

# THE CHIT CHAT CLUB CONFRONTS THE PROBLEM OF MANAGING GOVERNMENT SIZE ON A HOPEFULLY MELLOW AND CASUAL SAN FRANCISCO DAY IN JUNE.

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## INTRODUCTION

President Clinton once famously declared, “The era of big government is over.” It is such a general and abstract comment, yet it resonated when it was uttered during President Clinton’s State of the Union Address on January 23, 1996.<sup>1</sup>

The most sober interpretation of President Clinton’s declaration was that our national government would now focus on rationalizing and improving policy making, rather than focusing on new, big policy breakthroughs.

More agitated, critical responses, particularly among more liberal elements of the Democratic coalition, worried about how far “centrist” Democrats like President Clinton would go in rolling back progressive commitments and programs, such as income security and welfare programs.

The term “government” operates as a symbol, with different messages for people with varied, often clashing, ideologies. Indeed, the single word, “government” is, very sadly, enough to incite the purchase of an assault rifle among some of our fellow Americans.

Debates about whether to do something about income inequality, fraught race relations, poor eating habits, climate change, corporate misconduct, irresponsible motorcycle riders, workforce development, scientific research and development, economic competitiveness, an ever-growing national debt, restaurant hygiene, or pandemic management – all of these sometimes get ensnared in discussions about the size of government or the dangers of “too much” government involvement in the lives of people.

Despite the ubiquity of debates concerning “the size of government,” it is also true that in democracies a large majority of people believe there should be limits on what the public sector does or can do. It is completely unsurprising to have deliberations and debates about how to manage the size of government.

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<sup>1</sup> “The size of government” is a complex issue. It creeps into a lot of contemporary debate and conflict over public policy. This paper will skirt a lot of topics, but I’m happy to dive more deeply into some of them in our discussion period. I’ve worked on this issue for many years in research settings, but today I’d prefer to be informal. I apologize in advance for the more-than-usual awkwardness and infelicitous stuff that shows up here. Ordinarily I would defend myself by blaming all that on the devil, but you guys are too clever to fall for that.

These conflicts over the size of government almost always include issues of individual liberty, public sector effectiveness, and the impact of government actions, whether positive or negative, on the performance of the private sector.

By using a very general, somewhat abstract, notion of “limited government,” I’m going to illustrate further down some of the puzzles associated with trying to manage the size of government. Just to preview the essence of the case I am making:

1. *More democracy is a major cause of public sector growth*, along with some usual historical and societal factors (e.g., war, natural disaster, epidemics, urbanization, and economic collapse).
2. That is why almost all efforts to limit government size and growth *involve limiting public access to and responsiveness of government* – in other words, reducing levels of democracy.
3. Despite the fear of some that “too much democracy” will result in ruinous egalitarianism, the evidence suggests that *the great mass of the public resists redistribution and the pursuit of equality when such policies demonstrably undermine economic efficiency and growth*. When a greater share of a stagnant or shrinking economy produces *actual* declines in material well-being, many citizens in democracies are likely to turn more conservative or centrist.

We’re going to do a quick survey of government size in the United States. Then we will confront the concept of “the tragedy of the commons” to frame the challenge of managing government size in a democracy. We’ll then assess how traditional methods of managing stress on the commons provide insights into the challenge of managing government size in a democracy.

