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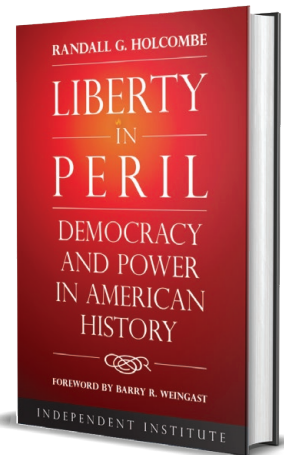
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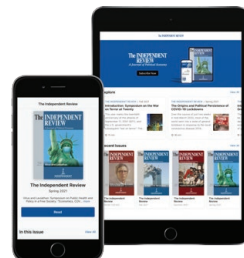
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# The Improprieties of the Pretense of Knowledge

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DANIEL B. KLEIN

Today we see a lively interest in plumbing the depths of knowledge. Daniel Kahneman (2011) tells of thinking fast and slow, and Jonathan Haidt (2012) distinguishes minds awake and asleep. In this article, I consider our knowledge in relation to the tasks for which we use it. Our knowledge is rich, deep, and multifaceted, but is it up to those tasks? By admitting the complexity of the things to be known and by appreciating the richness of knowledge per se, we better assess the adequacy of the knowledge we actually have.

A candid understanding of knowledge makes us more virtuous and more libertarian. Friedrich Hayek ([1974] 1978, 1988) spoke of “the pretence of knowledge” and “the fatal conceit,” and Adam Smith denounced the folly and presumption of interventionists ([1776] 1981, 456). The new candidness about knowledge may illuminate the errors of governmentalizing social affairs.

I say “governmentalize” because in treating government involvement in morals and culture, we need to see not only the coercions, notably taxation and restrictions on would-be competitors, but also the large role of the governmental institutions that those coercions create and sustain. The coercion is one thing, and the consequent cultural behemoths are another. The term *governmentalization* covers both.

The knowledge critique of governmentalization is certainly alive among classical liberals today. For example, Jeffrey Friedman (2007) writes about the depths of public ignorance; Mark Pennington (2011) explains the epistemic failings of governmentalization; Roger Koppl (2010) speaks of epistemic monopoly in governmentalized

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affairs; and Bryan Caplan (2007) and Paul Rubin (2002, 2003) tell of systematic biases in the public's thinking.

One of the curious aspects of knowledge is that as we plumb its depths, we never seem to get to a bottom. There always seems to be more plumbing to do. Students of Smith, Hayek, and Michael Polanyi, however, have grown used to that condition. These thinkers taught us that behind any articulation of our interpretation of things, of the means–end framework we supposedly employ, is a well of tacit knowledge from which the articulation emerged. And it emerged not as a complete and faithful representation of what we know—imagine an articulation of how to ride a bicycle—but merely as something we managed to spit out in the circumstances.

Indeed, we expect our interpretations to evolve. As soon as we get one into words, we learn to tinker with it. Polanyi noted the “peculiar opportunity offered by explicit knowledge for reflecting on it critically” (1963, 15). With email, Facebook, and iPhones, we lose no time in doing so. As soon as a blogger sets out an interpretation, the comments field piles up criticisms and variations. Even our best interpretations may be self-retiring.

Knowledge has its counterpart in action, and our actions emerge from our normative judgments in personal policymaking. On those two steps I propose to bring to the traditional Hayekian knowledge problem a prism of Smithian moral analysis.

In *The Theory of Moral Sentiments*, Adam Smith discusses the dialectics of our notions of propriety. Propriety for Smith is the benchmark that separates what is praiseworthy from what is blameworthy ([1790] 1982, 26, 27, 80, hereafter cited as *TMS*). Each community develops, for all manner of context and conduct, its understandings of propriety. In this way, people interpret the conduct and character first of their neighbors and afterward of themselves, to echo the full title of Smith's work.

In affairs between equals—say, between you and your neighbor—Smith affirms an invisible hand in the evolution of our interpretations: “Frankness and openness conciliate confidence. We trust the man who seems willing to trust us. We see clearly, we think, the road by which he means to conduct us, and we abandon ourselves with pleasure to his guidance and direction. . . . The great pleasure of conversation and society, besides, arises from a certain correspondence of sentiments and opinions, from a certain harmony of minds, which like so many musical instruments coincide and keep time with one another. But this most delightful harmony cannot be obtained unless there is a free communication of sentiments and opinions” (*TMS*, 337).

