Foreword

A smoothly running automobile is one of life's delights; it enables you to get where you need to get, on time, with great reliability, and for the most part, you get there in style, with music playing, air conditioning keeping you comfortable, and GPS guiding your path. We tend to take cars for granted in the developed world, treating them as one of life's constants, a resource that is always available. We plan our life's projects with the assumption that of course a car will be part of our environment. But when your car breaks down, your life is seriously disrupted. Unless you are a car buff with technical training you confront your dependence on a web of tow-truck operators, mechanics, car dealers, and much more. At some point, you decide to trade in your increasingly unreliable car and start afresh with a brand new model. Life goes on, with hardly a ripple.

But what about the huge system that makes this all possible: the highways, the oil refineries, the auto makers, the insurance companies, the banks, the stock market, the government? Our civilization has been running smoothly—with some serious disruptions—for thousands of years, growing in complexity and power. Could it break down? Yes, it could, and to whom could we then turn to help us get back on the road? You can't buy a new civilization if yours collapses, so we had better keep the civilization we have running in good repair. Who, though, are the reliable mechanics? The politicians, the judges, the bankers, the industrialists, the journalists, the professors—the leaders of our society, in short, are much more like the average motorist than you might like to think: doing their local bit to steer their part of the whole contraption, while blissfully ignorant of the complexities on which the whole system depends. The optimistic tunnel vision with which they operate is not, Paul Seabright argues, a deplorable and correctable flaw in the system but an enabling condition. The edifices of social construction that shape our lives in so many regards *depend on* our myopic confidence that their structure is sound and needs no attention from us.

At one point Seabright compares our civilization with a termite castle. Both are artifacts, marvels of ingenious design piled on ingenious design, towering over the supporting terrain, the work of vastly many individuals acting in concert. Both are thus byproducts of the evolutionary processes that created and shaped those individuals, and in both cases, the design innovations that account for the remarkable resiliency and efficiency observable were *not* the brainchildren of individuals, but happy outcomes of the largely unwitting, myopic endeavors of those individuals, over many generations. But there are profound differences as well. Human cooperation is a delicate and remarkable phenomenon, quite unlike the almost mindless cooperation of termites, and indeed quite unprecedented in the natural world, a unique feature with a unique ancestry in evolution.

Much has been written about "the social construction of reality" and (much better) the "construction of social reality," but most of it is written by thinkers who—like naive car owners—are full of admiration for the marvel they are describing but haven't a clue about *how* this construction actually has taken place, and *why* the parts intermesh the way they do. These life-enhancing institutions are made of interacting, interlocking systems of beliefs—about what to expect, what not to expect, what to worry about, what to take for granted, what is possible, and what is (almost) unthinkable. We tend to take this structure as given, a permanent fact of life, but it is in fact a quite recent development, biologically speaking, and although it has some remarkable powers of self-stabilization, it is not as invulnerable as common sense typically supposes. As the biologist D'Arcy Thompson said, many years ago, "everything is the way it is because it got that way," and the deep idea behind this truism is that a keen appreciation of the compromises and tensions that have gone into this largely unwitting construction is a prerequisite for understanding both the strengths and fragilities of the social vehicle on which our life as human beings now depends. Seabright constructs our economic world piece by piece, showing why there is money, and banks, and firms, and marketing, and insurance, and government regulation, and poverty, and political insecurity, and also showing how information is generated, used, ignored, exploited in this complicated social fabric.

Like other recent authors, Seabright sees the emergence of cooperation as a truly world-altering phenomenon that requires ultimately a biological—evolutionary—explanation, but he does not fall into the trap of Panglossian optimism, as some have done. Cooperation depends, he

argues, on *trust*, a sort of almost invisible social glue that makes possible both great and terrible projects, and this trust is *not*, in fact, a "natural instinct" hardwired by evolution into our brains. It is much too recent for that. Rather, it is a byproduct of social conditions that are at once its enabling condition and its most important product. We have bootstrapped ourselves into the heady altitudes of modern civilization, and our natural emotions and other instinctual responses do not always serve our new circumstances. By reverse engineering these social constructions, Seabright exhibits both the source of their power and their very real and dangerous limitations.

The first edition of this book was an eye-opener, an invitation to think in a new way about our predicament, and this second edition builds more explanations on that base, demonstrating the power of the ideas by applying them to our current economic crises, throwing a particularly powerful light on the tempting mistakes we must avoid if we are to prevent even more catastrophic future collapses. (For instance, punishing the crooks and removing the fools from power is only a first and relatively minor part of what needs to be done, since there are systemic problems that even saints and geniuses could stumble over in the future.)

Like Jared Diamond's *Guns, Germs and Steel*, this is a boldly ambitious book, drawing on a breathtaking range of scholarship, from history and biology and sociology and psychology in addition to economics, and challenging the blinkered visions of thinkers in all these fields, while at the same time making excellent use of the fruits of their researches. Seabright's imagination is as powerful as his scholarship, providing fresh perspectives on just about every page. He has a genius for arresting comparisons: how are being wealthy and being ticklish similar, and why are there driverless trains, but not airplanes? He notes, startlingly, that he doesn't have to suppress an urge to kill the waiter and get his meal for free—which is a temptation that would surely be hard for our cousin the chimpanzee to resist. This book is the clearest and most persuasive demonstration of the power and importance of economic thinking that I have encountered, and as such it is an ideal primer on economics, utterly jargon free, with vivid and graceful explanations of all the key concepts. He punctures popular convictions on almost every page and elucidates easily misunderstood concepts with graceful examples. He notes, for instance, that children are, on average, slightly *less* intelligent than their parents; but their parents are, on average, slightly *more* intelligent than their grandparents! How can this be? If this puzzles you, you haven't yet seen just how evolution works its inexorable trudge up the

slopes of fitness. He asks questions you never thought of asking, and the answers are never obvious—except retrospectively.

Think of the termite castle again. We human observers can appreciate its excellence and its complexity in ways that are quite beyond the nervous systems of its inhabitants. We can also *aspire* to achieving a similarly Olympian perspective on our own artifactual world, a feat only human beings could even imagine. If we don't succeed, we risk dismantling our precious creations in spite of our best intentions. Much of what we take to be just "common sense" proves to be treacherous, so we need to rethink the whole thing from first principles. That is the task undertaken by this very important book.

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