

Ch 1: American National Government and Representative Democracy

Instructor: Venkatesh Subramanian

Course: American National Government (GOVT 2305)

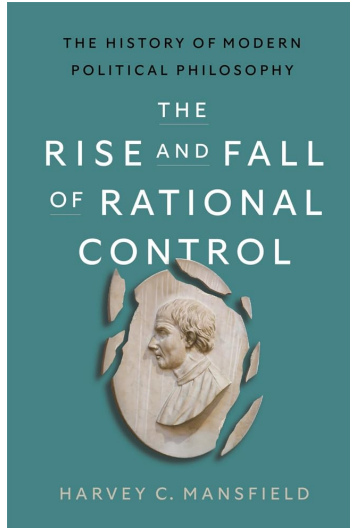
August 26 & 31, 2026



This week's class

- Why have a government?
 - Hobbesian answer
 - Public Economics answer

Source



Summary of Hobbes' argument for a government

1. One can imagine humans originating in a “state of nature”.
2. One can deduce in this “state of nature”, they will have the natural rights of self-preservation which will end in their lives being “solitary, poor, nasty, brutish, and short.”
3. The fear elicited by this deduction must lead humans to use reason to follow a natural law so as to escape from their origins in the “state of nature.”
4. This reasoning must result in humans creating the Leviathan (i.e.) an “Artificial Man” who is a “representative” of the humans. This Leviathan is the government.

Questions in elaborations of this argument

1. Why is he invoking the word 'nature'?
2. What is the "state of nature"? How does it give the natural rights of self-preservation?
3. What natural law does reason give?

Why 'nature'?

- *Class discussion: Lets talk about our majors and schools.*
- Consider two terms - "Nature" and "Naturalism"
- Nature: The mere state of being natural as distinct to something being unnatural.
- Naturalism: The practice of treating everything as equally natural.
 - Carl Sagan: "The Cosmos is all that is or was or ever will be."
- Naturalism was trending during Hobbes' time.

Naturalism in Hobbes' time

- Thomas Hobbes (1588–1679) was a contemporary of Galileo Galilei (1564–1642), Rene Descartes (1596–1650), and Francis Bacon (1561–1626), all highly influential figures in the Scientific Revolution.
 - Hobbes met Galileo, was Bacon's secretary, and peer-reviewed Descartes.
- Bacon
 - Inductive reasoning is central. *Class discussion: Difference between induction and deduction?*
 - Experiments must be carefully performed. No peeking is allowed! *Class discussion: What is this peeking?*
- Descartes
 - Sure, you should do inductive reasoning. But reason and theorize first!
 - "Passions" can indeed influence reason, but humans are capable of control. (Precursor to David Hume)
- Neither gave a proper political science from all this! Until Hobbes...

Hobbes' (flawed) naturalism

- Hobbes believed we do not need anything other than the one true scientific method to learn about human nature. Humans can give things labels, but nature is indifferent to such labels.
- Hobbes begins his book *Leviathan* with a chapter called “Of Sense” in a part called “Of Man.” He does not start with anything about political events of his time, but rather with methodology: a clear sign of his naturalism.
 - Contrast against your textbook...
- But is not “Of Man” peeking, which is unscientific? Yes! Hobbes is trying to be scientific but *failing*.
 - He *is*, in fact, influenced by the political events of his time.
- Hobbes holds that humans can transcend experience and use scientific curiosity to conceive of brand new possibilities, such as the possibility of a new social contract.

What is the “state of nature”?

- State of nature: take humans, rip out any artificial constructs in human life (religion, civilization, king, etc.), and just think of them as they would be - as mere nature.
 - A Gedanken experiment!
- In this state there would, in effect, be an equality.
 - But this equality is paradoxically derived from vanity!
- Such an equality leads to a natural right to self-preservation, i.e. the right to kill anyone who stands in your way.

Fear → “Natural law”

- Natural right to self-preservation leads to unceasing anticipation of a potential murderer. This is a never-ending fear.
 - Justifiably trigger happy!
- This passion of fear will trigger reason. This reason will lead everyone to instead tend towards a natural law of peace.
- This natural law of peace is achieved by creating one representative out of the solitary many living in the state of nature. The creation of this one is “artificial”: a *Leviathan*. Thus, government. QED.

Notice the use of “representative” but preference for a monarchy. Others will be the key to figuring out representation can work via the vote...

