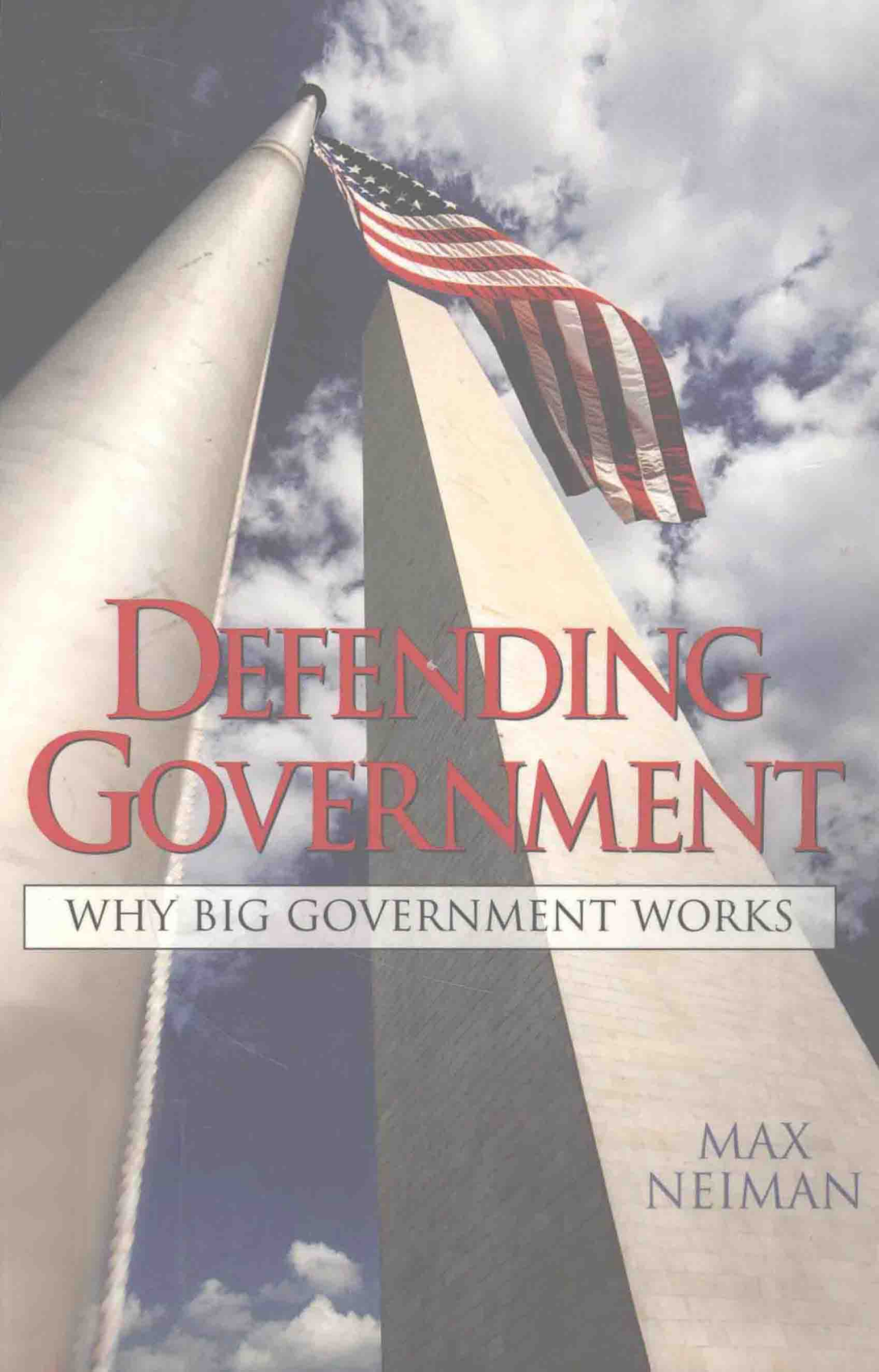

DEFENDING GOVERNMENT

WHY BIG GOVERNMENT WORKS

MAX NEIMAN

Defending Government: Why Big Government Works

Max Neiman
University of California, Riverside

Prentice Hall, Upper Saddle River, New Jersey 07458

Library of Congress Cataloging-in-Publication Data

NEIMAN, MAX.
Defending government: why big government works/Max Neiman.
p. cm.
Includes bibliographical references and index.
ISBN 0-13-373044-1
1. United States—Politics and government—20th century. 2. Administrative agencies—United States—Evaluation. 3. Government productivity—United States. 4. Quality of life—Political aspects—United States. 5. Democracy—United States. I. Title.

JK421.N4 2000
320.51'3—dc21 99-054022

Editorial director: Charlyce Jones Owen
Editor in chief: Nancy Roberts
Senior acquisitions editor: Beth Gillett Mejia
Editorial assistant: Brian Prybella
Marketing manager: Christopher DeJohn
Editorial/production supervision: Kari Callaghan Mazzola
Electronic page makeup: Kari Callaghan Mazzola and John P. Mazzola
Interior design and electronic art creation: John P. Mazzola
Cover director: Jayne Conte
Cover design: Joseph Sengotta
Cover photo: Hisham F. Ibrahim/PhotoDisc, Inc.
Buyer: Ben Smith

This book was set in 10/12 Palatino by Big Sky Composition
and was printed and bound by Courier Companies, Inc.
The cover was printed by Phoenix Color Corp.

Printed in the United States of America
10 9 8 7 6 5 4 3 2 1

ISBN 0-13-373044-1

PRENTICE-HALL INTERNATIONAL (UK) LIMITED, *London*
PRENTICE-HALL OF AUSTRALIA PTY. LIMITED, *Sydney*
PRENTICE-HALL CANADA INC., *Toronto*
PRENTICE-HALL HISPANOAMERICANA, S.A., *Mexico*
PRENTICE-HALL OF INDIA PRIVATE LIMITED, *New Delhi*
PRENTICE-HALL OF JAPAN, INC., *Tokyo*
PEARSON EDUCATION ASIA PTE. LTD., *Singapore*
EDITORA PRENTICE-HALL DO BRASIL, LTDA., *Rio de Janeiro*

PREFACE