Sometimes, however, circumstances do not conduce to free communication and openness. They may, in fact, impel us to leave out some of what we know or even misrepresent it. Such impulsion is especially likely when dealing with people who wield great power over us, are not terribly reasonable, and are not accountable for how they deal with us in return.

Smith's optimism about equal–equal relationships is coupled with pessimism about superior–inferior relationships. “In the courts of princes,” he says, “in the drawing-rooms of the great, where success and preferment depend, not upon the

esteem of intelligent and well informed equals, but upon the fanciful and foolish favour of ignorant, presumptuous, and proud superiors; flattery and falsehood too often prevail" (*TMS*, 63).

In assessing the invisible hand in morals and culture, then, he maintains that it has the upper hand in equal–equal relationships, but not in superior–inferior relationships (*TMS*, 63–66). Smith's drift is that this condition gives us good reason to oppose the governmentalization of social affairs. We want as much as possible the equal–equal relationship rather than the superior–inferior relationship not only because the former makes us wealthier and healthier, but because it makes our lives more becoming. Good culture is one of the good consequences of natural liberty.

Culture is the knowledge we practice, and it is characterized especially in the interpretation and judgment facets of knowledge, of which there are always three: information, interpretation, and judgment. A story may help illuminate the facets of knowledge.

Sherlock Holmes and Dr. Watson go on a camping trip. After a good dinner and a bottle of wine, they retire for the night and go to sleep.

Some hours later Holmes wakes up and nudges his faithful friend. "Watson, look up at the sky and tell me what you see."

"I see millions and millions of stars, Holmes," replies Watson.

"And what do you deduce from that?"

Watson ponders for a minute.

"Well, astronomically, it tells me that there are millions of galaxies and potentially billions of planets. Astrologically, I observe that Saturn is in Leo. Horologically, I deduce that the time is approximately a quarter past three. Meteorologically, I suspect that we will have a beautiful day tomorrow. Theologically, I can see that God is all powerful, and that we are a small and insignificant part of the universe. What does it tell you, Holmes?"

Holmes is silent for a moment. "Watson, you idiot!" he says. "Someone has stolen our tent!"

In this story, what matters is not a difference in information. Holmes and Watson had the same information. What differs is their interpretations. Watson looks up at the starry sky and gives five interpretations. Even those are not enough because Holmes brings a sixth—someone has stolen the tent! The story is funny because of the asymmetry in interpretation.

The humor lies not only in the asymmetry between Holmes and Watson, but also in another asymmetry. When we hear of Sherlock Holmes, we expect a tale of remarkable insight, of his seeing something that is not obvious. But it turns out instead to be a story of Watson's failure to see something that should have been obvious—namely, that the tent is gone. We expect a story of Holmes's brilliance, but we get a story of Watson's dimness.

Asymmetric interpretation seems to be essential to humor. Look at any line from a *Seinfeld* episode or an Abbott and Costello movie, and you will notice a shifting

between different interpretations, very often between different benchmarks, either about how obvious an idea is or where the line of propriety lies. In his show *Curb Your Enthusiasm*, Larry David loves to reinterpret the lines of propriety, perhaps because, like David Hume and Adam Smith, he is leery of people's enthusiasms.

Malcolm Gladwell (2005) says that an interpretation takes only a blink. It does not take much to find context even for multiple interpretations. The name of the movie mogul Samuel Goldwyn itself comes in context. Even in his briefest utterances, we can find two standards. Consider these examples:

"We're overpaying him, but he's worth it."

"Let's have some new clichés."

"I'll give you a definite maybe."

Even as we affirm an interpretation, others lace our thoughts. In the superior-inferior relationship between my daughter and me, her familiar refrain is, "*Yeah, right, Dad.*" In juggling interpretations, we had better keep a sense of humor. You will notice, however, that government and governmentalized affairs are quite humorless. They may afford us objects of humor, but they are themselves, like machines, quite humorless.

Knowledge encompasses information, interpretation, and judgment. The interpretations are multiple and keep coming, but we need to get on with things. Derek Jeter might be wrong to read the pitch as a slider, but if he dithers too long he might be called out on strikes. Life comes with time clocks, whose lengths are often another matter of propriety.

In acting, we judge among our portfolio of interpretations and decide which to put stock in. Judgment is about which interpretations we act on; it is the action facet of knowledge. Judgment connects knowledge to practice. Only in practice is our knowledge tested, and the test results impel us to create new interpretations and to sharpen our judgment.

