Is There Too Much Government in Your Life?

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Very different groups of Americans would either endorse or reject the resolution for debate – “There is too much government in my life” – depending on a wide range of considerations. Urban youth at high risk of incarceration certainly feel that way and understandably their anti-government sentiments strengthen once they enter prison.1 A group that garners much more media attention, the Tea Party enthusiastically embraces the resolution as its members protest taxation they consider government intrusion and infringement on rights. By contrast, many citizens who oppose the resolution believe they have the right to receive the collective benefits of living in civil society, and they expect government to serve the interests of all citizens including the least advantaged. Others in favor of strong government emphasize the importance of national defense, especially during a war on terror. Most Americans would probably choose different language to address the issue and state simply that government is either too big or not big enough. The majority of Americans tends to distrust big government, though individuals usually appreciate and wish to maintain the particular government benefits that serve them personally.2 Usually for Americans, the debate turns on just how much government is needed to fulfill the promise of our founding documents – namely, to ensure “life, liberty, and the pursuit of happiness” and “secure the blessings of liberty.”3

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1 Associate Professor, Department of Government, American University, Washington, DC. Admittedly, this brief paper can only begin to address such a wide ranging topic. I am especially grateful to my graduate assistant William Harder for his quick, conscientious fact checking and editorial assistance.


4 The Declaration of Independence and the Constitution.
Distaste for the notion of a strong central government is unique to the United States and rooted in its earliest history. The current populist movement known as the Tea Party takes its name from the historic moment in the American Revolution when colonists rebelled against taxation without representation – seen as a sure sign of the tyranny of England – by dumping tea into Boston Harbor. In retrospect, that a tax on tea should spark a revolution strikes many historians and social scientists as strange. Americans never experienced the sort of ruthless tyranny that usually incites people to revolt. (Compare it with the Arab Spring.) Instead, the American rebels took their status as subjects of a king as an affront to their individual rights, producing a revolution that was more the result of theoretical reasoning than dire circumstances. From the start, Americans rejected the idea of big government – especially one remote and removed from the people.

Pamphleteers like Thomas Paine popularized Enlightenment thinking about rights, and by the time of the Revolution most Americans had become familiar with and embraced the notion that Thomas Jefferson would eloquently express in the Declaration of Independence. The only legitimate government is one that operates with the consent of the governed and it exists to secure life, liberty, and the pursuit of happiness. Jefferson employed loftier language than the original philosophers of the Enlightenment who identified “estate” or “property” instead of “the pursuit of happiness,” and Jefferson’s elegant choice of words would leave open a more expansive view of rights later in political development.

The Founders were virtually unanimous in their agreement that securing rights renders the limited legitimate goal of government and constitutes the singular object of the Constitution. When Charles Pinkney suggested the constitution might establish a national university to educate and uplift its citizens, the other Founders scoffed at the idea and quickly reminded him that governments are instituted to secure rights – and do no more. While delegates to the constitutional convention argued about how best to secure rights, the Federalists ultimately prevailed by persuasively arguing for a large nation where dangerous majorities would be less likely to form than in a confederation.

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of small states. To further protect rights, they adopted a complex system of separation of powers with checks designed to thwart the tyranny that comes from concentrated power.

The Anti-Federalists disagreed and argued the proposed constitution would undermine the notion of a government limited to securing the rights of all citizens. They objected to the vast powers given to the national legislature – including powers of commerce, spending, and taxation – and they considered the president essentially an “elected king” (as Jefferson damned the drafted Article II). According to the Anti-Federalists, a strong national government would neglect the differences among the several states and impose a degree of uniformity that would stifle diversity. At the same time, they feared the complex system that the Federalists proposed would obscure responsibility, confuse citizens, and ultimately alienate the electorate. Perhaps most significant, the Anti-Federalists believed a strong central government would serve only the interests of the wealthiest Americans. As Samuel Adams exclaimed, “The few haughty Families, think They must govern. The Body of the People tamely consent and submit to be their Slaves. This unravels the Mystery of Millions being enslaved by the few!” While today’s Tea Party protesters hark back to the rhetoric of the Revolution, the Occupy Wall Street movement echoes the anger of the Anti-Federalists.

For most of the nineteenth century the powers of the federal government remained extremely circumscribed. First the Jeffersonians and later the Jacksonians ensured that governmental power would operate primarily at the state level. Then during the Civil War Abraham Lincoln asserted and expanded the authority of the national government, even going so far as to defy judicial rulings when he blockaded Southern ports and suspended the writ of habeas corpus. Paradoxically, Lincoln violated rights in order to preserve a union dedicated to securing rights, and a positive argument for permanently expanding the role of the national government was not seriously advanced until the Progressive movement at the start of the twentieth century.

