The state is the most precious of human possessions,” the economist Alfred Marshall remarked in 1919, toward the end of his life, “and no care can be too great to be spent on enabling it to do its work in the best way.” For Marshall, one of the founders of modern economics and a mentor to John Maynard Keynes, this truth was self-evident. Marshall believed that the best way to solve the central paradox of capitalism — the existence of poverty among plenty — was to improve the quality of the state. And the best way to improve the quality of the state was to produce the best ideas. That is why Marshall read political theorists as well as economists, John Locke as well as Adam Smith, confident that studying politics might lead not only to a fuller understanding of the state but also to practical steps to improve governance.

In today’s established and emerging democracies, few people seem to share Marshall’s sentiment and regard government as precious. Fewer still care about the theory behind it. Many instead see government as the root of many of the problems that plague their societies and express their contempt in protest movements and elections that sometimes seem more antigovernment than pro-reform. In Brazil and Turkey in recent years, huge numbers of protesters have marched in the streets against the corruption and incompetence of their rulers. In Italy, since 2011, three prime ministers have found themselves defenestrated, and in last year’s national elections, voters awarded the largest share of votes to a party led by a former comedian. In May’s elections for the European Parliament, millions of British, Dutch, and French voters, frustrated with their countries’ political elites, chose to support right-wing nationalist parties — just as legions of Indian voters turned to Narendra Modi during elections this past spring. In November, Americans will trudge to the polls more full of anger than hope.
Much of this dissatisfaction is rooted in a despairing belief that when it comes to government, nothing is going to change. This cynicism has become commonplace -- and yet it is actually rather odd. It assumes that the public sector will remain immune from the technological advances and forces of globalization that have ripped apart the private sector. It also ignores the lessons of history: government -- and particularly Western government -- has changed dramatically over the past few centuries, usually because committed people possessed by big ideas have worked hard to change it.

It’s not only ordinary citizens in the democratic world who have lost sight of the fact that government can, in fact, change: their leaders have, as well. Somewhat ironically, these days it’s China’s authoritarian rulers, and not their Western counterparts, who are more likely to understand Marshall’s insights into the preciousness and malleability of the state. Chinese leaders study the great Western political theorists -- Alexis de Tocqueville is a particular favorite -- and their bureaucrats scour the world for the best ideas about governance. The Chinese, it seems, realize that government is the reason why the West has been so successful. Until the sixteenth century, China represented the most advanced civilization in the world; after that, the West pulled ahead, thanks in part to three (and a half) revolutions in government that leveraged the power of technology and the force of ideas. Now, a fourth revolution has begun, but it isn’t yet clear which countries will shape it and whether they will draw mostly from the ascendant tradition of Western liberal democracy or from newer forms of authoritarian rule that have emerged in recent decades.

The Chinese, it seems, realize that government is the reason why the West has been so successful.

YOU'RE GONNA NEED A BIGGER STATE

Providing a comprehensive account of the political development of Europe and North America would be a monumental undertaking; the historian Samuel Finer died before finishing his attempt, and the book he left behind, The History of Government From the Earliest Times, still runs to 1,701 pages. That said, one can briefly sketch out the three major developments that give the story its basic shape: the appearance of nation-states in the sixteenth and seventeenth centuries, which brought internal order and external competition to Europe; the liberal revolution of the late eighteenth and nineteenth centuries, which replaced patronage systems with meritocratic and often much smaller government; and the Fabian revolution in the early twentieth century, which created the modern welfare state. The return of market-oriented governance, embodied by British Prime Minister Margaret Thatcher and U.S. President Ronald Reagan, represents a smaller but equally significant shift -- something like a half revolution. Each one of these revolutions tried to answer a basic question: What is the state for? And the best way to understand each revolution is to examine the answers to that question formulated by four thinkers: Thomas Hobbes, John Stuart Mill, Beatrice Webb, and Milton Friedman.

