

Why Cutting Government Is So Difficult ... and Necessary



By William Voegeli

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What We Believe

A quarter century ago President Ronald Reagan declared in his first inaugural address: “In this present crisis, government is not the solution to our problem; government *is* the problem. ... It is my intention to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people.” In 1981, the year of that speech, the federal government spent \$678 billion; in 2006, it spent \$2,655 billion. Adjust that 292 percent increase for inflation, and the federal government is still spending 84 percent more than it did when Reagan became President—in a country whose population has grown by only 30 percent.

To put the point another way, if per capita spending after 1980 had grown at the rate of inflation, federal outlays would have been \$1,883 billion in 2006 instead of \$2,655 billion. The 41 percent increase from 1981 to 2006 *is* considerably lower than the 94 percent increase in real, per capita spending in the previous 25 years from 1956 to 1981. In the last two decades, the federal establishment grew steadily, rather than dramatically. Nonetheless, Reagan’s pledge to curb the government’s size and influence has hardly been fulfilled. Inflation-adjusted federal spending increased in every year but two over the past 26 years.

Military spending is a minor factor in the overall growth of government. The engine driving the growth of government has been “human resources”—the Office of Management and Budget’s category that includes Social Security, Medicare, and Medicaid, along with other programs for health, education, veter-

ans, and income security. Spending on human resources in 1981 was \$362 billion, slightly more than half (53.4 percent) of all federal outlays. That proportion declined to slightly less than half (49.7 percent) by the time Reagan left office in 1989. But it turns out there *was* a peace dividend after the fall of the Berlin Wall: National defense spending dropped from 26.5 percent of federal outlays in 1989 to 16.1 percent in 1999. That savings—a 10th of the budget—migrated to human resources, where spending climbed to 60 percent of outlays by 1995. The category has stayed above that level ever since, reaching almost two-thirds of federal spending (65.6 percent) and 13.1 percent of GDP in 2003.

The numbers confirm what every despondent conservative already knows. Since Reagan’s stunning victory in 1980, conservative journals have annihilated forests to print articles about excessive government spending. Conservative think tanks have produced sweeping plans for reducing the welfare state. Republicans occupied the White House for 18 of the 26 years after 1980 and held a Senate majority for 16½ years and a House majority for 12 years. Yet the result is a federal establishment bigger and more influential today than in 1980.

Reagan was elected President 25 years after the first issue of *National Review* declared its intention to “stand athwart history, yelling Stop.” This was an amazing ascent for a political movement that started out, in the words of *NR*’s first editorial, “superfluous” and “out of place.” In the 25 years since Reagan’s election, however, conservatives determined to scale back the welfare state might as well have been standing a respectful distance behind history, whispering “please slow down.”

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SWEDENIZATION

If conservatism has a future, those who want to fashion it need to acknowledge and understand this stunning defeat. In *National Review* last year, Ramesh Ponnuru said the “real crisis” is that, while a conservatism whose “central mission” does not emphasize the fight against Big Government is inconceivable, a “political coalition in America capable of sustaining a majority” for that mission is unimaginable. Conservatism, in other words, can have a purpose or it can have a prospect. It cannot, apparently, have both.

This political problem will only become more acute as the challenges of governance become more severe. One yardstick may help conservatives feel a little better about themselves. In 1981 federal spending was 22.2 percent of GDP; last year it was 20.3 percent. This measure hovered in a very narrow band for the whole era, never exceeding 23.5 percent or falling below 18.4 percent. Adding expenditures by states and localities confirms the picture of a rugby match between liberals and conservatives that is one interminable scrum in the middle of the field. Spending by all levels of government in America amounted to 31.6 percent of GDP

in 1981 and 31.8 percent in 2006.

Conservatives, though, can't take much solace from fighting Big Government to a draw. Looking back, the dynamic growth of the American economy after 1982—real per capita GDP was two-thirds higher in 2006 than in 1981—offered a great opportunity to reduce the relative size of the public sector. This economic vigor meant that more people had more money to spend on their own health, education, and welfare, presumably enabling the government to spend less for such purposes. It also meant that government spending could have grown robustly and still expanded more slowly than the economy, leaving the public sector to absorb a significantly smaller portion of GDP in 2006 than it did in 1981. Even this modest achievement eluded conservatives.