## **A QUICK SURVEY OF GOVERNMENT SIZE IN THE UNITED STATES**

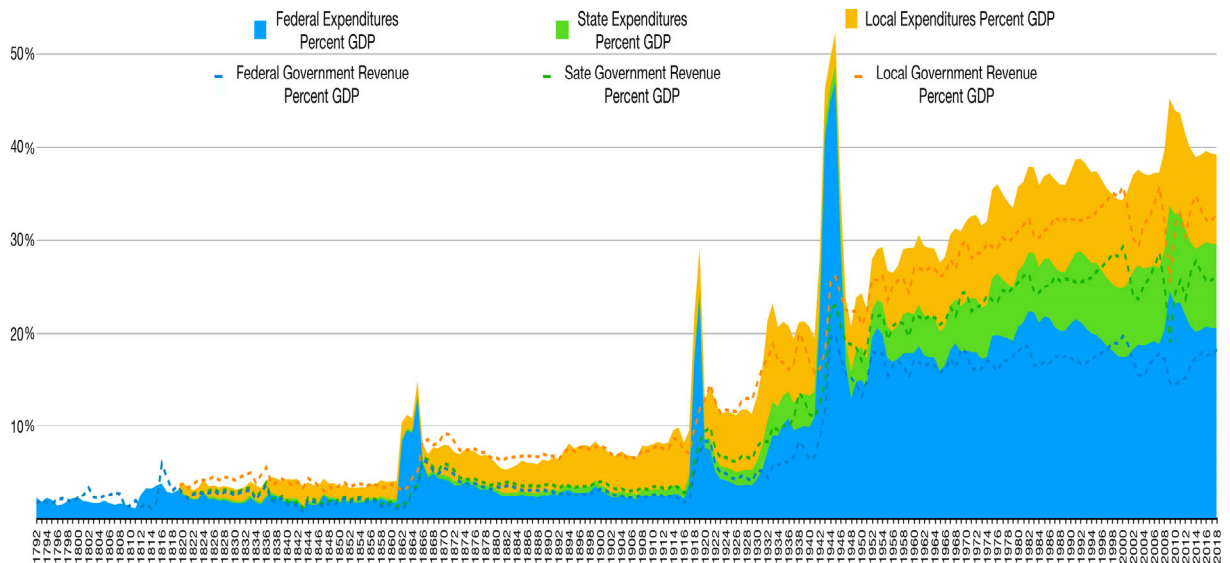
You can accept the fact that the public sector of the United States, including local, state, and federal governments has, since the end of the 18<sup>th</sup> century grown substantially in absolute and relative terms. That’s a fact regardless of debates and conflicts over whether the trends are “good or bad.”

Many of us might be surprised by the fact that the United States has a smaller public sector, relatively speaking, than a host of other democratic nations, even while we understand that the U.S. public sector has grown substantially.

Although it’s deeply flawed, the approach most often used to describe the size of government relies on taxing and spending figures, relative to the size of the nation’s Gross Domestic Product. The following figure depicts total government spending and revenues relative to GDP from 1787 to 2018.

If you stare at Figure 1 you can see how spending and taxing increase in unprecedented ways in wartime. Peer at Figure 1 and you can see the rise with the War of 1812. The onset of “total war” with the Civil War, World Wars I and II produce steep, rapid increases in overall government spending and taxing.<sup>2</sup>

**FIGURE 1**  
**Total Government Spending and Revenue as a % of GDP**



One can get into rancorous arguments about what the secular trend in growing taxing and spending means, usually powered by whatever ideological underpinning is brought to the brouhaha. But there are dynamics that are rooted in institutions, world events, disruptions, social change, and democratic impulses that account for what is happening.

Here are some conclusions suggested in Figure 1.

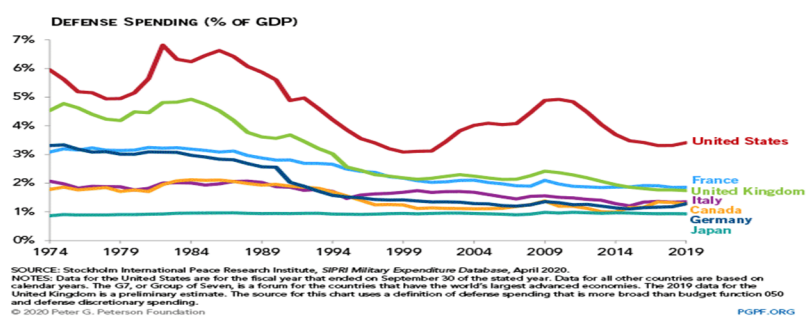
- War and the threat of war are the paramount causes of increasing spending and taxation. Zoom in on Figure 1 around 1812 and the blip caused by that is apparent. War’s impact is notable in the peaks that arise between 1861 and 1945, with the onset of the Civil War, World War I & II. Then the Korean War spike. The Cold War also had the effect of preventing the previous pattern of demobilization and lowered spending and taxing that generally occurred on a sustained basis prior to 1948.