Hobbes, the founder of modern political theory and the author of Leviathan, was born in England in 1588. At the time, Europe was a blood-drenched backwater. The world’s most powerful and advanced countries were all in Asia. Imperial China was then about the same size as Europe but was unified by a vast system of canals that connected its great rivers to various population centers. Its government was similarly constructed: a country that was at least as geographically diverse as Europe was ruled by a single person, the emperor. At a time when only three European cities -- London, Paris, and Naples -- could boast 300,000 inhabitants, Beijing’s imperial quarter alone housed that many people, including many of the mandarins who helped the emperor rule his vast kingdom. These civil servants represented the best that China could produce, and they were regularly selected through open examinations.

For Hobbes, as for most Europeans, life was far less orderly, he wrote in his autobiography.) Hobbes grew up in a time of religious conflict, rebellions, and political plots. The dominant event of his life, the civil war between Charles I and his Puritan foes in Parliament (1642–51), claimed the lives of a larger proportion of the British population than would World War I.

In Leviathan, published in 1651, Hobbes deconstructed society into its component parts in much the same way that a mechanic might deconstruct a car in order to discover how it works. He did this by asking what life would be like in the “state of nature.” The answer was not encouraging: men, he argued, were constantly trying to get the better of one another, trapped in a “war of every man against every man.” The only way to escape from perpetual conflict and the prospect
of a "nasty, brutish, and short" life was for one to give up his natural rights to do as he pleased and construct an artificial sovereign: namely, a state. The state's function was to wield power: its legitimacy lay in its effectiveness, its opinions defined the truth, and its orders represented justice.

It is not hard to see why Europe's monarchs welcomed that idea. But Leviathan also featured a subversive dash of liberalism. Hobbes was the first political theorist to base his argument on the principle of a social contract. He had no time for the divine right of kings or dynastic succession: his Leviathan could take the form of a parliament, and its essence lay in the nation-state rather than in family-owned territories. The central actors in Hobbes' world were rational individuals trying to balance their desire for self-promotion and their fear of self-destruction. They gave up some rights in order to secure the more important goal of self-preservation. The state was ultimately made for (and of) the subjects, rather than the subjects for the state: the original frontispiece of Leviathan shows a mighty king constructed out of thousands of tiny men.

This mixture of firm control with a touch of liberalism helps explain why Europe's nation-states surged ahead. Beginning in the sixteenth century, across the continent, monarchs established monopolies of power within their own borders, progressively subordinating rival centers of authority, including the princes of the church. Kings promoted powerful bureaucrats, such as Cardinal Richelieu in France and the Count-Duke of Olivares in Spain, who expanded the reach of the central government and built efficient tax-gathering machines. This shift allowed Europe to escape from the problem that had doomed Indian civilization to impotence: a state that was so weak that society constantly dissolved into petty principalities that inevitably fell prey to more powerful invaders. Yet Europe also avoided the problem that had plagued the Chinese state: too much centralized control over too vast a region. Even Europe's most imposing monarchs were far less powerful than the Chinese emperor, whose enormous bureaucracy faced no opposition from China's landed aristocracy or its urban middle classes and thus fell prey to self-satisfied decadence.

The birth of the modern state was reinforced in Europe by technological and economic advances. The Industrial Revolution gathered people into massive cities and accelerated the speed of communication. The emergence of railroads transformed not only transportation but also governance: in earlier eras, it had made sense for royal authorities to delegate power over the countryside to the nobility and the gentry. But now that any place was just a short ride away, it made more sense to concentrate power in the hands of an efficient central bureaucracy.

THE NIGHT-WATCHMAN STATE

The centralization of the modern state paved the way for the liberal revolution of the late eighteenth and nineteenth centuries. The transformation began with the American and French revolutions in the late eighteenth century and eventually spread across Europe, as reformers replaced regal patronage systems with more meritocratic and accountable governments. But the political shift that seems most pertinent today occurred more peacefully, in the United Kingdom during the nineteenth century. British liberals took a decrepit old system and reformed it, establishing a professional civil service, attacking cronyism, opening up markets, and restricting the state's right to subvert liberty. The British state shrank in size even as it dealt with the problems of a fast-industrializing society and a rapidly expanding global empire. Gross income from all forms of taxation fell from just under 80 million pounds in 1816 to well under 60 million pounds in 1846, despite a nearly 50 percent increase in the size of the population. The vast network of patronage appointees who made up the unreformed state was rolled up and replaced by a much smaller cadre of carefully selected civil servants. The British Empire built a "night-watchman state," as it was termed by the German socialist Ferdinand Lasalle, which was both smaller and more competent than its rivals across the English Channel.