Hobbes' Civil Philosophy

- Hobbes' claims he has created a brand new Civil Philosophy (relative to Natural Philosophy)
 - Class activity: Google "Father of Modern Political Science"
- His attempts at naturalism still resonate today.
 - Class activity: Google "Sociophysics"

Another approach to think through government

- Hobbes makes us consider the “state of nature,” and axiomatically derives the need for government.
- Now lets look at the government as it exists in the US, and try to back-solve its need.

An (incomplete) listing of what today's government does

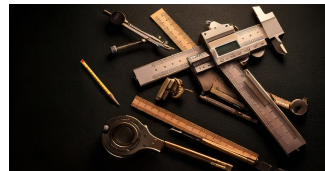
1. Establish rules and standards
2. Provide public goods
3. Alleviate market failure
4. Manage the economy
5. Provide social insurance
6. Redistribute resources
7. Discourage undesirable preferences
8. Promote common values

Let us back-solve now...

1. Establish Rules and Standards

Article 1, Section 8, Clause 5: *“To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures;”*

- Certain functions are written down explicitly as “Enumerated powers.”



But why?

In general, this resolves **coordination problems** amidst states.

Example: Currency Confusion in Revolutionary Times

- Currency was confusing in the revolutionary period.
- Specifically, each state had different valuations for the foreign currencies being used in the colonies at the time.
- For example, Morris (1782) said of the Spanish dollar:
"... These [Spanish Dollars] pass in Georgia at five Shillings, in North Carolina and New York at eight Shillings, in Virginia and the four Eastern states at six Shillings, in all the other States except South Carolina at seven Shillings and six Pence, and in South Carolina at thirty two Shillings and six Pence."
- This is an example of a *pure coordination problem*...

A Pure Coordination Problem

- We can construe the problem as a *pure coordination game*.
 - Players: State 1 & 2 (Say, Virginia and Georgia)
 - Actions: Choose either currency standard 1 or 2. E.g.: One of two ways to value the Spanish dollar.
 - Payoffs: Denoted below as (State 1, State 2)

	State 2: Standard 1	State 2: Standard 2
State 1: Standard 1	(2, 2)	(0, 0)
State 1: Standard 2	(0, 0)	(2, 2)

- What happens? If both states choose the same standard they are better off. But they can't agree on a standard themselves. Someone - the federal government - must enforce one.
- This type of problem is related to a class of problems called *collective action problems*.

2. Provide Public Goods

- Defining public goods requires a couple of concepts.
 - *Excludability*: Can we exclusively provide the benefits of something to only those consuming it?
 - *Rivalry*: Does one person consuming or enjoying something reduce the supply available to others?

Rivalry	Excludability	
	Excludable	Non-excludable
Rivalrous	Private goods Food, clothing	Common-pool resources Fisheries, clean water
Non-rivalrous	Club goods Streaming services, toll roads	Public goods (Need government!) National defense, streetlights

Free-rider problem with public goods

- We can construe national defense spending - a public good - in the confederation as a *free-rider problem*.
 - Players: State 1 & 2 (Say, Virginia and Georgia)
 - Actions: Choose to pay for the Continental Army or not.
 - Payoffs: Denoted below as (State 1, State 2). Assume it costs 150 but each state values it at 100.

	State 2 Pays	State 2 Does Not Pay
State 1 Pays	$(-50, -50)$	$(-50, 100)$
State 1 Does Not Pay	$(100, -50)$	$(0, 0)$

- What happens? If one of the states chooses not to pay and the other does, in total, they are better off. But both states would know this, and not pay! The federal government must step-in and negotiate. E.g.: Each pay 75.
- Yet another *collective action problem*.
 - See Varian (2010) for more examples and algebra.

3. Alleviate Market Failures

All 3 market failures below can be construed in a similar way to the previous games. I am skipping it here.

- Market power
 - Late 19th century was called the Trust busting era and the Sherman Antitrust Act.
 - Recent interest in Big Tech legislation. See Khan (2017).
 - A personal anecdote and a dose of political realism!
- Externalities
 - Positive externalities (eg: Disclosure of ideas)
 - Negative externalities (eg: Reduction in potency of antibiotics with more usage)
- Information Asymmetries
 - George Akerlof and the Market for Lemons: *Lets watch a video*: URL

4. Manage the Economy

- Another objective listed in the Preamble of the Constitution is to “promote the general welfare”
- Congress may be called upon to increase government spending or decrease taxes in response to a recession
- The Federal Reserve Board affects interest rates and prices through monetary policy
- ‘Industrial policy’ is a more contested intervention.
 - Should government more deliberately dictate the direction of innovation?
 - See Mazzucato (2011) for a provocative argument that government already does so!
 - Also see CHIPS and Science Act, and several recent (re)actions to deter Chinese dominance.