<sup>2</sup> When viewing this on your computer, simply use whatever zoom feature you have to examine in more detail the data points in Figure 1.

- The U.S. had already experienced previous episodes of the “modern business cycle” involving mass unemployment, particularly in the latter part of the 19<sup>th</sup> century. The chart reveals the impact of the Great Depression, which introduced a period of large, sustained budget deficits, persisting until the end of WWII. The Great Depression also introduced the large increases in domestic spending in unprecedented, sustained ways, producing rapid and historic increases in national debt, which continued rapid increases until the end of World War II.
- Even though annual budget deficits mostly persisted after World War II, they were relatively small until the onset of the “stagflation” of the 1970s. At the same time, tax cuts and changes in the tax code after 1980 did a couple of things. First, it reduced the tax yield on income and corporate taxes. Second, it created a host of new instruments that increased dramatically public sector borrowing at the state and local level. As a result, revenues consistently lagged by larger margins the expenditures as a percent of GDP, especially among local governments

A glimpse at a few more data points suggest the continuing role that military expenditures play. As Figure 2 points out, the United States spends much more on defense as a % of GDP than do a number of peer nations.<sup>3</sup>

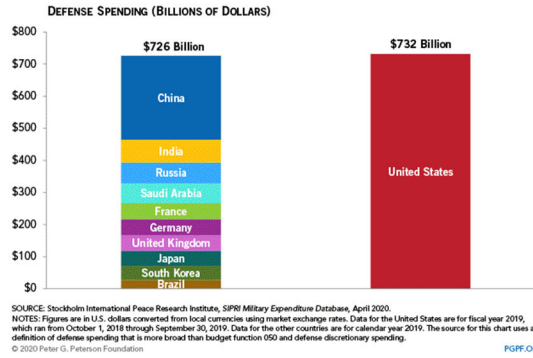
**FIGURE 2**  
The United States Spends More on Defense as % of GDP Than Peer Nations



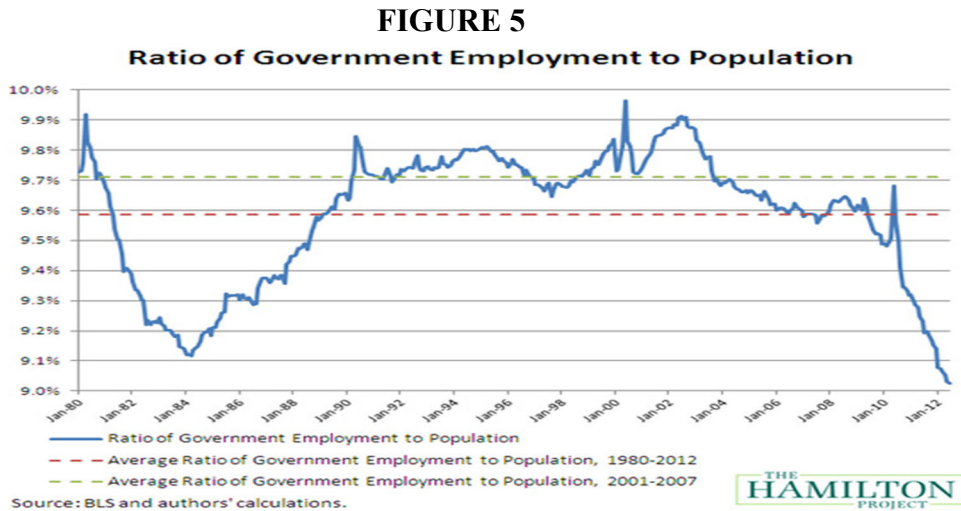
These points are further dramatized in Figure 3, which illustrates that the United States expends more on the military than do the next ten nations. As of 2020, the United States spends well over twice as much as China, which is presumably its greatest current security threat.