By the 1970s, the U.S. government seemed to be spoiling everything it touched.

The thinker who best articulated these changes was John Stuart Mill, who strove to place freedom, rather than security, at the heart of governance. He belonged to a very different England than the one Hobbes inhabited, one shaped more by reform and optimism than by dysfunction and fear. Mill had no experience of civil war, and the only revolution he witnessed was the peaceful transfer of power from a narrow landed aristocracy to a much broader educated elite. Thus, Mill's central political concern was not how to create order out of chaos but how to ensure that the beneficiaries of order could achieve self-fulfillment. For Mill, the test of a state's virtue was the degree to which it allowed each person to fully develop his or her abilities. And the surest mechanism for doing this was for government to get out of the way. In On Liberty,
published in 1859, he argued that the only justification for state interference was to prevent people from doing harm to others. For Mill, freedom marched hand in hand with efficiency: the more open trade was, the more prosperous a country would become, and the less money the state would need to confiscate from private citizens. He also believed in the open competition of ideas, trusting that the unfettered clash of opinions would reduce error, persuade people to take a more active role in society, and provide citizens with moral training.

For most of the nineteenth century, the British state did a remarkably good job of embodying Mill’s principles. A succession of British governments dismantled old systems of privilege and patronage and replaced them with a capitalist state. Government, the Victorians believed, should solve problems rather than simply collect rents. They built railways, paved roads, and furnished cities with sewage systems and policemen, known as “bobbies,” after their inventor, Sir Robert Peel.

Throughout the nineteenth century, this kind of lean-government liberalism spread throughout Europe and across the Atlantic to the United States. Yet its moment did not last long. Mill himself typified the change. The older he grew, the more troubled he became by some profound questions, mainly to do with the persistence of poverty among plenty. How could a society judge each individual on his or her own merits when rich dunces enjoyed the best educations and poor geniuses left school as children to work as chimney sweeps? How could individuals achieve their full potential unless society played a role in providing them with a fair start? The state, he came to feel, had to do more. By its third edition, Mill's Principles of Political Economy, the bible of British liberalism, had begun to look ever more collectivist.

Mill was not alone: the late Victorians (and their imitators around the world) increasingly questioned the laissez-faire certainties of their predecessors, on two grounds. First, the night-watchman state stigmatized the poor: they were deprived of the vote and consigned to workhouses in order to discourage idleness and provide incentives to work and save. In his 1854 novel, Hard Times, Charles Dickens turned “utilitarianism,” the term most commonly attached to Mill’s thought, into a byword for heartless calculation. Second, British critics of liberalism argued that the only way to outcompete other nations, especially Prussia, was to expand the state. Confronted with Prussia’s world-class public educational system and effective tariffs, the British elite fretted about the naivety of free trade and the quality of their country’s breeding stock. In 1917, Prime Minister David Lloyd George worried aloud that the United Kingdom could not run “an A1 empire” with “a C3 population.”

During the first decades of the twentieth century, as the cities and factories of the West expanded, collectivism, compassion, and nationalism fused together into a call for a more potent Leviathan. If Henry Ford could invent a huge mechanistic assembly line for business, surely it was possible to do the same for government: to apply scientific management to the business of running the state and training its citizens. The collectivist dream of a new society also became a technocratic dream of a new state bent on national efficiency and global competition.

TANGLED WEBB

This dream was most dramatically manifested in the totalitarian nightmares of communism and fascism. But neither of those ideologies survived the twentieth century, and it is, instead, a different concept that drove the third great transformation in modern governance. That concept is the welfare state: the idea that the government should be a companion throughout the lives of citizens, providing them with education, a helping hand if they lose their jobs, health care if they fall sick, and pensions when they get old. This is the notion around which today’s sprawling Western states were built.