5. Provide Social Insurance

- The authors of your text seem unaware of Akerlof and adverse selection, and seem too pessimistic about the economic rationale here.
- See Einav and Finkelstein (2011) for a much better explanation of the economic rationale for social insurance with beautiful graphs!
- Let us watch this video for a quick explanation now: [URL](#)

6. Redistribute resources

- The chapter doesn't show you any of the basic facts of economic inequality in the US - a growing but contested concern.
 - See <https://wid.world/>
- “Is” can't implicate “ought” (David Hume) but some of these facts provide the rationale for one might consider redistribution-style programs, and in turn have a government to do such things.

A taxonomy for inequality policies

Taken from Blanchard and Rodrik (2023)

		At what stage of the economy does policy intervene?		
		Pre-production	Production	Post-production
What kind of inequality do we care about?	Bottom	Endowment policies (health care, education); universal basic income	Minimum wage; job guarantees	Social transfers (e.g., Earned Income Tax Credit); full-employment macro policies
	Middle	Public spending on higher education	“Good jobs” policies; industrial relations and labor laws; sectoral wage boards; trade agreements; innovation policies; employee ownership	Safety nets; social insurance policies
	Top	Inheritance/estate taxes	Regulations; antitrust laws	Wealth taxes

7. Discourage Undesirable Preferences, and 8. Promote Common Values – 1

- Government may adopt policies designed to discourage people from acting upon preferences that are considered undesirable or engaging in unnecessarily risky behavior.
 - For example: 1) motorcycle helmet laws; 2) laws against “victimless” crimes like possession of small amounts of marijuana
- Another area where preferences frequently are regarded as undesirable concerns discrimination.
 - The legacy of slavery, Jim Crow laws, and immigration laws based on national origin still drives much of politics today
 - *Quick check: How many of you know about the Baldwin-Buckley debate? Is that brought up in high school? Can I use it to talk to you during Civil Rights week of the class?*

7. Discourage Undesirable Preferences and 8. Promote Common Values – 2

- On the other hand, government also encourages other preferences and their consequent actions
 - For example, the income tax deduction for charitable contributions
- Attempts to define and promote common values can become controversial

This week's class

- Why have a government?
 - Hobbesian answer
 - Motivated by 'Naturalism'
 - "State of Nature" → Natural Right of self-preservation → Fear → Natural Law of Peace → *A Leviathan* to represent the people (i.e) Government
 - Public Economics answer
 - Using what government does and/or proposes to do now to back-solve a rationale for government
 - Establish Standards; Public Goods; Market Failures; Managing Economy; Social Insurance; Redistribution; Values.
The book has specific details of social insurance and redistribution programs. You can expect questions from there in exams.

References I



Blanchard, Olivier, and Dani Rodrik. 2023. *Combating inequality: Rethinking Government's role*. MIT press.
https://books.google.com/books?hl=en&lr=&id=snOdEAAAQBAJ&oi=fnd&pg=PR11&dq=combating+inequality&ots=LpYDJyT9VI&sig=yhUAgiWBZPF5FvHMdmTQXZnk7_0.



Einav, Liran, and Amy Finkelstein. 2011. Selection in Insurance Markets: Theory and Empirics in Pictures [in en]. *Journal of Economic Perspectives* 25 (1): 115–138. <https://doi.org/10.1257/jep.25.1.115>.
<https://www.aeaweb.org/articles?id=10.1257/jep.25.1.115>.



Khan, Lina M. 2017. Amazon's Antitrust Paradox [in en]. *Yale Law Journal*,
<https://yalelawjournal.org/note/amazons-antitrust-paradox>.



Mazzucato, Mariana. 2011. *The Entrepreneurial State* [in en]. Google-Books-ID: kLZSXwAACAAJ. Demos.



Morris, Robert. 1782. *I. Robert Morris to the President of Congress*.
<https://founders.archives.gov/documents/Jefferson/01-07-02-0151-0002>.



Varian, Hal. 2010. *Intermediate Microeconomics: A Modern Approach*. 8th ed. W W Norton & Company.
https://search.library.utdallas.edu/permalink/01UT_DALLAS/uisfcj/alma9914522001421.