are being established that go beyond the use of traditional forms of financial accounting and reporting. The concept of *integrated reporting*, denoted throughout the book as <IR>, introduced recently by the International Integrated Reporting Council (IIRC), is based on the perception that all entities—government and private—have responsibilities for managing all forms of capital that enter their value creation (or diminution) processes. Environmental and human capital in particular, the IIRC argues, are key forms of capital that should be integrated into the business processes, accounting and reporting of all entities. This concept has far-reaching implications for reform of government and enterprise activity, particularly in relation to transparency and risk management practices. Already, as described in Chap. 4, an accounting revolution is underway in government: <IR> is a critically important new element that in the long run should transform the estimation of GDP and its incorporation into national and global policies on social development. The chapter outlines a phased program of accounting and analytical reporting that should help unify and strengthen the many strands of PFM reform now underway.

Chapter 5 addresses a second major weakness of traditional economic policy, but particularly of neoliberal influenced economics: the continuing neglect of questions of equitable economic distribution. These issues have by no means been neglected in the literature, with distinguished contributions from John Rawls and Amartya Sen, as well as Jürgen Habermas, Joseph Stiglitz, Paul Krugman and Thomas Piketty. The chapter argues that equality measures within and between countries should be given as much prominence as GDP growth rates, annual and medium-term budget presentations and global reviews by international organizations. While many agree with the necessity of addressing global and national inequality, major institutional reforms will be necessary to

move forward on this goal. These institutional questions are taken up again in Chap. 7.

The second part of Chap. 5 focuses particularly on inequality among nations and the plight of deeply underprivileged countries, the effectiveness of aid, and the role of governance in ensuring sustainable improvements to government of developing countries. It argues that failure of development aid arises from too much attention being paid to universal (but underfunded and highly bureaucratic) technocratic solutions to social and economic problems, too little to establishing appropriate government institutions and governance rules at each level of government in each country. The driving aim of aid for less developed countries and regions should be to enable sustainable solutions to be developed as an integral responsibility of government at each level. Sustainable development administration depends on good government at national and local levels to ensure that available technology is applied effectively and sustainably, not on donor-led support for externally identified priorities. Continuing UN-led external technical intervention remains important, but it has had limited success, not because it is not concerned with improving development outcomes but because it has focused too little on ensuring that governments are committed to sustainable solutions for their own people. Implementation of modern technology combined with application of international standards of PFM practice (embodying modern accounting standards and practices, as advocated in Chap. 4) can do much to strengthen governance in developing and emerging market countries, and this includes better management of their natural resources.

Chapter 6 tackles the issue of global warming and the formidable political difficulties that continue to be experienced in establishing an effective global program to reduce greenhouse gas emissions. Climate science has established greenhouse gases (GHGs) and the greenhouse mechanism of global warming as the best explanation for potentially catastrophic rising global temperatures due to human activity. But national and global governance of this enormous challenge, its objective measurement, and any discussion of the potentially catastrophic effects on the environment and vulnerable peoples come up against tough political resistance driven by powerful interests vested in the fossil fuel industry. The chapter reviews experience over the past two decades both globally and

nationally: Australia—and now the United States¹—provides a case example of the way in which intensely fought political factors can derail carefully designed and publicly supported climate action programs.

Guided by the United Nations, a massive effort has been made to establish a policy framework aiming to avoid the potentially catastrophic consequences of continuing present levels of greenhouse gas emissions. These efforts illustrate the complexities of political action to address global collective action issues, but they also demonstrate the worth, indeed the necessity, of the United Nations. Because of the work at the UN and by many scientific and environmental activist groups, support for a globally organized effort to meet an existential world threat was strongly confirmed at the Paris Agreement in 2015. However, high risks remain: firm national action by influential countries based on science and acceptance of responsibility for environmental and climate change impact by all government and corporate entities will be necessary to ensure that the Paris commitments are not only fulfilled but exceeded.

Part III

In the book's final part, Chapter 7 examines the fundamental role that institutions, or 'rules of the game', play in determining the possibilities of social reform along the lines suggested in Chaps. 3, 4, 5 and 6. The way individuals and groups act in practice within these rules is a critically important sub-theme. How are these rules set, how can they be changed and by whom, and how do they work in practice? Many of the advocated institutional requirements for successful development of nations, such as pluralism, ensuring property rights, establishing state monopoly over violence and unbiased observance of the 'rule of law', are highly general. Institutionalist theorists, it is argued, need both to define the present rules and proposals more clearly and to integrate work in various fields to define the tasks of institutional and behavioural theory. Overall, much more research is needed on the dimensions of the current rules and on the processes of reviewing these rules over time.

