

This plan for economic security is ~~at once~~ a measure of prevention and a method of alleviation.

We pay now for the dreadful ~~consequence~~ of economic insecurity-and dearly. This plan presents a more equitable and ~~infinitely~~ less expensive means of meeting these costs. We cannot afford to neglect the plain duty before us. I strongly recommend action to attain the objectives ~~sought~~ in this report.

14.4 Benjamin I. Page and James R. Simmons, "Is American Public Policy Effective?" (2000)

Is American domestic policy unusual because it is not effective? Did government efforts to mitigate poverty and inequality work? Political scientists Benjamin Page and James Simmons argue that they did. In the process of making their argument, they show the many ways in which government has intervened in markets to mitigate the worst consequences of "creative destruction" for individuals. By ensuring a basic standard of living for many elderly Americans, the Social Security program is a very successful, extensive, and popular program for reducing poverty and inequality. The U.S. government sets a floor under wages, and helps those with little means to purchase food. States provide the education that can propel many to advance economically. Despite the complexity and political contentiousness of American government, then, it has sustained enduring and respected efforts to help its citizens prosper.

At the beginning of this book, we asked what, if anything, government can do about poverty and inequality. Our answer is clear: government can do a great deal. It can do so while preserving other things we value, including liberty, economic efficiency, and general prosperity.

Persistent poverty and a high level of income inequality in the United States cast a dark shadow over our otherwise great achievements. When . . . about one-fifth of American children live in families with incomes below the poverty line, when the top fifth of families receive about half of all the income in the country but the bottom fifth get less than 4 percent of it, something is seriously wrong. No doubt a substantial degree of inequality would be tolerable, so long as the lot of those on the bottom was satisfactory and steadily improving. But that has not been the case. Inequality has increased sharply over the past three decades, with big gains for the wealthy, while most people's incomes stagnated or declined. We are troubled by the extraordinary extent of disparities in income and wealth, by the persistence of absolute poverty, and by the fact that many millions of working people have to struggle desperately in order to make ends meet.

Such extensive poverty and inequality waste lives and cause unnecessary suffering.

They limit freedom. They prevent full individual development, impair a sense of community, upset social stability, make a mockery of the idea of equal opportunity, and unnecessarily reduce human happiness.

Private markets and free-enterprise capitalism, for all their virtues, plainly do not themselves keep the levels of poverty and inequality within acceptable bounds. Even to the extent that markets accurately reward individual skills and efforts—and the most eloquent defenders of markets admit that they do not invariably do so—huge inequalities in “rewards” cannot be considered fair or just. Many factors that lead to high or low incomes are beyond individuals’ control. To a great extent, they reflect happy or unhappy chance, the results of nature, nurture, and social arrangements: the fortune or misfortune of genes, upbringing, parents, peers, good breaks, catastrophic accidents, economic fluctuations, global trends.

Nor is poverty or extreme inequality necessary in order to motivate people to learn, to work hard, and to do their best. Duty, pride, love of family, aspirations for achievement, and self-fulfillment are excellent motivators. We do not need to use unlimited greed or fear of starvation. Given encouragement and opportunities—the opportunities are crucial—the vast majority of people will work hard and productively.

There are many reasons therefore to think that governments *should* act to reduce poverty and inequality, if they can do so in ways that do not entail too many costs: without too much inefficiency, for example, and without seriously infringing on individual liberties. Our review of the evidence indicates that government *can* in fact do so. The old canard that governments cannot do anything right is simply not correct. Nor is the newer claim that globalization renders national governments completely impotent. Yes, globalization does exert pressure against certain types of egalitarian programs, but those pressures are much less overpowering than is often supposed. Some important kinds of egalitarian programs (investment in education, for example; childhood health and nutrition; income supplements for low-wage work) actually can confer global competitive advantages, rather than disadvantages. Yes, it requires creativity and care to design programs to maximize their effectiveness, while minimizing red tape and bureaucratic interference. But such creativity and care are well within the reach of our experts, political leaders, and citizenry.