Republicans abandoned their promises to abolish the Departments of Energy and Education. Efforts to zero-out smaller and supposedly vulnerable agencies like the National Endowment for the Arts accomplished nothing. The only important victory here was the 1996 law abolishing Aid to Families with Dependent Children (AFDC), a victory that may turn out to be hollow. The *New Repub-*

lic celebrated rather than lamented the 10th anniversary of AFDC's demise, arguing that because of the law, "welfare-bashing has lost its political resonance ... [and] welfare reform has expanded the constituency for activist government. Democrats now have more political room to fight Republican austerity—and to propose, in its place, a stronger safety net."

Looking forward, government spending as a percentage of GDP is about to rise dramatically. The oldest Baby Boomers, born in 1946, will be eligible for Social Security's early retirement benefits in 2008 when they turn 62 and become Medicare beneficiaries when they turn 65 in 2011. These two programs, along with Medicaid, accounted for 41 percent of federal spending in 2006, even before the Baby Boom cohort had started collecting benefits. All three will increase relentlessly due to the longevity and sheer numbers of Americans born between 1946 and 1964. The columnist Bruce Bartlett estimates that the magnitude of this growth will be "on the order of 10 percent of the gross domestic product over the next generation even if no new government programs are enacted or current ones expanded." This is the Swedenization of America on auto-pilot.

BLAME THE RIGHT

The blame game has been going on since Reagan was elected. There would be many harsh judgments about how this or that faction betrayed the conservative campaign against Big Government. All such explanations, however, agree on one dubious premise: But for the weakness or hubris of some key player, the conservative project could

have succeeded. That premise disregards the central fact—cutting back the welfare state is very, very difficult.

Lacking an appreciation of the challenges they would face, conservatives never developed a political strategy adequate to the task. There was no systematic effort to pare back the welfare state, no disciplined preparation for the

inevitable and aggressive counterattacks by interest groups and liberal journalists. Instead, conservatives time and again were shocked to discover that the people who built the welfare state were so unhelpful about dismantling it. Right-wingers fell into long periods of sullen, stupefied resentment, punctuated by frontal assaults that were brief, furious, and futile. Think of David Stockman's crusade to cut spending in 1981; or the 1995 government shutdown,

the Pickett's Charge of the Gingrich rebels.

Early on, in the wilderness years, conservatives had a surer sense of what they were up against. The first issue of *National Review* described conservatism as "a position ... unattenuated by a thousand vulgar promises to a thousand different pressure groups." Unattenuated in theory, conservatism in practice has been hemmed in constantly by the fact that the people insist that promises made to them, vulgar or not, must be kept. Robert Samuelson recently wrote, "[M]ost Americans ... think that they automatically deserve whatever they've been promised simply because the promises were made."

PONNURU'S DILEMMA

As a result, it is much harder for conservatives to dismantle the welfare state than for

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liberals to build it. The main impediment to the New Deal was the “legitimacy barrier,” the prelapsarian conviction held by many jurists and citizens that government had no rightful business undertaking a whole range of social improvements, no matter how gratifying the beneficiaries might find them. The New Deal overcame—demolished, really—that barrier, and with it the constitutional and political impediments to building the welfare state. That victory, according to James Q. Wilson, not only guaranteed the permanent existence but the permanent growth of Big Government:

New programs need not await the advent of a crisis or an extraordinary majority, because no program is any longer “new”—it is seen, rather, as an extension, a modification, or an enlargement of something the government is already doing. ... Since there is virtually nothing the government has not tried to do, there is little it cannot be asked to do.

After the legitimacy barrier is overwhelmed, the political calculus of how benefits and burdens are apportioned and, crucially, *perceived* strengthens liberals “seeking to extend benefits to large numbers of people” against conservatives “seeking to take those benefits away,” according to Paul Pierson, author of *Dismantling the Welfare State?* Liberals must worry only about a “diffuse concern about tax rates,” a problem they can usually finesse “through reliance on indirect taxes and social insurance ‘contributions.’” The conservative project, on the other hand, requires “the

imposition of concrete losses on a concentrated group of voters in return for diffuse and uncertain gains.” Every cutback necessitates “a delicate effort to transform programmatic change into an electorally attractive proposition,” an effort that is in constant danger of being negated by “a substantial public outcry.”

