Is the Era of Big Government Over?

By Thomas E. Mann

When the first Democratic president to run successfully for a second full term since Franklin D. Roosevelt announces in a State of the Union speech that "the era of big government is over," who are we to argue? Bill Clinton has an extraordinary intuitive grasp of public sentiment in America. More than any other contemporary politician, he has been able to gauge what ordinary citizens are thinking and feeling and to give voice to those hopes and fears. Surely it was no accident that he used this memorable phrase in seeking to place himself and his administration in a politically-advantageous position in the months leading up to that reelection campaign.

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In this case, however, such a finely-honed political sensitivity was probably unnecessary to reach the conclusion that seems obvious even to the most casual observer: Americans have lost faith in the capacity of government to solve problems that worry them most. The precipitous decline in the percentage of Americans who "think you can trust the government in Washington to do what is right" (from more than three-quarters in the early 1960s to less than a quarter today) has been the subject of much scholarly investigation and even a lively debate between those who decry the public's corrosive cynicism and those who are cheered by its appropriate skepticism. What is beyond dispute is the empirical reality of a citizenry disaffected from its government.

Much the same story is told by the time series compiled by Everett Ladd from surveys conducted by ABC News/*Washington Post* and by the *Los Angeles Times*.[1] When asked during the mid-1980s "would you say you favor smaller government with fewer services or larger government with many services?" Americans were evenly divided; by the 1990s sentiment had shifted to a more than two-to-one advantage in favor of smaller government/fewer services. At the very least, Ladd reasonably concludes, "we have come rather decidedly to *reject the idea that more government is progress*."

Why Government's Credibility Declined

In several respects this loss of faith in government is perfectly understandable. Since the mid-1960s Americans have lived through a series of traumatic national events (assassinations, a divisive, failed war, White House scandals) and a long period of slow economic growth, stagnant wages, and high federal budget deficits. They have witnessed alarming increases in violent crime, drug use and out-of-wedlock births, and the seeming rejection by a subset of the population of the conventional values of personal responsibility and self sufficiency. They have been buffeted by the culture wars and subject to an increasingly shrill and polarized debate among politicians who routinely denigrate the government in which they serve and deploy with relish their new weapon of choice—the moral annihilation of their opponents. Americans' image of politics and government has been further shaped by a mass media whose thirst for scandal and reports of program abuse and failure is seemingly unquenchable.

Most importantly, these developments coincided with a major expansion of the public agenda. The government, especially the federal government, came to be seen as a critical instrument to right unacceptable wrongs, to grapple with deep-seated social problems, to reduce risks of physical harm and financial destitution. Issues long the responsibility of local and state governments—education and public safety—gravitated to Washington as entrepreneurial politicians sought to respond to those areas of greatest public concern.

It is no surprise, therefore, that the credibility of government itself has been damaged. Doing more, looking worse, and producing disappointing economic and social results, government came to be seen by many Americans as more the problem than the solution. Conservative politicians, first and foremost Ronald Reagan, seized on that public reality and rode it to substantial victories at the polls. And successful Democratic politicians, Bill Clinton the most prominent example, acknowledged rather than contested that reality and sought to work around it.

Expectations Remain High

But another striking feature of public opinion in America was reinforced by the political and policy battles of recent years and the signs of progress on key economic and social indicators. Americans are more pragmatic than ideological. Their attitudes toward government, while shaped by socialization and partisanship, are rooted largely in experience, not philosophy. And over the years they have come to take for granted a substantial governmental role in virtually every aspect of the economy and society, sometimes so much so that they fail to acknowledge that an essential program is public, not private. ("Tell the government to keep its hands off my Medicare.") Americans expect their government to stabilize the economy, provide for the national defense, insure its citizens against the risk of disability, unemployment, and poverty and illness in old age, improve the life prospects of young children, finance and improve public education, facilitate job training and placement, promote public safety, explore space, fund scientific and medical research, help its citizens acquire health insurance, assure quality medical care, protect the environment, ensure food and product safety, regulate financial institutions, control air traffic, administer parks, promote the arts, police discrimination, curb unfair and harmful business practices, build highways, promote exports, ease home buying, provide for our veterans—in short, to respond to almost every imaginable economic and social need.