The institution of democracy itself requires a deeper understanding and strengthening; indeed, the term 'democracy' no longer appears a sufficient

description of a governance ideal. Our democratic institutions remain imperfect and themselves need to become more open to questioning and change. Democratic constitutions that have served well in the past cannot guarantee that the rules set, more than two centuries ago in the case of the US, will remain relevant to the national and global challenges of the future. The chapter covers a wide range of work that collectively is beginning to address these problems. John Keane has provided a better understanding of the evolution of democracy; he also points to major failings and pitfalls arising from its present form. Michael Coppedge and many others are undertaking a range of studies to define and measure different conceptions of democracy. These measures provide a better perspective on the nature of democratic progress and can be linked to continuing work on strengthening accountability and transparency across all types of governance regime.

Behavioural science is also playing an increasingly important role in shaping public policy in a way that is informed by empirical study rather than broad assumptions of rationality and the power of self-interest. The work of Daniel Kahneman, Aron Kversky and other neuroscientists, for instance, suggests the need to rethink the role of rational *homo economicus* as the normative standard for economic policy-making; actual individuals and social institutions tend to operate by rule of thumb (fast thinking), and their decisions are frequently at odds with those predicted by economic theory based on decision-makers' assumed careful weighing of lifetime costs and benefits (or slow thinking). More work on the dynamics of public opinion is also suggested; the contribution of John R. Zaller provides some valuable insights. These findings are congruent with a broader Foucauldian approach to social science; they also have important philosophical and social science implications, taken up in the final chapter of the book.

Achieving more coherence among social science disciplines and multi-lateral approaches to global governance will require fundamental change both within national borders and between nations, but such change cannot be imposed: in these modern—dangerous—times, we need to move away from the idea that a single nation can or should aim to establish a lasting imperium. The UN, however imperfect, represents the most significant existing framework for nation-states to address global issues and agree on action that benefits the global community. It has been

judged harshly so far, partly because of the difficulty of establishing a well-functioning international bureaucracy without authoritative political accountability. But the United Nations functions as a forum, not as a form of world government. Under these conditions, its achievements in establishing basic cosmopolitan values in the areas of human rights, treatment of refugees, the elements of international law and multilateral progress on global issues such as climate change and tackling extreme poverty and socio-economic underdevelopment are very impressive.

The world is not yet able to govern itself politically, and there should be no rush to move in this direction; hegemonic dominance does not provide a realistic long-term solution. All nations, including those with hegemonic ambitions, should understand the great significance of the UN institution and seek ways to finance its activities and create a solid accountability framework, particularly in the fields of global security, protection of civilians and support of improved governance in developing countries. The accounting and PFM revolution that is now underway, combined with a recognition that all nations—particularly the more powerful—must accept sovereign responsibility for their impact on global well-being, should foster an advancement towards this goal

Chapter 8 concludes the book by drawing together Foucauldian insights and emerging social theory to give an overview of the philosophical and social policy implications of the governance challenge that we face as individuals, national citizens and members of the global community. The way in which we understand ourselves and our place in the cosmos has changed and will change further. The philosopher and quantum physicist David Deutsch, in *The Beginning of Infinity*, has emphasized how much more we need to know and advocates the Popperian methodology of ‘conjecture and refutation’ as a basic way of continuing to expand our knowledge in all fields, not just in the physical sciences. Karl Popper was a major influence on economic thinking and embedding scientific method into economic theorizing, but the way we apply the criteria of the physical sciences to investigation of our own being and the nature of social truth should not be confused with the methodology applied to investigating the external physical universe. Foucault argues that only by understanding its own evolving nature through a process of ‘veridiction’ can society change itself, doing so through self-aware

biopolitical discourse. Social truth is not just a matter of understanding the physical evolution of our sentience, salience and sapience; it requires a coming to terms with our biological being and the ethical dimensions of social relations and development.