Right now, in fact, the U.S. federal, state, and local governments *do*, in many efficient and effective ways, contribute to the reduction of poverty and inequality. At the same time, there remains much more that can and should be done. To make further progress requires recognizing and surmounting certain political and economic obstacles.

Programs That Work

... U.S. social insurance programs, which offer certain kinds of protection that private insurance markets cannot provide, make very significant contributions to reducing poverty and inequality. Social Security in particular—the very foundation of American social policy—does more than any other government program to keep people’s incomes above the poverty line. Without Social Security old age benefits, many more millions of elderly Americans would be poor, as many millions were before the enactment and expansion of the program.

That great reduction in poverty has been accomplished with a high degree of efficiency. Social Security’s administrative costs amount to only about 1 percent of total

payments. The poverty reduction has been achieved through a near-universal system of forced savings linked to work, in which people contribute while they are working and then quite properly feel entitled to benefits when they retire. The antipoverty effects are real; payroll contributions to Social Security have not merely replaced private savings that would have occurred without the program.

To be sure, Social Security is largely a middle-class program designed to smooth out individuals’ earnings over their life cycles and to prevent disastrous losses of income upon retirement. It only modestly reduces inequality between the lifetime earnings of high- and low-income people. True also, the long-term financial health of the program will probably require some new resources, but those can be obtained relatively easily through such methods as extending the payroll tax to higher incomes, drawing on general tax revenues, and/or investing some tax revenues in higher-yield securities. The chief challenge for Social Security right now is simply to keep the program intact against forces working for benefit cuts or destructive privatization schemes.

Similarly, U.S. social insurance programs do a reasonably good job of helping Americans who have severe disabilities that prevent them from working. Together with the Americans with Disabilities Act’s legal provisions for nondiscrimination and mainstreaming, the benefits of Social Security’s Disability Insurance (DI) and Supplemental Security Income (SSI) have helped most gravely disabled Americans to avoid impoverishment.

Again, the Medicare program for the aged, despite its gaps in coverage, has greatly helped the elderly with medical expenses and (together with Medicaid) has prevented millions of people from sinking into poverty under the weight of bills for hospitals, doctors, and nursing homes. Although Medicare’s scope and efficiency could be bettered by a universal health insurance system, the first task for the twenty-first century is simply to augment its financial resources and protect the program from benefit cutting or privatizing.

... It is possible to operate a fair tax system that sets tax rates according to ability to pay and reduces the inequality of after-tax incomes. A progressive personal income tax—at one time reviled as a form of “communism”—can accomplish those aims, as is clear from several periods of our history. It can do so at rather low administrative expense (vigorous enforcement efforts more than pay for themselves, though anti-government legislators have cut back enforcement in recent years) and without serious negative effects on work efforts or savings.

The income tax is also a useful vehicle for what may be the most effective of all work-encouraging antipoverty programs, the Earned Income Tax Credit (EITC). The refundable EITC has brought the total earnings of millions of low-wage workers close to or just above the poverty threshold. The EITC puts some reality behind the all-too-facile American promise that everyone who works hard can get a decent income. It does so in a way that is cheap to administer, reduces income maintenance expenses, and encourages increased work effort, thus increasing economic output and helping rather than hurting the United States in global competition.

In education and training, too... various U.S. government policies have enjoyed a great deal of success: considerably more success than they are usually given credit for. It is fashionable to disparage the U.S. system of public elementary and secondary education as ineffective, internationally inferior, and perhaps hopeless. But this trashing—sometimes inflicted by armchair critics who are less than fully committed to

a multi-cultural, egalitarian society—ignores the awesome magnitude of the tasks we want our schools to perform. It slights the schools' real achievements in accomplishing those tasks. We ask our public schools to teach everyone the basics, to socialize children of diverse cultural and linguistic backgrounds, to cope with economic and racial segregation, and to make up for absent or neglectful parents, all while working with limited amounts of unequally distributed money. The federal Elementary and Secondary Education Act has provided important resources for poor students and poor school districts. With federal government help, the system of higher education, too, has done a great deal of excellent teaching and research and has provided pathways to upward mobility for many Americans of modest background. Educational opportunities are certainly not equal for all Americans, and much needs to be done to improve this situation, but our educational system has the potential—to some extent already realized—to build up nearly everyone's skills and talents.