So knowledge evolves. And if we are wise, we expect it to evolve. This aspect of wisdom was highlighted in Ambrose Bierce's famous work *The Devil's Dictionary*. Here is Bierce's definition of the term *education*: "**Education, n.** That which discloses to the wise and disguises from the foolish their lack of understanding" ([1911] 1993, 28). In other words, your fine education in particle physics surely enhances your understanding of many things, but if you are wise, you also notice some of its presuppositions, uncertainties, and mysteries and hence ways in which you *lack* understanding of particle physics. You see that your interpretation is neither complete nor final and for some problems may even be misleading.

This point looms larger in the social sciences and corresponds to words written by the preeminent English economist Alfred Marshall. In 1917, he wrote the following words intended for publication: "But the more I studied economic science, the smaller appeared the knowledge which I had of it, in proportion to the knowledge that I needed; and now, at the end of nearly half a century of almost exclusive study of it, I am conscious of more ignorance of it than I was at the beginning of the study"

(qtd. in Keynes 1951, 138). Here, Marshall was expressing a lingering Smithian humility. He wanted to serve universal benevolence, but he felt daunted by the economy's unknowability. How are intellectuals, experts, and regulators to know enough to manipulate society beneficially?

But, you might ask, if our knowledge is so limited, how does *anyone* get on in life? If knowledge is so shifting and disjointed, how do private actors build their projects? If government cannot succeed, how is it that private actors can? And if private actors can succeed, then why can't government?

Also, how does the classical-liberal philosopher know whatever it is that he pretends justifies his conclusions in politics and policy? What about his humility?

I see two important differences between the private actor and the benevolent regulator. First, the private actor moves in a much more limited space, and, indeed, he will tend to confine his movement to a space that his knowledge can handle. He is like the skater on the floor of a roller rink, careful to preserve his well-being and minding the conditions *around him*. The skater's actions are local, and his knowledge need not be more than local. He does not need to know or understand the entire system of skating or even to think about it.

In the social world, the individual moves likewise into a limited space and again only when he is confident that he interprets competently. Smith said that people seek praise and praiseworthiness and try to avoid blame and blameworthiness, not least in the marketplace. They must mind the proprieties of their context. The benchmarks of properties develop in context and bottom up. In the equal–equal relationship, in private affairs, movements tend to evolve in a fashion that respects the limits of knowledge—thus Smith's optimism about affairs among equals.

Smith maintained that standards of propriety are “loose, vague, and indeterminate” (*TMS*, 175, 327), making for knowledge problems. But for the private actor, what needs to be known is much more modest than what needs to be known for the expert or intellectual who proposes to manipulate the great system. Regular people can negotiate their knowledge problems.

Moreover, there is another important difference. Consider Smith's views again: “The general rules of almost all the virtues, the general rules which determine what are the offices of prudence, of charity, of generosity, of gratitude, of friendship, are in many respects loose and inaccurate, admit of many exceptions, and require so many modifications, that it is scarce possible to regulate our conduct entirely by a regard to them” (*TMS*, 174). Smith associated this looseness or inaccuracy with aesthetics, thus seeing the general rules of nearly all virtues as akin to the vague rules that we invoke when speaking of what is good in movies, music, and novels. But such is not the case for all of the virtues, as he explains: “There is, however, one virtue of which the general rules determine with the greatest exactness every external action which it requires. This virtue is justice. The rules of justice are accurate in the highest degree. . . . [T]he whole nature and circumstances of the action prescribed, are all of them precisely fixt and determined” (*TMS*, 175). Whereas all of the other virtues relate to propriety

benchmarks, engendering a negative range of blame and a positive range of praise, justice—or, more specifically, commutative justice—is not a matter of propriety, but a matter of *grammar*. It is not loose, vague, and indeterminate, but precise and accurate; it engenders *only* a negative range of blame—there is no praise for abiding by commutative justice. The point is illustrated by a blank piece of paper, which contains no violations of grammar but wins you no praise.

Commutative justice is, Smith says, “abstaining from what is another’s” (*TMS*, 269)—in other words, not messing with other people’s stuff. All of the other virtues are quite different. They are about making “the becoming use of what is our own” (as well as holding particular objects in proper value or esteem) (*TMS*, 270).

Becoming is a much subtler affair than not messing with other people’s stuff. Even in the subtle affair of becoming, however, the private actor copes by keeping his movements local. More important, he often need not fret about becoming but may simply adhere to the social grammar. His movements may be guided principally by commutative justice, which usually poses no knowledge problem at all.