When asked about specific governmental programs, substantial majorities of Americans routinely express support for stable or increased funding, resist efforts to eliminate departments and programs, and rank cutting taxes a substantially lower priority than increasing spending for favored programs and, in the new environment of a balanced budget and likely surplus, lower than paying off the national debt. About the only federal programs targeted by the public for reductions are welfare and foreign aid, both of whose outlays are thought to be many multiples of their actual cost. The public is very resistant to what it sees as squandering public resources on undeserving recipients, whether they be individuals, corporations, or countries. At the same time the public exhibits a willingness to help those who will help themselves, to lend a hand but not subsidize a permanent lifeline. There is little evidence among ordinary citizens of a libertarian resistance to government in principle. The public is more nuanced: it opposes public programs that violate its core values, that appear to waste substantial resources and achieve meager gains, and that seem to benefit narrow interests with special access to policymakers.

So we should not have been surprised to see Bill Clinton and the Democrats succeed so spectacularly in playing defense against the efforts of the new Republican congressional majority in 1995 and 1996 to scale back the role and size of government, especially given the GOP strategy of coupling Medicare reductions with tax cuts and allowing the government to be shut down. Lacking confidence in a major expansion of government, such as that envisioned in the Clinton health reform plan, is not the same as embracing a radical reduction in public programs, or even a modest one. Conservative leaders who in the heady days following the 1994 Republican landslide announced the goal of scaling back the size of the federal government by 40% (from 20% to 12% of the GDP) were speaking a language utterly foreign to most American citizens and embracing an objective welcomed only by kindred ideologues. Much the same can be said for Speaker Newt Gingrich's more recent call to reduce by a third the tax bite of all levels of government in the US—federal, state and local— to 25% of the GDP.

Nor should we be startled by signs of an easing of the public animus towards government as the economic recovery proceeds, real wages increase, budget deficits vanish, crime rates fall, the precipitous rise in teen pregnancy crests, and the leaders of that government articulate values that most Americans hold dear. That is not to say the public now embraces a major expansion of government. President Clinton has probably read the public mood accurately, as seen most recently in his 1998 State of the Union speech, in advancing a series of modest public initiatives within a framework of fiscal responsibility and in identifying the government's primary role as assisting, not substituting for, individual efforts to adapt successfully to a rapidly changing world.

By Global Standards, US Government Is Small

America is an outlier among industrial democracies in terms of the share of its total economy absorbed by the public sector—15 percentage points below the average of European Union countries and now even lower than Japan. That difference has actually grown in recent years, even though several of these countries are ahead of the US in efforts to reform and downsize their governments. This relative reticence of the United States to use the state to provide social benefits is explained by a number of factors: political institutions biased toward inaction, the absence of a feudal experience, a strong antifederalist tradition rooted in entrepreneurialism and evangelicalism, and the widespread practice of private (i.e. employer) provision of health and pension benefits.

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Indeed, what is most striking about the size of government in the United States over the last four decades is its stability relative to the economy, not its precipitous growth. Outlays by the federal government grew from 17.8% of the GDP in 1960 to 21.7% in 1980. At the end of the Reagan era in 1990 that figure stood at 22%. Current projections are that in the final year of the Clinton/Gore administration, the federal government will absorb 19.6% of the GDP. Most of the government growth during these decades actually occurred at state and local levels. Federal government receipts (primarily taxes) have also fluctuated within a very narrow range since 1960 when measured as a share of the total economy—from a low of 17% to a high of 19.7%.

Of course, there have been major shifts in the composition of those expenditures and revenues. Defense spending today is about a third of what its share of the economy was in 1960.