<sup>3</sup> I might add that if we considered benefits and services as well as the administration costs associated with them the cost of military expenditures for the United States would be higher. For reasons with which I disagree, veterans benefits and services are not included as military expenditures.

**FIGURE 3**  
The United States Spends More  
On Defense Than Next Ten Nations

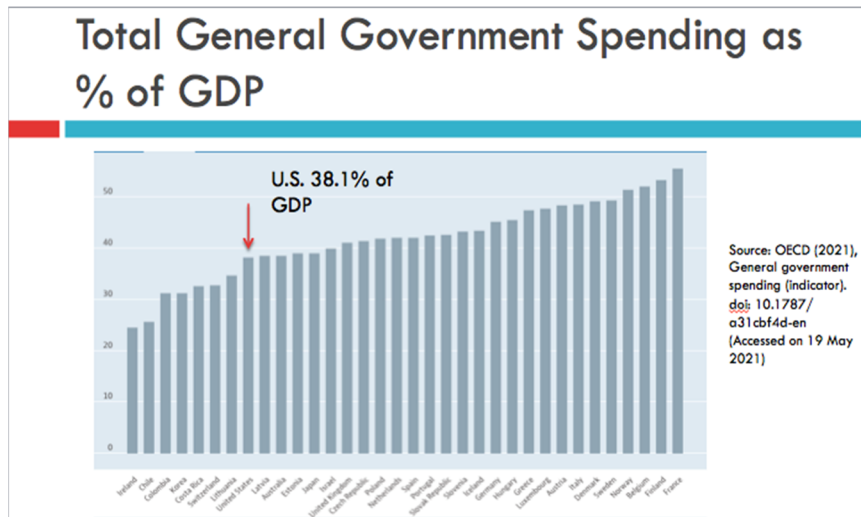


Although there is substantial growth in local, state, and federal expenditures and taxation, the number of government employees as a ratio to the nation’s population seems to be in a sharp decline (Figure 5). Why this is happening isn’t clear. Privatization and contracting-out is part of the story, but also the declines during economic downturns are important. The steep, sustained recessions of the early 1980s and the Great Recession that began towards the end of the first decade of the 21<sup>st</sup> century generated steep public sector employment declines.



Figures 6-8 illustrate how the United States appears in terms of other peer nations. As a percent of GDP, total government spending in the United States is located towards the lower end, just ahead of Lithuania and certainly lowest among some of the larger economies of the OECD.

FIGURE 6



When it comes to extracting revenues, as a percentage of GDP, the United States lags even more. Only Ireland, Chile, Mexico raise *less* revenue relative to GDP than does the United States (Figure 7 below). Put differently, the United States is *not* among the most profligate spenders relative to GDP. *Yet, it has among the widest gap between what it spends and the revenue it raises.*