It is important that readers know my orientation to the subjects of *Defending Government: Why Big Government Works*. I am not an apologist for the failures of previous policy. I am not indifferent to the worries of people regarding crime and public safety, nor do I dismiss their chagrin regarding wasteful and ineffectual public policies. I worry that an alienated, angry white working class increasingly believes that social justice means only remedying the injustices to women, gays, and people of color. I also worry about people who feel angry or foolish for struggling to make ends meet while thinking that there are mythical legions of loafing welfare cheats who live in luxury at the expense of the working stiff. I am sympathetic to the need to encourage and to respect work and investment. I am scornful of the tendency to replace results with motives as the test of successful public policy. On the other hand, I also celebrate the efforts of the public to use the powers of democratic governing to improve the lives of people.

Although liberals have contributed to the current rancor in the public discourse over domestic and social policy, they have not, in recent decades, influenced policy to the same extent as have those in the conservative mold. With few exceptions, liberal militants are today relatively invisible and mute; certainly they are disorganized and less successful in reaching a large, receptive audience. The liberal legacy has been defeated by the ironic, if not tragic, view that "the poor are seen as a 'special interest' while the wealthy are not" (Dionne, 1991: 144). Although criticism of government and politics from the left has been forceful, it is less salient in the current public discourse. Today, the chief barrier to a newer, principled pragmatism of the moderate center is the dominance of neoconservative

American political dialogue. My attention is therefore focused on the conservative attack on the public sector, especially its explanation for and evaluation of the size and growth of the public sector in the United States.