Payments to individuals, primarily for Social Security and Medicare, are roughly three times what they were relative to the GDP in the last year of the Eisenhower administration, and now account for more than half of all federal spending. Discretionary domestic spending grew during the Great Society years but has fallen back to levels last seen in the early 1960s. Interest payments have doubled relative to the total economy but are projected to shrink as the economy grows in a balanced budget environment. And payroll taxes make up an increasing share of federal receipts.

The federal government can, of course, flex its muscles without taxing and spending—by imposing mandates on state and local governments and issuing regulations that entail substantial costs to the private sector. And it has done so with abandon over the last three decades. Much of the growth of the public sector at the state and local level has been stimulated by federal carrots and sticks. A veritable army of state and local officials and private and nonprofit contractors, dwarfing the size of the federal workforce, are involved in administering federal programs and carrying out the wishes of Congress, the president, and the courts. And while politicians in Washington have moved to deregulate major sectors of the economy, they have at the same time imposed major new social regulations on private enterprises, whose costs in recent years have increased sharply. Even so, most students of federalism would probably acknowledge that the US retains a substantial localism in its public affairs, with much initiative and innovation originating far from the nation's capitol. And most students of regulatory policy would concede that the American workplace remains comparatively unfettered and its enterprises sufficiently flexible to respond effectively to a rapidly changing environment in spite of the flood of costly litigation prompted by those regulations.

An Evolving Government

Posing the question "Is the era of big government over?" is less useful than asking how government is likely to adapt to new economic, social, and political forces gathering at the end of the millennium. There is nothing inevitable about a shrinking of the public sector in an information-based, postindustrial society. While the United States is likely to retain its bias for limited government, it is unlikely the citizenry will countenance a measurable reduction in its present scope. While adjustments will be made in our social insurance programs, the retirement of the baby boom generation will inevitably exert upward pressure on the share of the economy absorbed by government. The growing inequalities and insecurities associated with a high technology, global economy will attract the attention of politicians, not to radically redistribute wealth through the tax system but rather to strengthen economic opportunities for all citizens and to ease the difficult adjustments that many will be forced to make. The traditional rationale for government intervention will not vanish in an information society—markets will continue to generate instabilities, monopolies and externalities that invite collective responses, at local, national, and international levels. For example, one might have thought that the rapid pace of the information revolution, with its pressure toward decentralization and individual entrepreneurial activity, would render obsolete the antitrust and monopoly policing of the federal government. Yet we find ourselves in the midst of an extraordinary wave of mergers and acquisitions, with the potential for monopoly power distorting markets in crucial sectors of the economy.

Government will likely neither expand nor contract a great deal but it will almost certainly change. In many parts of the country and the world, that process of change is well underway. Under pressure from their electorates, innovative mayors, governors, ministers and at least one vice president are seeking more efficient ways of delivering public services—through privatization, regulatory reform, performance management, and partnerships with faith-based and other nonprofit organizations. Policymakers are showing signs of greater realism in terms of what it might take in the way of complex interventions to make headway with our most intractable social problems. Some reallocation of collective responsibilities across levels of government—both downward to local entities and upward to supranational organizations—seems inevitable but this will fall well short of a withering of the nation state. In the US, citizens will continue to look to Washington in times of need, even if it violates the law of comparative advantage, since their primary identification is with America, not their state or local jurisdiction. Pathologies of the public sector—parochialism, special interest influence, bureaucratic layering—will be highlighted and resisted as various governments undergo modernizing campaigns. Progress will be halting but the force of public opinion will spawn repeated efforts to improve government performance.

The project to renew and modernize government rather than simply to shrink it will not be a sterile technocratic exercise removed from the world of politics. It will involve politics of the highest order—clashing public philosophies, battles over identities, values, and interests, and plebiscitary pressures on traditional instruments of democratic deliberation. A citizenry turned off by current modes of political expression will have to be reenergized by new social movements and reengaged in a meaningful public conversation. Ironically, this may require that Americans rediscover and reembrace—on fresh terms—those sources of public authority that they have always viewed with both expectation and distrust.

Endnote:

[1] Everett Carll Ladd, "There Go the People. I Must Follow Them, for I Am Their Leader," *The New Democrat*, December 1997.

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