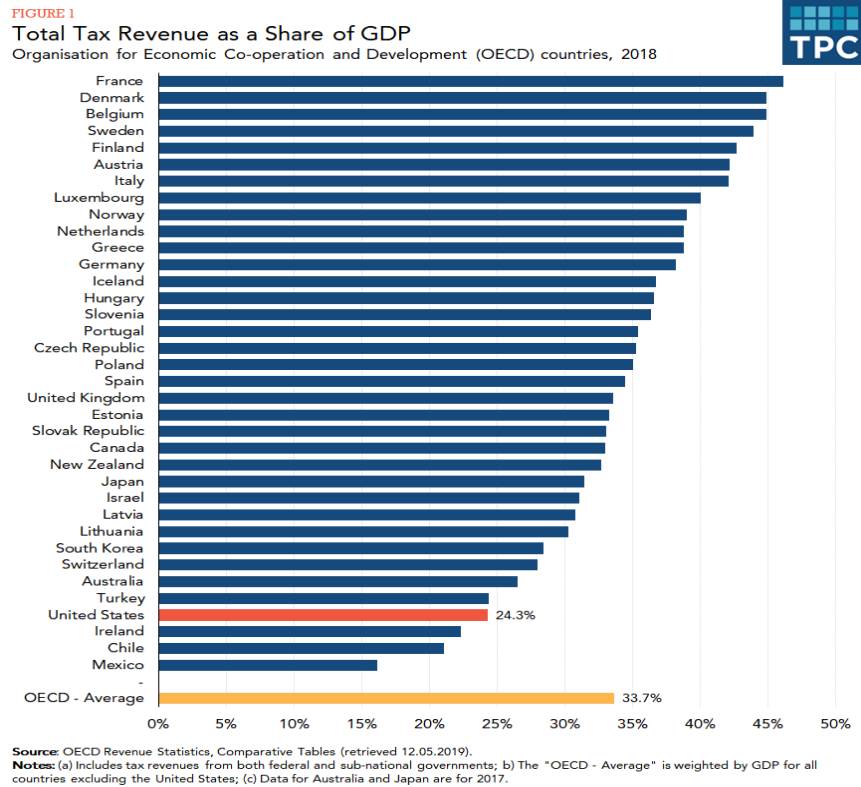
It’s a consideration that is dramatized by the fact that the United States currently has among the highest total government debt relative to GDP (See Figure 8). Despite the fact that the governments of the United States aren’t “big spenders,” *relatively speaking*, when viewed in comparison to other nations, we are even less inclined to cover our spending with revenues.

Even while the United States raises less revenue as a percentage of GDP, it also relies much more on personal income-based taxes. According to the OECD (make footnote: <https://www.taxpolicycenter.org/briefing-book/how-do-us-taxes-compare-internationally>), the United States produces fully 41 percent of total tax revenue from income taxes and individual capital gains taxes, compared to 24 percent from such sources, on average, within the OECD. So while the U.S. relies more heavily on such taxes, it means cutting their rates has a bigger relative impact on revenues. Additionally, from a behavioral basis it is likely to increase American tax averseness.

The U.S also relies much less on taxing goods and services. Total consumption taxes in the U.S produces about 18 percent of revenue, while it is at least 32 percent on average among OECD nations. In fact the United States is the only nation among the 35

members of the OECD that has no national consumption tax, with all of it in the U.S. gathered at the state and local levels.

**FIGURE 7**



Consider a number of research findings on democratic nations that suggest how the tax yield can be shaped by institutions (Kiser and Karceski, 2017)

- Political systems, *such as the United States*, with more veto and choke points in the policy making process, a powerful, complex interest group system, prominent roles for large donors, bicameral legislatures, independent judicial review, and presidential systems tend to have *lower* relative tax revenue streams
- Higher turnout in the electorate, which is also related to longer control by “leftist” leaders, are associated with *higher* levels of revenue. The United States scores low on both factors compared to high revenue democracies
- Ironically, the progressive tax systems often favored by liberals and leftist organizations in the U.S. produce *smaller* relative revenue yields. Regressive, indirect taxes have considerably *higher* yields and the regressive effects can be mitigated by higher levels of spending for less affluent residents and taxing exemptions for key goods and services (e.g.,

food and medicine). Some of the reasons given for lower revenues with progressive taxation include: Lower visibility of indirect taxes allows increases with less resistance. Progressive taxation produces “adversarial class relations” and rising tax avoidance efforts that erode support for higher taxes.