What constitutes commutative justice in Hume, Smith, and classical liberalism generally is property, consent, and contract.<sup>1</sup> If Smith takes a loan of ten pounds, commutative justice requires that he repay the lender as agreed. Society can get by principally on commutative justice, which, says Smith, “is the main pillar that upholds the whole edifice” (*TMS*, 86), whereas the becoming virtues are the ornaments that embellish our social world.

At the roller rink, spontaneous order happens before our very eyes. It works by a coincidence of interest: in promoting my interest in avoiding collision with you, I also promote your interest in avoiding collision with me. In the economy at large, we also find a coincidence of interest: in promoting my interest in gaining in a voluntary exchange with you, I also promote your interesting in gaining in a voluntary exchange with me. This coincidence of interest helps us to understand the spontaneous coordination of economic affairs.

Without question, our voluntary exchanges entail many subtle proprieties, and our whole allegiance to commutative justice stems from deeper becoming virtues. Nonetheless, much of market conduct involves simply commutative justice, about which the knowledge problems are for the most part quite minor—“You pay at the counter.”

The disjointedness of knowledge, then, does not plague liberalism in the way that it plagues statist ideologies; indeed, it bolsters liberalism. The centerpiece of liberalism is the presumption of liberty, and liberty is the flipside of commutative justice. In a liberal culture, people presume that everyone is innocent until proven guilty and that the government is not to mess with people’s stuff until it proves

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1. Smith frequently included one’s reputation as something also covered by commutative justice (see, for example, *TMS*, 82), but he does not mention it in the fullest characterization of commutative justice in *The Theory of Moral Sentiments* (84). Mark Bonica is writing a dissertation at George Mason University in which he argues that in Smithian moral analysis it does not make sense to have reputation covered by commutative justice and that Smith’s doing so was less than wholehearted.

convincingly a significant net benefit in messing with people's stuff—in taking actions that would be patently coercive and criminal if taken by a neighbor.

In contravening the liberty principle, in favoring the governmentalization of affairs, the statist forsakes the rather accurate rules of commutative justice and the bottom-up local properties. He attempts to manipulate the whole from the top down. Thus, the statist, forsaking the grammar and forsaking local knowledge of local properties, is doubly plagued by knowledge problems. Only from great hubris did intellectuals and governments come to the statist mentalities that now engulf us.

The humility that Alfred Marshall expressed in 1917 soon became unfashionable in economics. The fashion that followed was to flatten economics down to whatever was susceptible to formal modeling, particularly to what Deirdre McCloskey (2006) calls “Max U” theorizing. In the 1960s and 1970s, such figures as Kenneth Arrow, George Stigler, and Joseph Stiglitz flattened knowledge down to information.

To omit interpretation and judgment from our sense of knowledge, however, is to presuppose that interpretation is singular and fixed. It is to presuppose symmetric interpretation. And if interpretation is singular and fixed, then there is no concern with judging among interpretations. Judgment matters only if interpretations are multiple.

In the past forty years, thousands of papers have been written about asymmetric information, but very few about asymmetric interpretation. Indeed, the economics literature almost never speaks of interpretation or judgment. Economists imagine that they plumb the depths of knowledge when they speak of asymmetric information.

The flattening of knowledge down to information, which I call “flat-talk,” gives the false sense that the theorist has or can have a composite master interpretation that subsumes the interpretations of those in the system he studies. When economists practice flat-talk, they make it seem that more and better knowledge is merely an informational problem. They recognize the cost of search, but they presuppose knowledge of the boxes to be searched. They fancy that the government is then in a position to manipulate incentives. Thus, flat-talk flatters so-called experts by giving the impression that they can intervene beneficially.

An interpretation is “right” only in the sense that it is better than the relevant alternative interpretation. It is not “right” in the sense of being final or definitive. But once the government starts to act on an interpretation, that interpretation tends to become ossified. Even if the government seizes on a fairly good interpretation of what is going on “now,” it is likely to cling to that interpretation long after such a view should have been superseded. Governmentalization of interpretation tends to regiment social affairs and to repress the evolution of interpretation.

Rather than fitting its interpretations to the world, the government often tries to fit the world to its interpretations. The attitude seems to be that if our expert understanding of things is not common knowledge, we will see to it that it becomes common knowledge. We normally think that the will to control gives rise to the pretense of knowledge. But the pretense of knowledge also sometimes gives rise to



the will to control. Of all interest groups, intellectuals and so-called experts are sometimes the most rapacious.