Initially, progressives argued that industrialization, which had produced robber barons, concentrated economic power in ways that corrupted the free market, concluding that government regulation was needed to “bust the trusts,” as Theodore Roosevelt put it. As progressives, Roosevelt and later Woodrow Wilson advanced reforms that planted the seeds of the modern administrative state. Increasingly

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7 Federalist Papers, No. 10.
8 Federalist Papers, Nos. 47-52.
10 See: Prize Cases, 67 U.S. 635 (1862) and Ex parte Milligan, 71 U.S. 2 (1866).
government intervention was promoted as the means to protect the rights and enhance the collective welfare of citizens. Progressive arguments prevailed and their objectives became institutionalized when Franklin Delano Roosevelt instituted the New Deal during the Great Depression.

Under the New Deal, the federal government assumed responsibility for a range of policy issues with programs designed to create jobs, regulate agriculture, industry, and banking, and provide support for the elderly and unemployed – most notably Social Security. In his first presidential campaign, FDR proposed a philosophy of government that would fulfill the promise of “the apparent Utopia which Jefferson imagined for us in 1776, and which Jefferson, Roosevelt, and Wilson sought to bring to realization.”11 As president, FDR declared that the original political rights “proved inadequate to assure us equality in the pursuit of happiness.” Advocating a second economic Bill of Rights, he identified rights to a job, adequate food and clothing, a decent home, medical care and good health, a good education, and protection from the economic fears of old age, sickness, accident, and unemployment.12 Passage of New Deal programs required Congress to expand its “power of the purse,” and the Supreme Court initially declared unconstitutional but later validated the legislation. Such innovative use of congressional power to regulate commerce and spending in the 1930s paved the way for Lyndon Johnson’s Great Society in the 1960s, which vastly expanded the welfare state, adding Medicare and Medicaid as well as civil rights legislation to the ways government would guarantee any citizen’s right to the pursuit of happiness.

On the eve of the Great Society, in 1964, Republican presidential candidate Barry Goldwater emerged to challenge the premise and promise of the welfare state, and though he lost in a landslide election, his candidacy foreshadowed the Reagan revolution that would reverse the direction of public policy in the 1980s. Boldly announcing that “government is not the solution, government is the problem,” President Ronald Reagan embarked on an agenda to roll back the state in domestic policy, even as he vastly increased its growth in defense spending during the Cold War. For the next thirty years, the Reagan agenda set the terms of debate, and even the Democratic President, William Jefferson Clinton, declared “The era of big government is over” as he fulfilled his promise to “end welfare as we know it.” Shortly after severe economic crisis hit the U.S. in 2008, the new president (and only the second Democrat since 1980) proposed a series of measures – stimulus spending, a national health care program, and reform of the financial industry – that might alter the direction of public policy and political development. While Republicans depict President Barack Obama’s programs

12 “An Economic Bill of Rights” (1944), in Dolbeare and Cummings, eds., pp. 418-420.
as radical, many Democrats allege that he has acted too cautiously and proposed only modest change based on the need to deal with the economic emergency. Even without articulating an alternative public philosophy, the actions of the current president have renewed debate about the appropriate role and size of government.

Today and throughout U.S. history such debate takes place largely within the liberal tradition that emphasizes individual rights. Notwithstanding the heated partisan rhetoric of the past few years, socialism – the public ownership of the means of production, distribution, and exchange – is noticeably absent. (A health care plan that lacks a public option can hardly be described as socialist.) At the other end of the spectrum, Americans also show limited support for libertarianism as evidenced by the dearth of libertarians holding elected office throughout history. Ordinary Americans tend to shun ideological extremes, and as a result, they are unlikely to embrace entirely or consistently the arguments for or against the proposed resolution.

Arguments Supporting the Resolution

At the moment economic arguments dominate the debate about the role and size of government, and those who support the resolution emphasize the value of a free market and interpret individual rights primarily in terms of property. The roots of their arguments extend as far back as Adam Smith’s *Wealth of Nations*, which relied on the “invisible hand” of the free market to generate wealth and protect property rights. Building on Smith’s reasoning, present-day “supply-side” economists argue that freely allowing ambitious individuals to pursue their interests produces wealth that trickles down to benefit all members of civil society. One of the most prominent economists in the Reagan era, Milton Friedman, acknowledges that some regulations are necessary to safeguard property rights but insists that generally the regulatory state stifles the spirit of enterprise. Bureaucratic red tape generates inefficiencies and imposes burdens that discourage business and prove costly as regulatory agencies expand the scope of the

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state. Other economists such as Arthur Laffer warn about the economic costs of expanding the role of government, as there exists an optimal point of government spending followed by diminishing returns, and the government reached that peak by mid-twentieth century. In sum, such economists reject regulations, propose to cut government spending, emphasize the hazards of the budget deficit, and refuse to raise taxes.