My parents and those of my wife are World War II concentration camp survivors. During World War II, much of my family disappeared in the execution pits in what is today the Ukraine and in the smoke that wafted out of the crematoria of Auschwitz and other Nazi hells-on-earth. As a child, in 1956, I remember being mesmerized by the magazine, newspaper, and television coverage of the Hungarian Revolution and the brutal response it evoked from the "people's" Soviet military. In other words, I am very aware of how the power of the state can be abusive. I do not ignore the anxieties that individuals might have regarding irresponsible and oppressive governments. I mention these things because this is a book that ultimately defends the use of the tools of governing in *democratically* organized societies, so that people can make their lives more rewarding, more productive, and more just. In today's America, notwithstanding the modest successes of a politically wounded, lame-duck Democratic president, the use of government has been blamed in recent decades for economic malaise and has even been posed as a serious threat to personal liberty. The conservative spirit, with its celebration of the private market and its fear, if not loathing, of government policies and public officials, dominates the prevailing political mood. As part of this conservative festival there has been a growing effort to make it more difficult for the public to use governing power to meet public ends. Cutting taxes, constraining revenues, weakening previous legislation, and debunking public agencies (particularly those with social- and health-related functions or those required to finance public activities) are the focus of the conservative agenda that prevails in the United States. I believe that the current dominance of conservative forces might seriously undermine the well-being of many disadvantaged Americans, threaten the health of many others, and make it more difficult to achieve broader national objectives in the fields of economic security, public health, efficiency, and environmental objectives. We will talk about all of that later.

I have, in short, an agenda. Most people, including scholars, who write books do. I believe that I am systematic and try to be rigorous in what I do here, but I am clearly guided by values and my own personal history. I remember quite clearly that when I arrived in the United States as a refugee with my mother in late January of 1952, I enrolled almost immediately in a Philadelphia public school. Among my clearer recollections are those of teachers taking a keen interest in me, teaching me English, and otherwise easing my sink-or-swim entry into a new nation. The attention and dedication of these teachers and the pleasure they seemed to have in my progress as a new American will remain lovingly stored in my memory. Perhaps it is this personal connection with publicly supported institutions

that has made me fairly sanguine about the importance of vigorous and effective public institutions.

I also recall my years of coming home from school and waiting for my mother to arrive home from work. On the one hand, I enjoyed the freedom I had in the hours between arriving home and my mother's arrival. Playing on the streets and having countless adventures in my Strawberry Mansion, north Philadelphia neighborhood was loads of fun. Yet I also remember my mother coming home from her millinery job fairly late. She worked long hours, often six days a week. I was disappointed when we could not attend certain events because she was tired or obligated to work. My mother explained to me that she was afraid she would lose her job if she were unwilling to work when she was asked to do so. When she became ill or sometimes suffered some work-related injury to her back or hands, she still went to work for fear of losing her job. I know that my first sense of what it means to be an employer or business owner was influenced by my view, perhaps distorted by time, of how my mother was treated by her corporate-factory bosses. Public school teachers, public parks and public recreation, public swimming pools, public camps during the summers, and the mounted police in the parks were very visible sources of pleasure and security for me. The most difficult thing facing my family was the need to work and the fear of losing one's job.

Yet, my parents, when they were reunited in 1961 (don't ask, that's another story), were also small business owners. Indeed, from the time of his liberation at Dachau in 1945, my father was always an entrepreneur. He was incapable of "working for someone else." It was as if his body would rebel, at the physical and psychological levels, if he were an employee. His one sojourn of working for others nearly destroyed his spirit. In any case, my father has always been incredibly grateful for the opportunity he had in the United States to run his own business (he ran a couple of bakeries). While the streets were not paved with gold, my parents were able to earn a decent living and accumulate their own retirement, mostly through their incredible investment of labor. I appreciate tremendously the willingness of people to take legitimate risks in establishing and developing their businesses, and I also understand that for most of us there is much hard work involved in what we are able to achieve. When demands are placed on our labor, say in the form of taxes, or when some of us are obliged to give to others, the result can be resentment. If the recipients of public help are seen as undeserving, and if some people are made to feel foolish for working hard while others receive benefits, that is a very painful perception. So, while I feel blessed for having been helped by publicly supported institutions and policies, I am also very aware of the sensibilities of those who work and invest in the unique insecurities of the private sector.