Even government operatives, however, often do not really believe in and act according to official interpretations. The shoddiness of government interpretation gives rise to all manner of interpretational falsification, dissonance, and confusion. By nature, government is both Kafkaesque and Orwellian.

Knowledge problems, however, make government farcical. Officials and regulators know little about what they are to regulate. For knowledge, they can only turn to people with some knowledge, often people who work in the regulated industries. When the government taps such parties, new absurdities flower. If the conversation is friendly and cooperative, commentators clamor against the influence of lobbyists and special interests. If the conversation is fearsome and demanding, some complain that business has withheld information or misled officials. Either way, interested parties, some in a government chokehold, serve up descriptions of things that are received as official knowledge. Politicians, bureaucrats, experts, and journalists have little choice but to play along.

But the farce crescendos in our highest political superstitions. Flat-talk also flatters the ordinary person as someone fit to know what policies to favor and whom to vote for. Thus, flat-talk tends to go with social-democratic sensibilities, as when Donald Wittman (1995) argues that democracy is efficient.

Adam Smith, however, spoke of the ordinary fellow as “being unfit to judge even though he was fully informed” ([1776] 1981, 266). We might ask Smith: But if the fellow is fully informed, how can he be unfit to judge? Smith’s answer is that “his education and habits” leave him unfit to judge—that is, his portfolio of interpretations and his judgment preclude him from judging well. The chief problem, then, is not a lack of information. By flattening knowledge down to information, Wittman made the systematic failings of democracy seem to have disappeared.

Flat-talk plays to deep-seated yearnings for a sense of common knowledge and common experience, a universal human weakness. Hayek (1979, 1988) wrote of a concurrence between the intellectuals’ pretense of knowledge and certain primordial, Upper Paleolithic instincts possessed by humans in general. The concurrence between intellectual hubris and rude instinct makes a tacit alliance *against* the enlightened sensibilities of liberal civilization.

The opponents of true liberalism might regard the teachings of Smith and Hayek as quaint verities. Intellectuals and regulators sometimes suggest that knowledge problems are being overcome by virtue of new technologies that enhance the government’s ability to know. But new technology plays on both sides. New technologies also accelerate economic change and multiply the connections among activities. They make the whole economy—that which is to be known—far more complex. After all, society includes the thoughts and potentialities of private actors, each of whom has likewise enjoyed enhanced capabilities by virtue of new technologies. The complexity of what is to be known outstrips the intellectual’s or the regulator’s

capabilities. New technology should not make intellectuals readier, but rather ever *less* ready to contravene the principle of liberty.

*The Federal Register* of 2011 fills approximately eighty-two thousand triple-column pages of dense text. Although this monument to audacity is something to which Smith speaks in many passages of *The Wealth of Nations*, I conclude here by returning to *The Theory of Moral Sentiments*. In this great book, he teaches that knowledge problems should disabuse us of the urge or the aspiration to make grammatical something that is ineluctably loose, vague, and indeterminate. To illustrate this foolish aspiration, he points to the books of casuistry that sought to aid confessors in the church, noting that the casuists attempted to provide a grammar for all human conduct. “It is the end of casuistry to prescribe rules for the conduct of a good man. By observing all the rules of . . . casuistry . . . we should be entitled to considerable praise by the exact and scrupulous delicacy of our behavior.” Smith roundly criticizes such pretenses, calling them “generally as useless as they are commonly tiresome” (*TMS*, 339).

What he wrote about the casuists might be applied to those responsible for the content of *The Federal Register*: “That frivolous accuracy which they attempted to introduce into subjects which do not admit of it, almost necessarily betrayed them into those dangerous errors [such as chicaning with our consciences and evading the most essential articles of our duty], and at the same time rendered their works dry and disagreeable” (*TMS*, 339–40). In this respect, perhaps the federal regulators and the statist intellectuals are the new casuists, and the modern state is the new hegemonic church. David Hume and Adam Smith disliked enthusiasm, but they disliked superstition as well. If enthusiasm distorts the mundane and grammatical in grasping after the sublime, superstition distorts the sublime in striving for a grammar.

Sensitivity to the richness of knowledge made Hume and Smith leery of both sorts of distortions. In a truly liberal political order, proprieties bubble up among equals in their spontaneous pursuits of happiness. People pursue the ornaments that embellish their lives within a grammar that even government respects, treating any exceptions to that grammar as exceptional.

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