Government should not engage in industrial policy, either to create jobs or to achieve particular policy outcomes. Bureaucrats are bad at calculating costs and assessing risks in the market place. Moreover, when politicians partner with industry it increases the likelihood of influence peddling and corruption. To support these points, consider the current controversy surrounding the solar panel company Solyndra. The California-based company secured a loan guarantee for $535 million as part of the 2009 stimulus package with the dual goals of creating “green jobs” that would improve the environment and put Americans back to work. One of the original investors was George Kaiser, a major contributor to the 2008 Obama campaign. Even after Price Waterhouse Coopers’ audit in 2010 revealed $558 million in losses during its first five years of existence, the company received a $40 million installment of its loan guarantee, ostensibly to keep it running until November 2011. In August 2011 Solyndra went bankrupt and dismissed its employees. Testifying before an Oversight and Investigations panel of the House Energy and Commerce Committee, Energy Secretary Steven Chu insisted that he and his department acted “with the best interest of the taxpayer in mind,” but email communications in his agency indicate political considerations overrode economic judgments. Even if no illegal or corrupt activity occurred, in this case the government promised more than half a billion dollars to an unproven, speculative business, and when it failed, taxpayers incurred the costs. In general, the scale and scope of the regulatory state have expanded greatly under the Obama administration and the net economic impact of this trend remains uncertain. The particular case of Solyndra raises serious questions about the wisdom of both government regulation and government spending.

Supporters of the resolution propose several ways to cut government spending. Some suggest cuts in discretionary programs such as food stamps, but even they are likely to acknowledge that such spending constitutes a very small part of the budget. Most focus on the need to reform or abolish entitlement programs, in particular Social Security, Medicare, and Medicaid. This year Social Security (19.15%), Medicare (11.88%),

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and Medicaid (7.32%) comprised 38.35% of federal budget outlays. The Office of Management and Budget projects that in 2019 Social Security (21.53%), Medicare (16.45%), and Medicaid (8.83%) will account for 46.81% of total federal budget outlays. To some extent, the same phenomena make both programs unfeasible. The U.S. has an aging population – baby boomers started to collect Social Security in 2008 – and a shrinking workforce with fewer people paying into the system. Those who oppose Social Security allege it simply will cease to exist by the time the current generation comes to collect, and as a result it constitutes “a Ponzi scheme.” For Medicare, rising health care costs as well as an aging population make it unsustainable. Instead, these programs should be privatized or “personalized.” (And the same people who oppose these existing government programs adamantly object to the 2010 Patient Protection and Affordable Care Act, dubbed “Obamacare,” which increases projected spending.) In general, opponents argue individuals (or the states) are better than the federal government at providing for retirement and health care, and those who are unable to care for themselves can rely on private charities and individual charitable giving.

Mandatory spending programs constitute the greatest source of the national debt, and the budget deficit jeopardizes the nation’s economy and diminishes its international status. In a report written for the Joint Economic Committee more than a decade ago, two economists identified the optimal amount of government spending as 17.5% of GDP, at a time when it was actually between 20 and 22% with a balanced budget. (The last time government spending fell below 17.5% was before 1965 and the Great Society programs.) Now the national debt exceeds 100% of GDP and constitutes more than a total 14 trillion dollars. (The projected amount of debt to GDP ratio for 2012 is 106.9%. Countries with higher debt include Ireland, Italy, Greece, and Portugal.) To fund the national debt, the U.S. Treasury has been borrowing from Social Security and literally writing out IOUs; whether they will ever be paid back remains uncertain. Moreover, the other half of the debt comes from foreign countries, and at any time, those nations could demand payment. (In particular, China might do so as its economy becomes more consumer-oriented.) More likely, foreign countries will raise interest rates, making it more difficult to borrow in the future. The national debt diminishes

confidence in the U.S. economy at home and abroad, and shifts the burden to future
generations. Remember the preamble to the Constitution promises to secure the
blessings of liberty – “to ourselves and our posterity.”