So this is a book by a person who believes strongly in the benefits of

well-designed, democratically inspired public policies. I believe in a vigorous public sector. Moreover, I do not believe that a productive, competitive, or innovative private sector is necessarily undermined by a vigorous, even large, public sector. Many of these issues are embraced by the continuing controversy over the implications of the size of government, which is the major focus of this book. This controversy is very complex, of course, and includes issues having to do with the following questions:

- What do we mean by a large public sector?
- How large is our public sector, in absolute or relative terms, when compared to previous times or other nations?
- What is the relationship between the size of the public sector and other things about which we are concerned, such as economic performance and personal liberty?
- Insofar as government size is a "problem," what are the suitable remedies for the problem?
- What is the role of democratic politics as a means of disciplining the growth and operation of government? Can we trust "politics" to manage these issues?

I am very grateful to a number of individuals who have provided ongoing and long-term moral and material support as I have worked on this book: Nicholas Lovrich, Michael Desch, Francis Carney, Jon Sonstelie, and Stephen Stambough. As my boss and dean of the College of Humanities, Arts, and Social Sciences at the University of California, Riverside, Carlos Vélez-Ibáñez was critical in both material and spiritual ways. I consider him a model scholar, with a passion for social justice and for doing rigorous scholarship. I extend a heartfelt thanks to Mark Lichbach, a prolific and inspiring scholar who took over as chair of my Political Science Department and thereby improved the quality of my scholarly environment in a very big way. I am grateful to the following reviewers who read and commented on the manuscript: Peter Steinberger, *Reed College*; Mark Baldassare, *University of California, Irvine*; Jeffrey R. Henig, *George Washington University*; and Larry Elowitz, *Georgia College and State University*. I am grateful as well to those social scientists, conservative and liberal and in-between, whose main focus is making life better for as many people as possible. The ends of social science are the people and their interests, rather than the means by which we study them, and I am inspired by the continuing presence and work of colleagues who share that view.

Expressions of gratitude for the support of my family can never convey how important they are to everything I have done here and elsewhere. Unfortunately, since she died I can no longer work with the nourishment of my mother's great soups and her boundless hope that life is worth living,

even in the most constrained circumstances. My father, Benjamin Neiman, provided an occasional safe haven, and I don't think he realizes how important that has sometimes been to me. Joshua and David, my sons, have needled me, lifted my spirits, and made me feel much more capable and important than I can ever be. I am the lucky beneficiary of their wit, joy, and intelligence. Then there is Sarah Deborah, my best, most enduring, and patient friend and wife. Yes, of course, this book would not have been possible without the path she cleared for me and the burdens she took on to make my life and schedule as uncluttered and simple for me as possible. Like so many other spouses, Sarah tolerated the usual array of bad and inconsiderate behaviors that authors seem to justify as part of their poetic license. And so I am grateful for the chance to let her know that without her this work and anything else I have done or will do is, for me, meaningless.

Max Neiman

CONTENTS

CHAPTER 1

AN INTRODUCTION TO THE ISSUES

In January 1996, in his State of the Union Address, President Clinton stated the following:

> We know big government does not have all the answers. We know there's not a program for every problem. We know, and we have worked to give the American people a smaller, less bureaucratic government in Washington. And we have to give the American people one that lives within its means. The era of big government is over.

What did President Clinton mean? Did he mean that a monster called the Big Bad Government had been slain, and citizens could now rest easy and not worry about being terrorized by the agents of government? Or did he mean that there was a time when Americans profitably used government to achieve public ends, but that this time had passed? Most of the public discussion about the president's declaration concerning "big government" focused on whether he really meant it, or whether he was merely co-opting a theme from his antigovernment opponents and cashing in on the nation's prevailing mood of skepticism regarding just about anything we try to do through government, a tactic over which his critics claim the president has assumed unmatched mastery. The president, it seems, was sincere in expressing a kind of surrender and was waving a white flag to those who resist any major new initiatives from government. After experiencing the political debacle of his medical care and health industry initiatives in the first two years of his first term, the president was voicing his own commitment to policy gradualism and his decision to employ and harness private sector energy as a means of achieving policy.