One of the most important champions of that idea was the British sociologist and economist Beatrice Webb. Webb’s life typified the sea change from Victorian high liberalism to collectivism. She was born Beatrice Potter in 1858; her father was a wealthy tycoon, her mother a disciple of laissez-faire economics. But Webb went in a very different direction. She swapped London society for social work in the East End and shocked her social circle by marrying Sidney Webb, a prominent socialist activist, in 1892.

Webb was not a political theorist in the model of Hobbes and Mill: she spent her life worrying about administrative details rather than grappling with abstract concepts. But her work -- including a ten-volume study of local government published periodically between 1906 and 1929 -- was suffused with a philosophical vision of the state as an embodiment of universal reason. In Webb’s view, the state should stand for planning (as opposed to chaos), meritocracy (as opposed to inherited privilege), and science (as opposed to blind prejudice).
Webb also reflected the dark side of big government and collectivism. She hailed the Soviet leader Joseph Stalin as the architect of a new civilization, for example, and supported the idea of eugenic planning: given that people were the building blocks of the mighty state, it was the height of foolishness for the state not to step in to manage their breeding habits.

The West's greatest strength—representative democracy—is losing its luster.

But those extreme ideas had little bearing on Webb’s contributions to policy, which instead had the effect of gradually pushing the United Kingdom toward socialism. Together, she and her husband played a significant role in the Fabian Society, which advocated for socialist policies and an enlarged British welfare state. (The Webbs also established the London School of Economics, founded the New Statesman, and wrote the constitution of the British Labour Party.) In the United Kingdom, it did not take all that long for the state to adopt their basic principles. The British government introduced free school meals for needy children in 1906, old-age pensions in 1908, funds to fight poverty in 1909, and national health insurance for the sick and unemployed in 1911.

By the beginning of the interwar period, most British citizens found it perfectly reasonable for their government to tax the entire population to provide benefits for the unfortunate — a dramatic turnaround from just two decades earlier. This belief was not limited to governments led by the Labour Party: Tories continued to expand the state in the face of the Great Depression, and Winston Churchill’s coalition government introduced free education to the age of 15 in 1944. Clement Attlee’s Labour government then established national life insurance (1946) and free health care via the publicly funded National Health Service (1948). "Homes, health, education, and social security -- these are your birthright," announced Attlee’s minister of health, Aneurin Bevan, in 1945.

In the postwar years, social democracy found even more enthusiastic champions on the European continent. Between 1950 and 1973, government spending rose from 28 percent to 39 percent of GDP in France, from 30 percent to 42 percent in West Germany, and from 27 percent to 45 percent in the Netherlands. Governments built high-rise housing projects, established new universities, and made it easier to become eligible for welfare payments. On the other side of the Atlantic, a far less extensive social welfare state evolved at a much slower pace. The United States was too individualistic, too decentralized, and too business obsessed to embrace European-style social democracy. Still, during the mid-twentieth century, even the United States laid the foundations of a welfare state: Social Security, Medicare, and Medicaid.

For the most part, big government seemed to work on both sides of the Atlantic. Rapid economic growth more than made up for a bit of social engineering. For the United States, the postwar era was one of unrivaled supremacy. For the British, it was an era when ordinary people had "never had it so good," as Prime Minister Harold Macmillan put it in 1957. The French had les trente glorieuses, "the glorious thirty" years of prosperity, from 1945 to 1975, and the West Germans basked in the Wirtschaftswunder, the "economic miracle" that began during the period of postwar reconstruction.

But Leviathan overreached. By the 1970s, the U.S. government seemed to be spoiling everything it touched: a grinding war in Vietnam, an economy hobbled by stagflation, cities wracked by drugs and crime. Around the world, the decade brought labor strikes and energy crises. Those on the political left found themselves "mugged by reality," in the words of the neoconservative critic Irving Kristol -- as did those in the West who still considered the Soviet Union a kind of noble experiment in collectivism. As the whole Soviet Union came to seem like one giant Potemkin village, it became painfully clear that there was nothing noble about Russian communism.

