BOOK ONE CHAPTER SEVEN

**The modern Government system with buerocratic impartiality**

The German who couldn't take it in China after a parking incident where a Chinese national took his parking spot finally had a breakdown.

It comes as no surprise that the German would have a hard time, as I have found going into Central Richmond to be a hellish experience with drivers not bothering to signal and acting like they are the only drivers on the road. They show their disrespect and aggression to others.

In Germany, which is a more socially cooperative society, this behavior would not be tolerated because the standards for social cooperation are much higher. Drivers are afraid to break the rules of the road, due to the perceived costs of non-cooperation. In Germany one can remain level headed and cool while driving, because one is not antagonized by bone headed drivers.

In this mini-model of rule following or the lack thereof, insurance costs are higher for insurers in these neighborhoods within the US(the costs used to be until raising insurance rates by zip code was found to be passed onto drivers in these neighborhoods until that practice was found discriminatory by ?.) In other words, the inefficiency of this neighborhood having bad drivers and more accidents is more expensive to insurers insuring these neighborhoods.

As is demonstrated in the example above, non-compliance with rule following has social costs. In the past deviants were punished either subtly (by simply ostracizing them, like refusing to meet with them socially or to recognize their birthday) or explicitly (by public humiliation in the town square and even worse for capital offenses). Thus the spirit of compliance was there even before there were institutions that regulated compliance. The institutions that regulate compliance are the arm of the will of the people in order to restore a type of order in public affairs, financial markets, or into every day vehicle traffic.

In other words, institutions enforce what people consider to be behavioral norms, in order to foster increasing trust and security. People are generally glad that there is someone in charge to reduce the chance of something unexpected. They are more willing to put their full faith into the workings of the system, to ensure that things happen in a planned and orderly way.

Past history has an impact on this. Past history guides expectations. Past history is transmitted from parents to children through social learning. There is a high correlation between the credit scores of parents and the credit scores of children. Parents who feel discriminated against by the system are likely to blame the system (even though discrimination by zip code has been declared illegal in the decision of ?, and financial scores are based on past financial activity and computer algorithms- which is an objective form of measurement that cannot be racist by definition).

A person's credit score, a very recent invention, are the answer that society has found in order to sequester bad actors from the system. A persons credit score which was previously used only by banks and institutions of credit, has risen in importance in the last few decades. It is now used, among other things, to determine if someone qualifies to be part of a car sharing program or eligible for hire. This system can be seen to be a regulation of consumers for businesses that depend on social cooperation. Car rental companies are forced to regulate the consumers that are allowed to rent a car by imposing strict standards on drivers in the US. Drivers have to be over the age of 25! In addition, people allowed to rent cars must have a credit history.

In a similar light, as the importance of the regulation of businesses has become apparent.

How does an institution spring into being? It is usually to address negative externalities. For example, the Food and Drug Administration and the USDA both ensure that the quality of all foodstuffs are high in the United States. You do not see any ugly vegetables in markets in the US that are inferior, damaged or expired, and you have to go to poorer countries to see these vegetables being sold. This is due to the public outrage that was caused by the publishing of Upton Sinclair's *The Jungle*. The conditions in the meat packing plants were so awful that a grass roots effort came into being to create a central organization of inspectors, which later became the Food and Drug Administration. There are now official tolerance limits on the amount of impurities that can be present in manufactured foodstuffs that are not listed on the official list of ingredients but that somehow ended up in the final product.

So far there is no agency that addresses the quality of electronic goods available on the internet. The reputation of the item's brand is all that people have to go on. Thus a lot of the electronics that are suspiciously low priced are really garbage, but there is no way of knowing that. I bought a few hundred dollars worth of electronics on Amazon five years back, and all have since broken. These included two early Chrome books that both died mysteriously on the same day, video recorder sunglasses. Also, batteries degrade quickly, and the spare batteries I bought were used instead of new, even though they were advertised as being new. People have just accepted that they will have to buy another phone in five years time, because five years is considered a long lifespan for most electronics.

There is no agency that addresses the quality of nutritional supplements in the US. It used to be impossible to know this. However, genetic testing has revealed that many nutritional supplements are not only falsely advertised, but are not even the thing that they pretend to be. For example, it was found that ???

The regulation of markets is the final thing that institutions can help with. The most important thing is to make sure that markets are transparent.

What is meant by transparency? Airline tickets are not transparent, because people generally have no idea how squeezed they will be in their seat, since Airlines do not have to declare the distance between rows.

**Dependability and Fairness**

People in Western cultures have taken dependability on someone's word to a whole new level.

In *The History of White Trash*, it was shown that someone could arrive to the colonies and be hired based only on a letter they delivered to the Governor the word of a benefactor. This type of trust at a distance was a necessity in the absence of modern communication in pre-modern world. The elites tried to foster the reputation of being reputable and of having “a word that is as good as gold”. The status of being reputable drew in business, made it easier to make allies, and was valued in countries as diverse as Japan and Portugal.

There was thus a type of meritocracy when it came to dependable people. No one wanted to be a pariah, quite the opposite, they aspired to be an honorable person. In fact honor was so important that gentlemen legally engaged in duels if they felt that their honor was infringed.

What often brought and continues to bring honorable people down was pure greed. A conspiracy could be hatched in order to defraud investors. Such conspirators would have to escape to another country in order to avoid the investors wrath after their conspiracy was unmasked.

In *Around the World in Eighty Days*, 18??, a gentleman's bet was made to travel around the world within an eighty day time limit. However, the other side of the bet turned out not to be an honest actor, and put out a warrant for the arrest of the protagonist when he arrived in France. An international agent had to travel to other countries in order to hunt the protagonist down, and with several near misses, where the protagonist was almost captured on several occasions, the terms of the bet were fulfilled.

The motives of the antagonist were sheer greed. Interestingly, he felt that his conspiracy would never come out because of how difficult it was for news to travel and be independently verified.

A fundamental systemic fairness is important so that modern economies function correctly. People seem to focus on the free part of an economy, “free markets”, more than the fair part. Since merchants met in their merchant houses they have always resented government taxation and regulation, and have naturally had libertarian leanings. However, markets cannot be truly free unless all actors have an equal chance. History has shown that the early-modern merchants of these merchant houses and modern corporations are always interested in gaming the system to their own advantage. Businesses work within the system to maximize profits. However, they are ready to jump in to exploit the loopholes of existing laws or create new laws that benefit them to the detriment of their competitors. This is part of their philosophy of profit maximization for increased shareholder value.

An economic system that regulates these businesses and prevents them from forming monopolies is called neoliberalism. This prevailing economic system has been proven to work.