

REDISCOVERING GOVERNMENT

Myths About Government

JUN 20, 2012 | Jeff Madrick



The Rediscovering Government [roundtable discussion](#) in DC tomorrow sets out to debunk misconceptions about government spending and the economy and reinvigorate a dialogue about the importance and positive potential of government.

Perhaps it isn't odd that the American people are so skeptical of the uses and purposes of government. As a nation built on a revolution against a monarchy, such skepticism is likely built into our national character.

But it doesn't accord with our history, and that is why it remains surprising. Government was inseparable from American economic and social development. It did not reduce freedom, but protected it.

I am always disturbed when economists in particular talk about the "role of government." It is like talking about the role of parents in their children's lives, or the role of the basketball in a basketball game. There is no economy without government, even in America. The government does not merely correct market failures; its purpose is far more profound. It is about true freedom, true opportunity, and necessary change.

We have organized an [important panel discussion](#) on June 21st in Washington, D.C., to put to rest some of the prevailing myths about government. Peter Lindert of the University of California at Davis will tell us about his empirical work on whether large government impedes growth; his extensive research shows it has not. Jon Bakija of Williams College will similarly tell us about how little hard evidence there is that high taxes impede growth. Lane Kenworthy of the University of Arizona will show how much of the income of the lower half of the distribution depends on social policies. Nancy Altman of Social Security Works will put straight the true finances of Social Security. And finally Ruy Teixeira of the Center for American Progress will tell us how extensive the American antagonism towards government is despite these facts, and whether these views can be changed.

Our goal is to present a counter-narrative to the prevailing anti-government ideology. We will not argue that government is all good, requires no radical reforms, or cannot be made to work better. After all, why should we expect politicians to act in the interests of others, rather than their own sometimes contradictory interests?

But there is reason to expect this, because it has happened time and again in American history. Moreover, acting in the interests of others is often acting in one's self interest. Thomas Jefferson championed regulations of land sales in early America to make sure many people got a chance at ownership. The result was a strengthened democracy of secure and satisfied citizens.

His party built the canals through public financing in the states, led by New York. Many, and probably most, prospered when New York City became the giant hub of trade and commerce with the opening of the Erie Canal. American government created free and mandatory schools, subsidized the railroads, started technical colleges, and sanitized the cities, which in turn became sources of growth. In the 1800s, these activities were typically led by the state and local governments.

Markets don't work when monopolies gather power, and the federal government in the next century set out to limit that from happening. It protected workers in all kinds of ways. In the 1930s, it recognized that financial markets were different from others and required special regulations. It built highways, invested in medical and technical research, subsidized college, and established necessary product, safety, and environmental regulations.

As Lane Kenworthy points out in his [fine summary piece](#) on our site, if big government were a problem, why did the U.S. economy keep growing fast even as government got bigger?

And let me point out one other factor that is neglected. As I emphasized in my book, *The Case for Big Government*, government is the key agent of change. No one anticipated we'd need high schools and colleges when the Constitution was written, but government was the instrument to create these critical institutions. No one knew of germ theory, but government led the way in sanitizing water and making large cities habitable. Who knew about the computer chip?

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Perhaps I am biased because I live in New York. The New York City government eventually took over and aggressively expanded the subways. It built the dramatic walls of Riverside Drive, so often neglected. Miracle of miracles, it collects the garbage in this densest of cities.

But consider the great water works of the west. This was the work of state and federal government. And the highways, of course. And the university system of California, among others.

If one needs further historical examples, consider the first great European city, Rome. Its aqueducts and enormous road network were the work of the government. Its devotion to law is a model to this day. It was highly productive and conducive to commerce because of these advances.

American attitudes towards government have always shifted; sometimes pro-government and public investment and social programs, sometimes against them. We were usually at our best when we favored government, but government was far from always efficient. America was not immune to substantial corruption. Government always needed a good wringing out. But when it was widely vilified and weakened, America often failed. Political instability, widespread sacrifice, and jeopardized democracy were results.

As for contemporary times, the Great Depression was an important catalyst. It turned an already partly progressive nation (since Teddy Roosevelt and Woodrow Wilson) far more so. It gave us a minimum wage, unemployment insurance, Social Security, labor organizing protections, securities regulations, and great public works to create jobs. The New Deal was followed by Johnson's remarkable Great Society in the 1960s -- Medicare, Medicaid, historic civil rights legislation, and on. The American social sphere was brought into modern time along with its economy, which required those social investments.

But these attitudes shifted strongly beginning in the 1970s. Attitudes towards government had already become somewhat more skeptical in the 1960s, with new poverty programs and racial demands. The Vietnam War was a further blow to confidence in government, as was the Watergate scandal.

In my view, however, the economic devastation of the 1970s was the major blow. Inflation of 12 percent, unemployment soaring, mortgage rates at 18 percent. In 1972, Governor Ronald Reagan of California supported a referendum to demand a sharp and permanent cut in state income taxes. Californians voted against it; they said they would pay their state taxes. By 1978, only six years later, Proposition 13 passed overwhelmingly, sharply cutting property taxes and with it undermining the state's great education system. Nationally, the Kemp-Roth tax proposal to cut federal income taxes up to 30 percent was rapidly gaining support in Congress. Economic pain caused Americans to seek quick and sometimes vindictive solutions, even personally self-destructive ones.

In my view, the lost faith in and mismanagement of government is the key cause of the crisis of the future the nation now faces. This lost faith resulted in deregulation, unaffordable tax cuts, and the failure of government to develop new programs and act as the agent of change it should be.

We can argue about these issues philosophically. But Rediscovering Government will stay as close to the demonstrable facts as possible. We will present the evidence about government, the economy, and growth. Then we can discuss how to restore a true sense of our own history, rebalance our sense of the purpose of government, and move on constructively.

Roosevelt Institute Senior Fellow Jeff Madrick is the Director of the Roosevelt Institute's [Rediscovering Government](#) initiative and author of [Age of Greed](#).

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