To balance the budget, government should cut spending and not raise taxes. The
combination of local, state, and federal taxes mean that Americans pay taxes at an
average rate of 28.3%.25 In particular, the tax cuts during the administration of George
W. Bush should not be allowed to expire, as that would effectively constitute a tax
increase. In general, when taxpayers have more money, they spend it and that serves to
stimulate the economy. Even reinstating taxes on the top two percent of earners would
harm the economy as low taxes encourage businesses to invest and hire more
employees. The Obama administration has not only increased spending – with its health
care bill and stimulus package – now it proposes to raise taxes by allowing the Bush era
cuts to lapse.

The belief that there is too much government extends beyond government
involvement in the economy and applies to a wide range of other issues. In recent years,
for example, the Supreme Court has ruled that government can place no restrictions on
the campaign finances of so-called Super PACs.26 In the area of social policy, many
argue for choice concerning abortion and insist that restrictions on abortion since Roe v.
Wade be removed.27 Others advocate cuts in law enforcement and the legalization of
drugs.28 Finally, on moral as well as economic grounds, many Americans advocate cuts
in defense spending because they believe the U.S. should not police the world.

Arguments Opposing the Resolution

On the other side of the debate, economic arguments also dominate. Those who
argue for more government tend to interpret rights more broadly than the right to
property and would be inclined to agree with FDR’s Economic Bill of Rights as well as
emphasize the public good over private interests. The economic source for many of their
arguments would be John Maynard Keynes who was to FDR what Friedman would
later be to Reagan. Keynes believed the government should actively stimulate the

25 See “National Debt: Are Higher Taxes Needed to Reduce the Debt?” Congressional Quarterly
27 For restrictions, see: Planned Parenthood of Southeastern Pennsylvania v. Casey, 505 U.S. 833 (1992),
28 Karlyn Bowman, “Attitudes toward the Federal Government?” American Enterprise Institute
economy even if it incurred deficits in times of economic distress. Those deficits would be paid back and the budget balanced during economic booms.\textsuperscript{29} They might point out that the Bush years were the first time government debt increased during a stretch of economic prosperity – the result of tax cuts and waging two wars. Now that the U.S. is in recession, the government needs to play a positive role putting Americans back to work, ensuring their rights to health, education, and welfare, and protecting ordinary citizens from the avarice and greed of the wealthy few.

They would argue that now is a very bad time to resist government regulation. Failure to regulate energy and the environment burdens “our posterity” by exploiting natural resources and fueling climate change. An even more striking example of the need for regulation has been provided by the financial industry. Banks fueled a housing bubble by lending money to people with bad credit and/or no means to repay their mortgage, betting that home values would continue to rise. When prices fell, a flood of mortgage defaults and foreclosures followed. Lenders who had issued subprime loans were squeezed and investment banks suffered as they had borrowed to buy mortgage-backed securities. Subprime and other loans were backed by trillions in “credit-default swaps,” insurance-like contracts intended to guarantee against loan defaults. When home buyers defaulted, banks that sold the swaps lacked capital to make good on the guarantees, and the investors who bought the mortgage-backed securities were left in the lurch. Their highly leveraged positions put banks at risk of insolvency as defaults rose. In response, in 2008, Congress passed a $700 billion rescue bill (TARP), part of a sweeping one trillion dollar government program to stabilize the stock market and unfreeze credit. At the same time, the federal government was forced to take over Fannie Mae and Freddie Mac, previously quasi-governmental firms burdened by their own subprime mortgages (which compose 45% of the nation’s total mortgages).

While congressional Republicans often point to regulations as an impediment to economic growth,\textsuperscript{30} others argue that a lack of consumer demand poses an obstacle to small business owners, not regulation.\textsuperscript{31} Indeed, among the several factors that contributed to the financial crisis in 2008, the failure of government regulators played a major role. The 1999 repeal of the Glass-Steagall Act, which dates back to the Great


Depression and split commercial from investment banking, set the stage for financial abuse. In addition, the 2000 Commodity Futures Modernization Act prohibited the regulation of the swaps. Finally, a 2004 Securities and Exchange Commission decision loosened capital rules for brokerage units of investment banks and that in turn freed up funds for investment in the mortgage-backed securities and credit derivatives. Senator Charles Schumer (D-NY, Chair of the Joint Economic Committee) spoke for many taxpayers when he lamented, “We were told that markets knew best, and that we were entering a new world of global growth and prosperity. We now have to pay for the greed and recklessness of those who should have known better.” In this case, the absence of regulation invited the corruption and collusion of “competitors” in the financial markets.