CAPTURING THE FRIEDMAN

Surveying the wreckage of the era, the economist Milton Friedman must have sometimes thought to himself, "I told you so." Born in Brooklyn in 1912 to poor Jewish immigrants from Hungary, Friedman had an intellectual journey that was the reverse of Webb’s. He arrived at the University of Chicago in 1932 as a supporter of Norman Thomas, the perennial socialist candidate for U.S. president. After earning a master’s degree, Friedman worked first as a U.S. government economist. Among his major contributions was helping devise one of the most powerful (and least loved) tools of big government, the payroll withholding tax. But during the Great Depression and World War II, Friedman’s views changed dramatically, and when he returned to teach at the University of Chicago in 1946, he began to forge a very different course.
The state, Friedman had come to believe, consistently failed to provide services as efficiently as the private sector. He adopted the pro-market, libertarian ideas of the so-called Austrian school of economists, notably Friedrich Hayek, and welded them to American populism to contrive a novel form of small-government conservatism. During the 1960s and 1970s, Friedman became an intellectual celebrity, touring the United States to denounce everything that the American left, and, indeed, most of the center, held dear: government-provided health care, public housing, student grants, foreign aid. All of these, Friedman argued, were at best a waste of money and at worst an abuse of power on the part of an out-of-control, incompetent government. “If you put the federal government in charge of the Saharan desert,” he once said, “in five years there’d be a shortage of sand.”

In the 1980s, Reagan and Thatcher tried to put Friedman’s philosophy into practice. Reagan cut taxes and eliminated regulations. Thatcher faced down the United Kingdom’s labor unions and privatized three-quarters of its state-owned companies, including such behemoths as British Airways and British Telecom. The Reagan-Thatcher model soon spread around the world, just as the social-democratic model had done earlier. From 1985 to 2000, western European governments sold off some $100 billion worth of state assets, including such well-known state-owned companies as Lufthansa, Volkswagen, and Renault. After the fall of the Soviet Union, postcommunist countries embraced the so-called Washington consensus with gusto: by 1996, Russia had privatized some 18,000 industrial enterprises. Leszek Balcerowicz, Poland’s first postcommunist finance minister, regarded Thatcher as his hero. In the 1990s, U.S. President Bill Clinton proclaimed an end to “the era of big government,” and British Prime Minister Tony Blair argued that “the presumption should be that economic activity is best left to the private sector.”

So Reagan and Thatcher — and, by extension, Friedman — won their battle: today, almost nobody speaks up for big government. But they did not win the war. Leviathan hardly withered away. In her 11 momentous years in office, from 1979 to 1990, Thatcher succeeded in reducing public expenditure only from 22.9 percent of GDP to 22.2 percent. Reagan failed to persuade the Democratic-controlled U.S. Congress to enact the spending cuts that were supposed to accompany his tax cuts and as a result ended up triggering an explosion in the U.S. deficit. For all the talk of the rise of neoliberalism and the “shredding of the safety net,” the state remained far bigger under Reagan and Thatcher than anything that Webb could have imagined, and it has only continued to grow in the decades since they left office.

Thus, Friedman’s revolution counts as only a half turn. Today, the dominant version of government in the developed world remains the welfare state that Webb helped devise. Meanwhile, two other questions now hang over global politics: whether a genuine fourth revolution might occur, and whether it will originate in the West.

INNOVATION SHIFTS EAST

China is the obvious focus of the debate over the future of governance. The Chinese have produced a new model of government that directly challenges the Western belief in free markets and democracy. China has pioneered a form of “state capitalism” by selling off thousands of smaller companies but keeping equity stakes in more than a hundred big companies. The country has also revived its ancient principle of meritocracy by recruiting Chinese Communist Party members from top universities and promoting party functionaries based on their ability to hit various targets, such as eradicating poverty and promoting economic growth. China has also racked up some astonishing achievements in government reform. In the past decade, it has built a world-class university system. In the past five years, it has extended a government pension program to 240 million rural citizens -- far more than the total number of people covered by Social Security in the United States.