This book will focus on a variety of issues and questions associated with what President Clinton and others have referred to as "Big Government." This book, then, is necessarily about government size—for example, what is meant by Big Government? How do we define it? How do we measure it? How do we explain it? Why do we worry about it? If Big Government is bad, how can it be controlled without undermining the capacity of citizens to achieve worthwhile ends?

Much of the discussion here hinges on an implicit distinction between government and governing. The term *government* refers to the array of people and policies that happen to prevail or to characterize a society at some time. The following are all attributes that characterize a government: who is in control of the legislature, what particular system of taxation is used, what the level of taxes is, how the tobacco industry is being treated, what methods are used to regulate the telephone industry, how elections are organized, and what the terms of citizenship are. The term *governing* refers to the process by which individuals make choices about the things they wish to affect. Governing does not imply a particular set of policies, and the results of governing might be deplorable, wasteful, dangerous, effective, or commendable. In a well-ordered democracy, the public is entitled to and provided with meaningful opportunities to use the tools of governing to achieve humane, prudent, effective, and equitable objectives. Some of the tools of governing are taxing, spending, regulating, designing incentives, imposing fines and sanctions, and issuing honors and awards.

Over the past twenty-five years or more the attack on government has involved not only a sophisticated critique of government programs, but also a focused effort to make it more difficult for the less privileged of society to have access to governing authority. If the assault on public programs and the capacity to produce them is permanently and broadly successful, then making life fairer and better for the least advantaged and less politically connected members of society will be more difficult.

There are many reasons that this assault on governing has achieved many successes, if not total victory. Very important in this antigovernment campaign has been the work of conservative thinkers, corporate sponsors, conservative foundations and think tanks, and opportunistic pundits and talk-show hosts. Of course, the assault on public institutions and on the very idea of using government tools like taxes, redistributive programs, and regulation, is not monopolized by conservatives. Indeed, thinkers and activists on the left have also been intrepid, sometimes savagely so, in their criticism of policies, politicians, and political institutions. However, in the United States the most recent, effective, and widely accepted attacks on those who wish to use the tools of government for a variety of purposes have emerged from the right. It is not necessary to prove, nor do I believe, that there is a vast, concerted, right-wing conspiracy to "get" nonconservative politicians or a plot to undermine public confidence in its ability to achieve useful ends

through governing. The effort to impugn government workers and elected officials or to denigrate and ridicule public institutions is obvious and up front. It is not subtle or conspiratorial at all. President Clinton's attempt to hide his private sexual misconduct from Americans and the efforts of Republicans to press the impeachment process have independently contributed to further dismay with government and politics. Although the assault from the right is not coordinated as some grand conspiracy, it does proceed with self-consciousness and common purpose. Conferences, meetings, common publications, foundations, and the acceptance of a language of disdain for government—all function to reinforce fears of and loathing for politics and government. It really is irrelevant for our purposes if the assault on governing is a conspiracy. The view here is that if it is a conspiracy, it is one of history's least well-guarded ones. In any case, public criticism of government, governing, politicians, and government employees is perfectly legitimate, if often exaggerated and incorrect. It seems, in some sense, grandly patronizing to mention that it is appropriate and exalted for people to engage in public discourse, even when it does not support one's views. It does no good to demonize one's opponents in the competition over ideas, just because one is losing the argument.