Government should be helping the least advantaged members of society – the elderly, the poor, the unemployed – not wealthy bankers. Far from being insolvent, Social Security has actually accumulated a surplus of $2.6 trillion dollars. Admittedly, that surplus is currently invested in Treasury bonds, but there is no reason why the Treasury should not pay it back. Social Security will be able to continue to pay benefits until at least 2037 by redeeming first the interest and then the principal on those bonds. Moreover, when the economy improves, more people will be employed and able to pay into the system. Furthermore, the major challenge to Medicare (and Medicaid, the state-run program for the poor) – rising medical costs – can be addressed in legislation that provides incentives to keep costs down, as President Obama’s 2010 Health Care Bill does. In addition to lowering the costs of Medicare, the legislation increases coverage for pre-existing conditions and expands health insurance to 30 million Americans. Many would argue that national health insurance needs to do even more, and health care provisions remain modest in the U.S. compared with all other post-industrial countries that have some form of single payer or public option. Finally, it is fine to turn to charitable giving to assist the poor, but private charity cannot begin to cover the costs of existing government programs.

Opponents of government spending point to increasing deficits, but this is no time to worry about the national debt. The U.S. government needs to preserve both discretionary and mandatory domestic spending – especially when unemployment hovers around 9% and the country is in the midst of a deep recession. The one-out-of-six families that live below the poverty level rely on food stamps and other emergency

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benefits that fall under discretionary spending.\textsuperscript{33} In fact, many critics argue the stimulus package proved too small to make a significant difference and the government should do more.\textsuperscript{34} Moreover, there is no reason to believe foreign investors will suddenly demand payment. Even Milton Friedman has suggested their willingness to invest signals the long term strength of the U.S. economy.\textsuperscript{35}

Instead, the U.S. needs to raise taxes and close corporate loopholes. Americans pay an average tax rate of 28.3%, but that is quite low when compared with the average 39.7% in the European Union. To increase revenue, all the Bush tax cuts should be allowed to expire, but even raising taxes on the top 2%, as President Obama proposes, would constitute a step in the right direction. In addition, tax reform needs to close loopholes that serve only the few wealthiest Americans. Consider, for example, how a tax on the top 25 hedge-fund managers would yield the same amount as a proposed two-year salary freeze for two million federal workers. And Goldman Sachs – one of the major recipients of the 2008 bailout – paid only 1% on its earnings in 2007.\textsuperscript{36} Tax reform provides one way the government can halt the growing disparity in income between the top one percent and the rest of the population, represented by the Occupy Wall Street slogan as “the 99%.”

As in the case of those who oppose more government, proponents of bigger government make arguments that extend beyond the economy. In striking down campaign finance reform, the Supreme Court has given the wealthiest and best organized groups a significant advantage in terms of influencing the 2012 elections. As a positive force, government needs to protect not only civil liberties but civil rights – and if Congress needs to invoke its power of the purse to ensure equal rights, that constitutes legitimate exercise of its constitutional authority. Others might point to the need for the government to protect the life of the unborn and ban abortion, or generally use the state to advance Judeo-Christian values, arguing that the first amendment guarantees religious freedom but does not necessitate neutrality. Finally, many Americans would preserve existing defense spending, and anyone listening to Defense Secretary Leon


\textsuperscript{36} ibid 241-264.
Panetta’s recent testimony might understandably think they were hearing Donald Rumsfeld. Panetta warned against the dangers of “hollowing out” the military even as American operations in Iraq and on other fronts come to a close.37

Concluding Observation

Debate between proponents and opponents of the resolution “There is too much government in my life” fails to distinguish or divide the two major political parties in any clear or consistent way, and those who anticipate a great philosophical debate in the 2012 presidential election are likely to be disappointed. As so often happens in U.S. politics, the two major party candidates converge in the middle with the majority of the American electorate. And the paradox of opposing big government while favoring individual benefits is likely to persist until a leader boldly declares, “Government is not the problem, government is the solution.”

Recent public opinion data suggest another dilemma and deep discontent within the paradox. Voters indicate that their distaste for government programs stems from their distrust of government officials.38 With the president at only 43%,39 approval and Congress at the all-time low of 13%,40 Americans might be returning to their revolutionary roots and resentments. Movements as diverse as the Tea Party and Occupy Wall Street seem to tap more widespread dissatisfaction with a government just as remote and removed from the people as once was King George.

38 Bowman “Attitudes Toward the Federal Government?”