Several programs specifically designed to help educate and train the disadvantaged have demonstrated the capacity to do so. Head Start, despite surprisingly pinched funding, has helped prepare millions of poor children for school. Childhood health and nutrition programs provide some of the food and medical care that is essential for the development of sound minds in sound bodies. Special education helps many disabled children to acquire cognitive and social skills and the ability to function in mainstream society. Vocational education, apprenticeships, retraining, and welfare-to-work programs (particularly those that offer help with day care and transportation, as well as job training) have all demonstrated the capacity to prepare even severely disadvantaged Americans for useful work. Some of these programs require a substantial investment of resources in each trainee, but the trainees and society as a whole generally get good returns on the investment in terms of lifelong reductions in income maintenance payments, increased productive work, and more fulfilling lives.

... U.S. public policies have fallen considerably short of the ideal of providing jobs for everyone at good wages. Yet here, too, effective policy tools are available and have been successful when used. The trick is to use them. When the U.S. Congress, the president, and the Federal Reserve Board encourage economic growth through moderately expansive fiscal policies and low interest rates, for instance, the economy does tend to grow, unemployment falls, and the lowest-wage workers do better. (On the other hand, obsession with deficits and inflation has sometimes led to excessively tight money and unnecessarily steep recessions, in which low-income workers have suffered fairly well, and it could easily be made to work better. The minimum wage (when set at a reasonable level and not allowed to fall behind increases in the cost of living), together with the EITC, does a great deal to make sure that all work is rewarded by a living wage. Antidiscrimination laws and regulations have helped reduce employment discrimination based on arbitrary factors like race and gender.

United States government policies have even successfully provided at least one important part of a minimal standard of living... The Food Stamps program, our only near-comprehensive effort to provide an essential good to everyone in need, has sharply reduced the extent of hunger and malnutrition in America from the outrageously high levels that existed in the 1960s. Weathering years of ideological attacks and misleading rhetoric, Food Stamps have accomplished this very important task with limited and declining levels of fraud and with administrative costs that are reasonable,

given the difficulty of determining eligibility and enforcing complex rules (some administrative costs could be saved by simplifying the rules and making Food Stamps universal). The much smaller and more grudging program of rental vouchers, and the experience of other countries like Canada with universal health insurance, makes clear that governments also have the capacity—not yet realized in the United States—to provide everyone with the basic necessities of shelter and medical care. . . .

We see no reason at all to despair about the capacity of governments to deal with the problems of poverty and inequality. The challenge is to make better use of that capacity.

14.5 John W. Kingdon, "American Public Policy in Comparative Perspective" (1999)

While the U.S. is a very wealthy nation, political scientist John Kingdon asks why the American state taxes less, spends less, and provides less domestic policy than do comparably wealthy democracies. While similar nations have long ensured universal access to health care for their citizens, the United States has not. While governments in similar nations have provided extensive public transportation and utilities, the United States has provided fewer such services through the public sector, which is much smaller in the U.S. than it is abroad. But in other areas—defense, criminal justice, and regulation—the U.S. stands out in its exceptionally extensive policy efforts. In the "big picture," American public policy is very unusual—a puzzle that has motivated many American political development scholars.

First, let's look at the big picture. In his 1996 State of the Union address, President Clinton declared that "the era of big government is over." But the fact is that American government has never been as big as in other industrialized countries. That's true not just of the federal government. Combining federal, state, and local activity, government is much less involved in most aspects of social and economic problems than it is in other industrialized countries. Contrary to many American assumptions, the state is less intrusive, our government programs are smaller and less far-reaching, our public sector is smaller relative to the private sector, and yes, our taxes are lower.

Some Examples

Consider medical care (see White 1995a). In every industrialized country in the world except for the United States, the entire population is covered by health insurance. Some countries have government-run national health insurance. Others require employers to provide insurance for their employees and fill in the gaps with government programs. Most finance long-term care, which in the United States is government-financed only