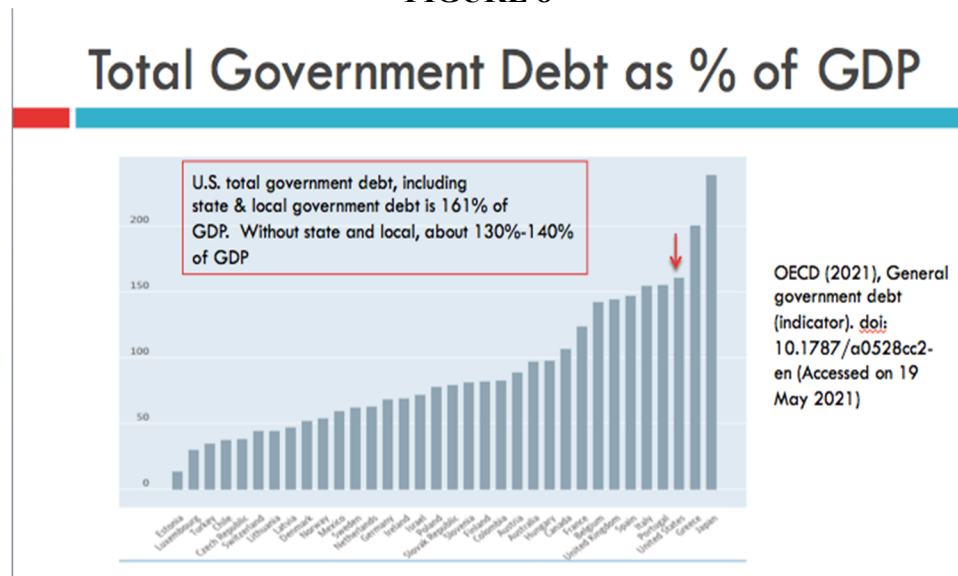
Much of the research identifying factors that reduce revenue yield are especially prevalent in the U.S. Keep some of these general findings in mind as we talk about the link between the “size of government” and increasing democratization.

In any case, while there might be a variety of factors that increase the pressure to spend in the United States, there are factors more prevalent here which make it likelier that revenues won’t keep apace. In times of prosperity the tax structure and administration in the U.S. means that revenue won’t be as positively elastic as might be expected.

In successive economic crises, as we’ve experienced during the Great Recession, which ended barely a decade ago and the onset of the Covid-19 pandemic, we ought not be surprised by the rapid growth in national debt. That rapid growth is due to both plummeting revenue and the need to provide large fiscal stimuli to prevent the economy from slipping into sustained depression.

Figure 8 indicates that the total U.S. debt is quite high and, to many, understandably alarming. At present, interest on the national debt is likely to be somewhere between 8-9 percent of the federal budget and about 1.5 to 2.0 percent of the GDP.

**FIGURE 8**

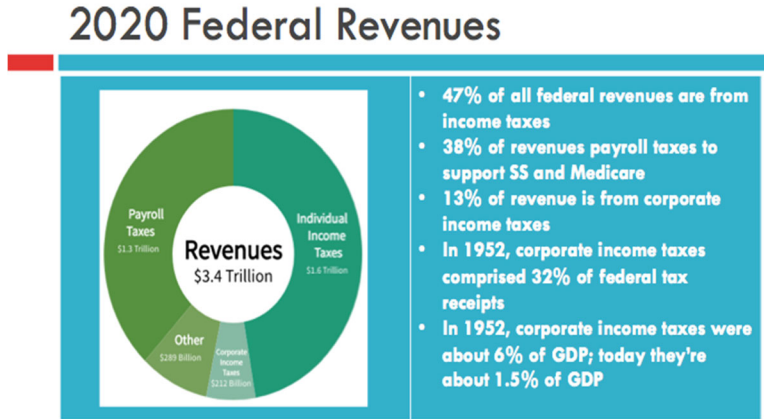


So as Figure 9 reports, between income taxes and payroll taxes, about 81 percent of revenues fall on individual wages or other personal income. In the previous 40 years, the



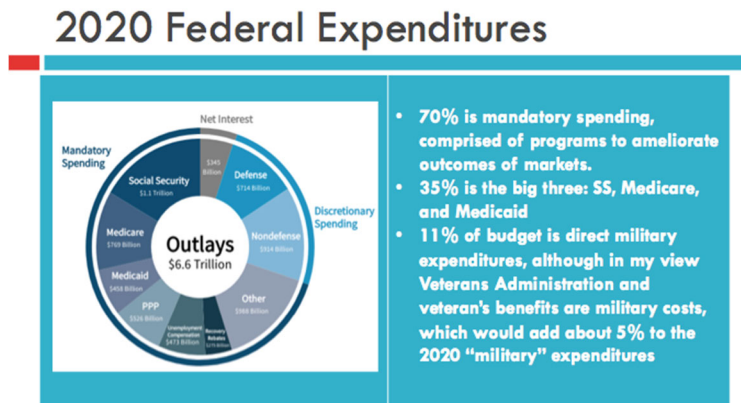
United States, while relying heavily on income taxes has enacted a number of major tax rate deductions as well as other tax code changes, thereby lowering the revenue yields that would have been produced without these cuts.