It is true, though, that the critics of governing and government generally have been getting the better of it. While they are not demons, they often seem to get away with avoiding some key issues, such as their implicit fear of democracy. Even though President Clinton revealed a proposed balanced budget in early 1998 for the first time in thirty years, and even though public support for selected programs remains high, there is a kind of prevailing sense that "The Era of Big Government Is Over." Grand and dramatic efforts to achieve public objectives are very problematic in the current political climate, except in the most unusual of circumstances. Similar constraints have operated to strap the policy options of local and state governments. Public support for programs is, at best, limited to military spending, education, penal institutions, and income security for the elderly. We have also recently had inflicted on us a tawdry, national pillorying of President Clinton. In a sense, this sorry spectacle of what began as an investigation of President Clinton as part of the Whitewater Affair has mutated into the most absurd expression of life imitating popular art. This victory of the hot-button, talk-show motif in our public discourse and in the current political flagellation of President Clinton makes the point.

Americans have always been generally suspicious and skeptical about government and governing. I am not going to retrace this old story in its entirety. My concern is about several things. First, in recent decades the expression of antigovernment sentiment has escalated to very high levels, notwithstanding any current outbreak of "good feelings" associated with economic prosperity. Second, the language of antigovernment sentiment and the accompanying political success of antigovernment politicians have produced

an interpretation of government growth and a view of government size that serves the political ends of the prosperous and powerful, at the expense of those who are not. Third, important changes in the world economy and continuing issues at home (job safety, environmental and consumer protection, income, security, tax reform, and the like) will be shaped by the rhetorical and political constraints posed by antigovernment sentiment.

In recent decades, Americans' distrust of government has achieved a kind of fervor and pervasiveness not seen since the conflict between Federalists and Anti-Federalists during debates over the ratifying of our constitution. There are reasons for this. There is, of course, the general antigovernment thrust that pervades American history and politics. Then, particularly since the mid-1960s, there has been a sense of unremitting failure and embarrassment around a number of issues and problems. These include the perceived failure to achieve the social welfare objectives of Kennedy's New Frontier or of Lyndon Johnson's Great Society, despite considerable expenditure of public resources; the appearance of ineptitude and deception that prevailed during the conduct of the Vietnam War; the corruption and abuse of power revealed during the Nixon administration and the Watergate scandal; the inability of government to manage a generally sputtering, if not stagnating, economy during the 1970s and much of the 1980s and early 1990s; the intensification of partisan confrontations in Congress and between Congress and the president; and the most recent spectacle of the Clinton presidency which has, for one reason or another, been associated with a never-ending stream of charges—ranging from alleged wrong-doing in land investments while the president was still governor of Arkansas, his campaign finance practices, and accusations about foreign influences in American elections, to the sordid charges regarding sexual misconduct and perjury that metastasized into an impeachment trial in the U.S. Senate. Although there is a modest resurgence of good feeling due to the impressive economic gains of the mid-to-late 1990s, the erosion of trust and the decline of civic nobility and a more elevated public discourse will require much more than improved paychecks to heal. The fact is that most Americans still find that politics is not an elevating activity.

The Ronald Reagan presidency (1980–88) produced an enduring legacy and successfully altered budget priorities. Now and for years to come the domestic agenda will orbit around issues such as budget balancing, budget cuts, and tax cuts. Despite the occasional failure to achieve some antigovernment or conservative objective, such as the mixed success of the Contract with America, there is a kind of continuing drumbeat in the popularity of antigovernment activity and the sneering use of "politics" and "bureaucrat" as epithets of loathing and disgust. Government budgets do, to be sure, continue to grow, but they do so at a notably slower rate. Policy innovations that seek to deal with an array of social problems are rare, especially if they require money or tax increases. At the federal level, a variety of actions make