But other countries are even further ahead when it comes to innovations in government, most notably Singapore, which has created what is arguably the world’s most effective administrative machine. The government recruits the best prospects to work in public service, and those who reach the top of the bureaucracy are richly rewarded with pay packages of as much as $2 million a year and with guaranteed jobs in the private sector after they leave government. Singaporeans pay 20 percent of their salaries into the government-run Central Provident Fund, with employers contributing another 15.5 percent. This compulsory savings account serves as a retirement pension and also allows Singaporeans to pay for housing, health care, and higher education. But unlike many welfare state systems in the West, Singapore’s preserves an incentive to work hard and contribute: 90 percent of what one gets from the fund is tied to what one puts in. This reinforces Singapore’s attempt to combine universal health and welfare programs with frugality; Lee Kuan Yew, modern Singapore’s founder and guiding hand, dismisses the Western welfare state as an “all you can eat” buffet.
Meanwhile, as Asian countries generate clever ideas for reforming government, the West’s greatest strength -- representative democracy -- is losing its luster. Democratic governments increasingly make promises that they cannot deliver on and allow themselves to be captured by special interests or diverted by short-term considerations. The U.S. Congress has not passed a proper budget on time since 1997. The Peterson Institute for International Economics has calculated that since 2010, uncertainty about U.S. fiscal policy has slowed the United States’ GDP growth rate by one percentage point and has prevented the creation of two million jobs.

France and a number of other European countries have not balanced their budgets in decades. And recent European elections have been exercises in denial -- in the French presidential election of 2012, neither President Nicolas Sarkozy nor his socialist challenger, François Hollande, proposed cutting the country’s bloated budget or raising its retirement age. In the recent elections for the European Parliament in Brussels, right-wing parties made huge gains by blaming the EU’s problems on open borders rather than the overindulgent spending of its members states.

The poor performance of political elites has led to intense cynicism among Western electorates. Voter turnout is declining, particularly in elections held in EU member states, and membership in political parties is plummeting: in the United Kingdom, from 20 percent of the voting-age population in the 1950s to just one percent today. In 2010, Iceland’s ironically named Best Party won enough votes to co-run Reykjavik’s city council (which is tantamount to co-running the country) by pledging to betray its promises and be openly corrupt.

Such antipathy toward politics might not matter much if voters wanted little from the state. But they continue to want a great deal. The result is a toxic mixture: dependency on government, on the one hand, and disdain for government, on the other. The dependency forces governments to overexpand and overburden themselves, while the disdain robs governments of their legitimacy and turns every setback into a crisis. Democratic dysfunction goes hand in hand with democratic distemper.

THE FOURTH REVOLUTION

This crisis of Western liberal democracy has been brewing for decades, but it has become acute in the last few years for three reasons. First is the increasingly unsustainable debt burden that Western states are carrying. The 2008 financial crisis and the subsequent global recession led to an explosion in public debt: according to the Economist Intelligence Unit, global public debt reached $50.6 trillion in 2013, compared with just $22 trillion in 2003. Much of that growth was driven by Western governments borrowing huge sums in response to the economic slowdown.

In Europe, the working-age population peaked in 2012, at 308 million, and is set to decline to 265 million by 2060. That smaller group of workers will have to support an unprecedented number (in absolute and relative terms) of retirees. Between the present time and 2060, Europe’s dependency ratio -- the number of people over 65 as a proportion of the number of people between the ages of 20 and 64 -- will rise from 28 percent (the current level) to 58 percent. And those numbers assume that the EU will let in more than one million young immigrants a year; if it doesn’t, the figures will be even worse. In the United States, where the baby boomers are now crossing into old age, the Congressional Budget Office reckons that government spending on medical benefits alone will rise by 60 percent over the next decade -- and will then begin to rise even faster.