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Supply-side economics was, in political terms, an effort to break out of Pon-nuru’s dilemma, to secure a majority without sacrificing the mission. In 1963, Senator Goldwater had voted against the Kennedy tax cuts, saying the dangers of inflation and deficits required “firm, principled decisions” about spending *prior* to any tax reductions. The “Reagan gambit,” as commentator David Frum called supply-side economics, was an attempt to reverse the political equation.

Liberalism had flourished by making government spending the independent variable and taxes the dependent one: Give the people a cluster of attractive and successful social welfare programs, the logic went, and voters will gladly pay the taxes required to support them. Supply-side conservatives tried to make taxes the independent variable and spending the dependent one: Give the people a cluster of appealing tax cuts and count on their attachment to them to set spending at the level defined by the resulting revenue stream. To the extent that lower taxes, along with smarter regulatory and monetary policies, strengthened the economy, they would also increase government revenues and make the attainment of revenue-defined spending levels that much easier.

The experience of a quarter century shows that tax cuts have served important purposes, but the cause of scaling back Big Government is not one of them. Fiscal policymaking is an ongoing political science experiment, testing the relative strength of the aversion to taxes, the appetite for government programs, and the feasibility of large-scale borrowing. The results are in and they're not ambiguous: Under every set of circumstances, the levels of taxing and borrowing increase to accommodate government spending, to a far greater extent than government spending decreases in order to avoid excessive taxation or deficits.

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NEW DEAL OR NO DEAL?

Frum has argued that the GOP might settle for being the “party of less government,” content with slowing down the liberal project of bringing Scandinavian-style social democracy to America. The more audacious goal, to be “the party of small government,” will not succeed, he says, without an “affirmative small-government vision.” As matters stand, however, the small-government vision needs work. Between 1981 and 2006, conservatives made the least of a good situation. If the more difficult years ahead are not going to be a debacle, conservatives need to wrestle with some important strategic questions.

One such question is where to begin. Should conservatives concentrate their next efforts against small but egregiously stupid federal expenditures, or emphasize the huge entitlement programs that are really going to drive the growth of the federal budget? Senator Tom Coburn of Oklahoma argues that “until American taxpayers can trust Republicans to correctly handle the ‘small things,’ like Bridges to Nowhere, they will

never trust us to handle the ‘big things,’ like Medicare and Social Security.” Robert Samuelson, however, says that while Amtrak wastes \$1.3 billion a year, ending programs like it is “hardly worth the trouble. ... In a nearly \$3 trillion budget, even 10 Amtraks are a footnote.”

The larger question is where conservatives want to end up. Is the repudiation of the welfare state a prerequisite for a coherent 21st-century conservatism—or a quixotic, self-marginalizing gesture? Conservatives have been ambivalent about that for a long time. Even the first issue of *National Review*, boldly assertive in every other respect, hedged on this point: “Conservatives in this country—at least those who have not made their peace with the New Deal, and there is a serious question of whether there are others—are non-licensed nonconformists.”

A half century later, this question of whether conservatives can, cannot, or must make their peace with the New Deal remains. Conservatives who feel the need to accept it stress political realities. George Will wrote this year that “the argument about whether there ought to be a welfare state is over.” An argument can be over without being won or lost. Will implies that conservatives will never round up a majority against the welfare state, no matter how sturdy their syllogisms or compelling their evidence. The underlying calculation is that the persuasive argument conservatives can offer in favor of less government will never get a hearing until conservatives make it clear that this argument is *not* a stalking horse for small government—for revoking the New Deal.

If they do allay that fear, however, conser-



vatives can make a Tocquevillian appeal to the voters' enlightened self-interest: If we're going to have a welfare state—and we are—let's go about it as intelligently and soberly as possible. Let's be measured in our expectations for what the welfare state can accomplish, and clear-eyed in our awareness of the damage it can do. Welfare states, Will says, “presuppose economic dynamism sufficient to generate investments, job-creation, corporate profits, and individuals' incomes from which come tax revenues needed to fund entitlements.” That prosperity requires limiting taxes, regulation, and even government spending. But it requires something deeper: “modalities” that deliver entitlements in ways that encourage rather than discourage “attributes and attitudes—a future orientation, self-reliance, individual responsibility for healthy living—that are essential for dignified living in an economically vibrant society.”