Deutsch and Popper are undoubtedly right in constantly seeking better explanations of phenomena through rigorous evidence-based testing of propositions and always admitting doubt and possible refutation of theories. But the physical and biological sciences themselves are insufficient to guide humanity to a just and prosperous future. Neither economics nor political ‘sciences’ yet provide satisfactory answers, nor should we have expected them to—any more than we expect a single religion, based on doctrinal belief, to provide a certain guide for all. The final chapter develops an illustrative model that shows the interactions among key forces that will determine our scientific, economic and socio-political futures. It combines a basic Deutschian/Popperian methodology, but applied to both physical and social epistemic problems as defined by Foucault (acknowledging Kuhnian paradigms and Dawkins’ memes). Much of the direction and pace of progress, however, is determined by the relative strengths of Kahneman’s ‘fast’, heuristic, belief-based thinking and ‘slow’, deliberative and critical assessment of evidence. This model provides no simple recipe to resolve the variety of problems described in the earlier chapters. It points, however, to the need to balance the demands of the Kahneman’s fast-thinking populist ‘social cauldron’ with deliberative slow-thinking, ‘ivory-tower’ review mechanisms. Zaller’s model of elitist and populist thinking provides a plausible explanation for this social dialogue.

Over-dependence on fast thinking either through the power of markets or populist belief seems certain to be a path to social stasis and decay. Resolution of the issues we face and cover in this book depend critically on deep analysis and critical examination of the processes of national and global governance. These depend in turn on the methods of conjecture and refutation that have worked well in the physical and biological sciences (or, for the social sciences, a more modest formulation of ‘explanation and reformulation’). The methods required in the social realm differ in some respects and are more complex, but the basic principles are very similar. Much of modern neoliberal and populist thinking is to the

effect that we do not need well-financed deliberative processes in government and all can be left to the market or to business-style deals. Current evidence strongly suggests otherwise. The question at the end of this book is the Foucauldian/Nietzschean one of whether society possesses or can acquire the will to power and knowledge needed to address our ever-evolving challenges. I hope the evidence will soon point to the affirmative.

Note

1. Soon after the 2017 G7 summit in Belgium, President Donald Trump announced that the U.S. would pull out of the college of participants in the Paris accord and void its commitments to curtailing global warming. The Epilogue of this book discusses this decision further.

Acknowledgements

This book has had a long gestation period, though most of the writing was done over the past two to three years. Many people contributed to the evolution of the ideas found here and in both recent and past writings. First, I owe a great deal to the many colleagues I worked with in Papua New Guinea (PNG) from 1972 to 1979. Andrew Elek, now a Research Fellow at the Crawford School of the Australian National University and expert in development and trade issues, is one of that group. Andrew and I, plus many others, worked closely on developing planning and budgeting systems for the then-recently formed PNG administration, through self-government to independence. We have kept in fairly close touch over the years. Andrew patiently responded to my communications and contributed comments and ideas to the many early drafts of this book, through to the present. Ross Garnaut, who headed the Financial and Economic Policy Division of the PNG Department of Finance in the mid-1970s and is now an eminent Professorial Research Fellow in Economics at the University of Melbourne, led much of the Australian effort to establish effective fiscal management in PNG. As a tyro economist I learned much from Ross during those early years. Because of his major and widely recognized contribution to formulating climate change policy in Australia, I consulted him on elements of the book, particularly on

Chap. 6. He drew my attention to several important details of climate policy development that I had missed. All of us have been disappointed in the way climate change policy has developed in Australia in recent years, and these views are reflected in Chap. 6.

After PNG, I worked as an IMF expert consultant in Fiji, Swaziland, Bahrain and The Bahamas for one- to two-year stints on fiscal management and budgeting issues. These assignments provided valuable experience in working closely with government officials in widely different cultures, giving me a broader appreciation of the importance of interaction between technically oriented officials and their political environment—and the need for sustained support. Our degree of success in influencing development of good fiscal management practices was, as I've noted, disappointing—none more so than Fiji, which from a well-established and functioning administration in the early 1980s has suffered a series of military coups that seriously slowed its then-promising progress.

Following these assignments, I joined the staff of the IMF Fiscal Affairs Department (FAD) at Economist level and worked there for 15 years. Working with the Fund's highly qualified staff and its effective administration taught me a great deal. FAD technical missions were then and continue to be intensive and challenging, and they involve detailed analysis and discussion with high-level national administrators and, often, finance ministers. Such missions appeared to me to be most effective when conversations with long-term resident experts were added to the planning; resource constraints and the drive for efficient use of headquarters and regional resources, however, have worked against such a scheme in recent years.