government budgets, even with their modest growth, less responsive to the concerns of the less affluent. Now there is tightened eligibility for food stamps, lowered assistance to students, strict limits on length of eligibility for welfare, and increased minimum payments required among the elderly for Medicare. Programs designed to help the poor with energy costs and housing have been severely curtailed, along with a host of government policies and expenditures in older, developed localities with disproportionate numbers of minorities, the poor, and a host of other attributes associated with difficult social challenges. Even the presence of a budget surplus in fiscal 1999 does not open the door to major new initiatives, demonstrating the enduring quality of commitment to budget balancing and tax expenditures. It is true that crime control, education, military investments, and income security for the elderly occupy a privileged policy position and there is some willingness to spend in these arenas. But these policy areas are exceptions, perhaps to be joined with spending for streets, highways, and bridges. Commitments to a revived social agenda—for the working or abject poor, for struggling working-class citizens, or even the insecure middle classes—are likely to be in the cold for a while longer, if they are invited back in at all. Virtually all of the efforts of liberals are necessarily devoted to seeing if any of the current and expected budget surpluses will be available for something other than military spending, Social Security, or tax cuts.

In short, even if the Reagan-Bush presidencies symbolized the high-water mark of the antigovernment tide, there have been a number of durable changes in the political landscape of the United States. There have been important shifts in the spending priorities at the national level and among states and localities, including drastic reductions of intergovernmental revenues and grants, extensions of deregulation to a greater variety of activities, curtailment of federal mandates imposed on states and localities, and efforts by the national administration to shift current federal programs to state and local governments. There have also been efforts to impose fundamental, more stringent limitations on the ability of government to raise revenues, especially, and most successfully, at the state and local level. There have been some major reductions in government service levels and personnel. There have been both statutory and constitutional efforts to curtail federal government growth, for example in the Gramm-Rudman legislation governing congressional budget management and in the persistent and continually appealing idea of a balanced budget requirement to be incorporated in the federal constitution.

Whether we recall the horrors of Hitler's Nazi Germany or Stalin's Soviet Union or the more prosaic waste and inefficiency that sometimes infects public policy in democratic regimes, it is clear that there is plenty of room to worry about the government arena. Notwithstanding the legitimate anxiety about the proper exercise of governing power, much of the debate regarding the growth, scale, and application of government is wrong-headed, appealing to popular prejudices about elected officials and public employees. The resulting climate

of cynicism and antigovernment mood enables strategic efforts of particular groups, interests, and organizations to undermine the public's control over private sector excesses and misconduct. It is the primary purpose of this book to analyze a number of issues associated with discussions about the size of government. In the course of doing this, a number of important conceptions or assumptions are critically addressed, including the following:

1. The belief in the superiority of market exchange and market outcomes over those produced through processes of governing and politics (e.g., elections, bargaining, negotiation, and democratically imposed compulsion)
2. The belief that the distinction between coercion and voluntarism is clear and that coercion is a feature of big, powerful, and dangerous government; put differently, the belief that compliance based on noncoercive methods is "better" or less dangerous than compliance induced through coercion
3. The belief in a kind of bureaucratic determinism, in which the self-interests of government employees are used to explain changes in government scale and growth
4. The belief in the idea that market failure is episodic and that private sector dynamics or civil society operate in generally felicitous fashion (consequently, public or government intervention is justified largely as a "touching-up" or "fine-tuning")
5. The claim that the size of government in the United States, reflected in the scope of government activities and the magnitude of government budgets, is the cause of the nation's poor economic performance in recent decades, in comparison to earlier periods of rapid improvement in economic and social well-being (further, the implication is that fiscal discipline and slow government growth have stimulated the economic gains of the mid-1990s)

There is a need to examine carefully the assumptions, the logic, and the empirical basis of current diagnoses and prescriptions regarding the government size problem. Clearly, not everyone who resists and laments and fears government growth and size lacks public spirit. The concern here is with those who exploit the antigovernment tradition and sentiment, who use the current failures and frustrations of policy as a lever by which to redirect our governing institutions away from addressing social justice and away from managing many other problems, ranging from economic insecurity to environmental protection. There is a real danger that the quick and warm embrace of antigovernment ideology only serves to disarm the many who have greatly benefited and the many more who are yet to benefit from a vigorous, democratically responsive government.

Advanced, industrial societies have achieved a variety of important social justice objectives and produced many cultural and scientific achievements.