The second factor that has thrown the deficiencies of contemporary Western governance into sharp relief is the rapid development of information technology. In the past two decades, computers and the Internet have revolutionized all forms of commerce and could revolutionize government as well. Information technology has already transformed the state’s two core functions: fighting wars and collecting information. But so far, Western governments have failed to harness the full potential of the digital revolution, often stumbling in their attempts to make themselves more Internet-friendly: witness the clumsy launch of the Obamacare website in the United States.

The third ongoing test of Western-style liberal democracy is the impressive track records in recent years of other models, particularly the modernizing authoritarianism pursued by Asian countries such as China and Singapore. For the first time since the middle of the twentieth century, a global race is on to devise the best kind of state and the best system of government. Compared to during that earlier era, the differences between the models competing today are far smaller -- but the stakes are just as high. Whichever wins this contest to lead the fourth revolution in modern governance will stand a good chance of dominating the global economy.

Westerners have long assumed that the ideals of freedom and democracy would ultimately take root everywhere and that all countries that wanted to modernize would have to adopt such
values. But the rise of authoritarian modernization in Asia puts this in jeopardy. To remain stable and prosperous and to maintain their positions as global leaders, European countries and the United States will have to embrace the goal of smaller, more efficient government.

At the moment, Western governments do too many things badly: it would be better if they did fewer things and did them well. The Western democratic state is ripe for the sort of spring-cleaning that the Victorians gave it, one that would build on some of the achievements of the half revolution of the 1980s and 1990s. Reagan and Thatcher stopped the state from doing many things that it had no business doing in the first place, such as running energy companies and telecommunications firms. A fourth revolution should go even further, getting government out of the business of picking winners in the private sector through market-distorting subsidies and regulations. Western governments also need to make sure that public largess helps the poor and not the already well-off. The United States, for example, redistributes huge sums to relatively prosperous people in the form of tax relief for mortgage holders, financial assistance in paying for health insurance, and subsidies for the agriculture and energy sectors. The total value of all the exemptions offered by the U.S. tax code is around $1.3 trillion, an amount that could be significantly trimmed without damaging the economy.

Western governments should follow China’s example and take good ideas wherever they can find them. Close to home, they should pay attention to Sweden’s successful experiments with school vouchers. Farther afield, they should consider India’s progress in reducing hospital costs and Brazil’s welfare program based on conditional cash transfers, which requires recipients to meet certain goals, such as making sure their children attend school and receive vaccinations.

The twenty-first century is sure to be shaped by ever-fiercer competition between states to figure out which innovations in governing yield the best results. The liberal democracies of the Western world still enjoy a significant leg up in terms of wealth and political stability. But it’s not yet clear whether the West will be able to summon the sort of intellectual and political energy that, for the past four centuries, has kept it ahead in the global race to reinvent the state.
MARK JAMISON • 3 days ago

A very poor article that misrepresents Mill's On Liberty by conflating it with Rothbard and Nozick. It then doubles down on austerian ideology while worshipping Thatcherism and Reaganism. This is a poor, disappointing piece of work that seems based on ideological sand while apparently endorsing state capitalism and authoritarianism.

One would expect better from the editors of an esteemed journal like The Economist. One would certainly expect a higher standard from Foreign Affairs.

KENNETH KWAN • 3 days ago

Perhaps its time for the West to try out new forms of models of government, instead of focusing on democracy and insisting that every other nation be like them (or become the enemy if otherwise). The model of government should be structured based on the progress, education, technology, etc. of each individual country or society.

For instance, I guess the Middle East may not be entirely ready for democracy, which is why things are falling apart in Iraq. This does not mean that dictatorship is the right way to go, as there should be some form of checks over the leader. Similarly, whether a big government or small government, it really depends on the situation. In a normal situation, the government does not exactly produce much for society, as its main role is to provide public services. However, for developing nation, it might be wise to have a bigger government to guide the direction of the economy (perhaps through state capitalism) and/or develop infrastructure. Obviously, in this case of a big government, the success the country will in turn be dependent on the honesty, effectiveness and efficiency of the government. I guess Singapore will be a positive example.

F.A. Hutchison • 28 days ago

It's not government that isn't working, it's us, the people! We're the problem, basically unconscious and stupid!