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RENEWED DEAL

By David Kusnet

In his first Inaugural Address in 1981, Ronald Reagan asserted, “Government is not the solution to our problem; government is the problem.” In his 1996 State of the Union speech, Bill Clinton acknowledged, “The era of big government is over.” But when Barack Obama takes office he is much more likely to call for great national endeavors than to condemn the government that makes such projects possible.

Since the credit crisis plunged a declining economy into a deepening recession, the era of bashing big government has been over. A Republican administration has pushed through a \$700 billion bailout of the financial industry, the domestic auto industry is receiving \$13.4 billion in emergency loans and the conservative commentator William Kristol advises his allies not to present themselves as antigovernment.

In this new economic, political and ideological environment, “The Case for Big Government” shows how yesterday’s contrarianism can become today’s consensus. A leading economist, a former financial columnist for The Times and an adviser to Senator Edward Kennedy, **Jeff Madrick** makes the case that the nation faces social and economic challenges requiring higher taxes, increased public investment and more rigorous regulation of corporate conduct. Researched and written before last summer, this fact-filled and well-reasoned book reads like an artifact from a time capsule. Before the financial crisis, most policy makers and opinion leaders smugly assumed that the economy would remain on an even keel, so Madrick felt he had to make a vigorous argument that economic problems required government action. Now, his book seems almost too logical and levelheaded to attract a large audience in this time of anger and anxiety.

To those who ask whether any country has ever taxed and spent its way to prosperity, Madrick offers two answers: the United States and its major competitors. In America, the greatest growth in public spending came during the most prosperous period in American history, the 25 years after World War II, when the federal, state and local government budgets “reached roughly 30 percent” of gross domestic product “and income levels in America became more equal.” Among the world’s most prosperous nations, most have higher rates of taxes and public spending, and many may have higher living standards, than the United States. “There really is no example of small government among rich nations,” Madrick observes.

As the political analysts Lloyd Free and Hadley Cantril pointed out years ago, Americans tend to be “ideologically conservative and operationally liberal.” Many of the most informative and intellectually challenging sections of this book explore how public investments advanced the American dream of a self-reliant citizenry so effectively that most Americans are unaware of the accomplishments of activist government.

For instance, Madrick challenges the prevailing view that early in the 19th century, government stayed small and did little. He explains that the state and federal governments invested in roads, canals and public schools, while imposing tariffs on imported goods in order to encourage domestic manufacturing. Even more provocatively, he examines what really enabled the United States to become the first advanced society with widespread property ownership and an acceptance of private enterprise. Madrick points out that Jefferson believed that “the broad distribution of land he thought ideal could be accomplished only through government control and regulation.” From the Louisiana Purchase through the Homestead Act and the founding of the land-grant colleges, the federal and state governments acquired unclaimed land, sold

it at affordable prices and devoted much of it to public purposes like educational institutions, highways, railroads and parks. As Madrick writes, “One of the ironies in America is that government was used aggressively in the face of persistent laissez-faire rhetoric.”

From the era when Thomas Jefferson sought to sustain a society of self-reliant farmers, Madrick observes, activist government has been essential — not only during emergencies like the Great Depression, but also when the entire society was undergoing wrenching changes. During the late 19th and early 20th centuries, industrialization created a new country where migrants from rural America and immigrants from Europe crowded into the nation’s cities to work as wage earners in the factories and foundries.

These newly urbanized workers needed public services — schools, sewers, mass transit, sanitation — as well as protections for their wages, working hours and health on their jobs. Even more crucially, Madrick writes, there was this fundamental question: “Could manufacturing jobs pay well enough and be secure enough to become an adequate substitute for the security of land ownership in early America?” He answers yes, “but only with much political turmoil, lost personal independence and the active participation of government.”

Now, Madrick maintains, the transition to a globalized, information-oriented, service economy presents similar challenges that, like the ones of earlier times, can best be answered by activist government. He urges billions for public investments — universal health coverage, universal pre-kindergarten, repairs in the nation’s infrastructure and half of college tuition at no cost for qualified students, similar to the free high school education that was provided to young people at the turn of the last century.

Still, even if such investments empower new generations to get ahead, they are quite likely to believe that they did it all by themselves. Like their parents and grandparents before them, they may follow the uniquely American tradition of supporting public programs in practice while claiming to be antigovernment in principle.

David Kusnet was the chief speechwriter for President Bill Clinton from 1992 through 1994. He is the author of “Love the Work, Hate the Job: Why America’s Best Workers Are More Unhappy Than Ever.”

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