The conclusion toward which such arguments point is that a nation wealthy enough to have a welfare state is wealthy enough to have lots of people who don't need most of what the welfare state provides. Conservatives who make peace with the New Deal accept the legitimacy of government programs to help the small minority of citizens who are chronically unable to fend for themselves and the larger minority occasionally and transitionally unable to do so. In making this concession, conservatives seek to demonstrate that they wish to modify the welfare state by attacking weak claims, put forward by politically powerful groups on behalf of dubious causes, rather than weak claimants, who are genuinely needy but have little clout.

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Furthermore, the undisputed legitimacy of the welfare state obviates the Rube Goldberg financing of it. Blackening the sky with criss-crossing dollars is liberalism's hedge to keep the prosperous from voting against programs for the poor. Unenlightened self-interest keeps everyone invested in social insurance programs, even those who would come out ahead by self-insuring. By contrast, “If conservatives could design their ideal welfare state, it would consist of nothing but means-tested programs,” says Pierson, which is basically right. In addition, conservatives would welcome “ownership society” programs, such as Health Savings Accounts, Individual Retirement Accounts, and 401(k) plans, which give incentives to people who aren't poor to provide for their own needs in ways that will keep them ineligible for the means-tested programs.

The rejoinder of the conservative irreconcilables is that such political “realism” rests on a foundation of wishful thinking. Liberals reasonable enough to be swayed by arguments about the moral and material prerequisites of the welfare state wouldn't be liberals in the first place. Voters corrupted by decades of buying into liberalism's vulgar promises will never be enlightened enough to see past them. There's a faint theoretical possibility that one might devise modalities of government entitlements that encourage self-reliance, but liberals' long head start in defining the welfare state more or less guarantees that this laudable goal will never be realized.

Democrats, for example, crushed the Bush Social Security proposals in 2005 by doing nothing, offering nothing, and saying nothing that even acknowledged the need for enti-

tlement reform. Cogent arguments about the welfare state's optimal utilization of its allotment of the economy are of no interest whatsoever to liberals who spent decades working to increase that allotment. Any "reforms" of the welfare state that re-privatize any of those GDP points, or lead to any destination other than the public sector's acquisition of additional ones, are dead-on-arrival overtures.

Rather than wasting time trying to placate implacable liberals, no-peace-with-the-New-Deal conservatives say any critique of the welfare state that makes sense or headway must, ultimately, reestablish a legitimacy barrier. "The New Deal was a genuine transformation," according to Michael Greve of the American Enterprise Institute, and "if conservatives concede the legitimacy of that constitutional transformation, how can they contest other transformations, past or proposed?" The road to Sweden is paved with sound concessions.

According to this argument, the two goals proclaimed in Reagan's inaugural address define one mission, indivisible; conservatism will never "curb the size and influence of the federal establishment" without insisting, once again, on "the distinction between the powers granted to the federal government and those reserved to the states or to the people." The real question for conservatives, then, is not whether to reject the New Deal but *which* New Deal to reject—the one on the ground, the thick roster of activist government programs; or the one in the air, the rhetoric and ideas justifying the perpetual existence and expansion of those programs.

It makes sense for conservatives to attack liberalism where it is weakest, rather than

where it is strongest. Liberals sell the welfare state one brick at a time, deflecting inquiries about the size and cost of the palace they're building. Citizens are encouraged to regard the government as a rich uncle, who needs constant hectoring to become ever more generous. Conservatives need to make the macro-question the central one, and to insist that limited government is inseparable from self-government. To govern is to choose. To deliberate about the legitimate and desirable extent of the welfare state presupposes that we the people should choose the size and nature of government programs, rather than have them be chosen for us by entitlements misconstrued as inviolable rights.

No political strategy can guarantee success. Under no foreseeable set of circumstances will liberals fear giving voters their spiel: "We want the government to give things to you and do things for you." Conservatives can only reply that single-entry bookkeeping doesn't work; every benefit the government confers will correspond to a burden it has to impose. A government that respects citizens as adults will level with them about the benefits *and* the costs. A conservatism that labors to reverse liberalism's displacement of Americans' rights as citizens with their "rights" as welfare recipients may not achieve victory, but it will at least deserve it.

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