The highlight of this period for me, however, was the opportunity to work from 1998 onwards on the IMF Fiscal Transparency Code and the Manual on Fiscal Transparency and their subsequent implementation. This work was led by Richard Hemming, then an FAD Division Chief, who retired from the Fund as Deputy Director and is now a Visiting Professor at Duke University and advisor to the Bill and Melinda Gates Foundation. Under Richard's direction Murray Petrie, a New Zealand-based consultant, and I worked on developing both the Code and the Manual in consultation with other relevant organizations. George Kopits and Jon Craig, both of FAD, also provided important inputs to this work.

Subsequently, as head of a small Fiscal Transparency Unit within FAD, I coordinated efforts to promote the code and organize missions to member countries to assess performance against the Code and propose reform measures. I also led efforts to develop the IMF's initial *Guide on Resource Revenue Transparency* (2005) to help resource-rich countries apply the Code to their PFM practices. For a variety of reasons, as outlined in the book, efforts on fiscal transparency were discontinued for a time but have resumed and been strengthened in recent years.

As I emphasize in the book, accounting reforms are beginning to play an important role in establishing standards of accountability, transparency and risk management, and I've very much appreciated recent close technical discussion on these issues. Murray Petrie has continued to play a significant role in these areas through his association with GIFT, particularly on establishing common transparency norms and in promoting fiscal risk management practices. Chapter 4 of the book, which covers the area of measurement of social well-being—critical for social policy formulation as well as for transparency, accountability and risk management—has benefited greatly from inputs of key authorities involved in promoting public sector accounting standards. Comments made on earlier versions of that chapter by Ian Ball, formerly CEO of IFAC, now chair of the IFAC PSC that initiated the IPSAS program, Ian Carruthers, voluntary chair of the IIRC Working Group on <IR>, now Chair of IPSASB and CIPFA's Chair CIPFA Standards, and Murray Petrie have all been very helpful. They responded positively but gave sound, cautionary advice on the complexity of the accounting reforms underway and the limited skills available to move quickly forward in the <IR> area, particularly with respect to monetizing benefits. I've taken these comments on board while continuing to emphasize the need for a strengthened and more widely coordinated program. Jim Brumby, a former colleague in FAD, now Director, Public Sector and Institutions, Governance Global Practice in the World Bank, has also looked over this chapter, and, while considering the principles favourably, sees the need for more empirical work. I agree. As noted in the chapter, CIPFA/IIRC have undertaken several entity-level studies of <IR> implementation. Jane Baptist of the UK Crown Estate kindly provided more details of the

practical issues involved in including monetary estimates of environmental impact in its total contribution report.

Lessons learned in my work on institutional aspects of GIFMIS implementation, both while in the IMF and later with Bank teams as a consultant, were also important as I developed the overall framework. Throughout this aspect of my work, I have worked closely with Ali Hashim of the World Bank, now retired, and have gained greatly from his systems expertise. We both worked on GIFMIS in Pakistan and Ghana in teams led by Ismaila Ceesay, Lead Financial Management Specialist in the World Bank. Other team members and I learned a great deal in these projects about the interaction of political and administrative factors in implementing such systems—and about the necessarily long timeframe for implementation. Long-term commitment to these projects has often become a cause for doubt by the Bank and other supporting development partners. The necessity of long-term commitment and coordinated support for PFM reform and automated modern accounting systems for developing countries is emphasized in Chap. 5.

I allow that none of my colleagues have expressed significant support for my Foucauldian-based hypotheses of the nature of social truth and measurement of social value—though no one explicitly rejected it. To me it seems clear that the present measurements and decision-making are not working well for society, and the fragility of society and the biological factors that make it so, recognized by Foucault, seem equally evident. This book aims to present a case for recognizing and addressing society's structural weaknesses so others can consider and gather evidence either to develop further or reject. Modern social science appears to be moving in that direction; political forces less so. It is important we all recognize the nature of this challenge.

Finally, I'd like to acknowledge the constructive reaction of Palgrave to my initial draft proposal. Rachel Carson, my first contact, reacted positively to initial draft material that I submitted, and since then her successor Anna Reeve has been very helpful. I'd particularly like to thank Thomas Coughlan for guiding and encouraging me through the final stages of developing the manuscript.

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