**FIGURE 9**



As Figure 10 indicates, about 70% of federal expenditures are driven by statutory requirements, which are, until the law is changed, “mandatory.” Over a third of federal spending in the United States are in the “big three” programs of Social Security, Medicare, and Medicaid. With direct military expenditures and the cost of veterans the total of expenditures reaches 51% of federal expenditures. Then there are income maintenance and welfare programs (e.g., food stamps and Temporary Assistance for Needy Families) which add another approximately 19 percent to mandatory federal expenditures.

**FIGURE 10**



Spending, taxing, and regulations as well as a variety of indirect methods (privatization and tax expenditures) have all become a more salient aspect of government. Indeed for 2021 the virtual expenditure of foregone revenue for the top 13 federal tax expenditure items is over \$1 trillion (See following Table 1).

1. Exclusion for employer-sponsored health insurance	\$190.3
2. Lowered rates on dividends and long term capital gains	\$167.5
3. Benefits for employer defined contribution plans	\$157.8
4. Credit for children and other dependents	\$118.8
5. Benefits for defined benefit plans	\$109.4
6. Reduced rate on active income of controlled foreign corp.	\$82.1
7. Earned income tax credit	\$73.1
8. Depreciation of equipment	\$56.6
9. Subsidies for insurance bought through health exchanges	\$52.8
10. Deductions for charitable contributions	\$49.6
11. 20% deduction for qualified business income	\$47.4
12. Exclusion of capital gains at death	\$43.8
13. Exclusion of untaxed Social Security and Railroad retirement benefits	\$41.5
<b>TOTAL</b>	<b>\$1190.7</b>

Source: Joint Committee on Taxation (JCT). "Estimates of Federal Tax Expenditures for Fiscal Years 2019-2023," December 2019; U.S. Department of the Treasury. "Tax Expenditures: FY 2021," February 2020.

So for now, let's just agree that we have a public sector that has grown continuously in some important ways. For many, the trend is alarming and the implication is that we need to dismantle "the state" and get back to a less cluttered and less active public sector. Others might claim that the answer to our problems is to do a lot more via the public sector, given the challenges we face.

We've focused so far mostly on the fiscal aspects of government, which deal mainly with the resources the public sector raises and deploys, largely as expenditures. It's worth remembering, however, that the size of government is comprised of numerous dimensions.

There is, for example, the substantive dimension. Does the government provide public education? If so, does it include the span of childhood, say from 5 to 18 years of age. Does it also include higher education? Does the government also advance public health? Does that involve direct delivery of health services? And what does that include? Does the government define and broaden the rights of people as well as historically disadvantaged groups? Does the government assert public rights to clean and safe air, water, and soil? What about the protection of the privacy of individuals against the commercialization of data produced by people in their everyday transactions and internet activity?

The size of government is also composed of the methods employed to achieve policy goals. Our government can provide information; it can fine; it can honor; it can criminalize and incarcerate; it can dispossess; it can own and operate; it can structure fiscal and tax incentives; it can draft people into the military; and it can execute individuals for various criminal offenses.

Each method of accomplishing a public policy or public action is more or less coercive. We can encourage energy conservation and less fossil fuel consumption by providing tax breaks or privileges to those who adopt energy conserving non-fossil fuel products. We can honor property owners who produce and maintain “energy star” buildings. Or we can try to mandate energy vehicle use and require solar panels on new residential construction.

It’s intuitively understandable, however, that implementing a government action via coercion is, in some sense, “more government” than if that same action were implemented via incentives, exhortations, or honors and positive recognition.

Civil liberties and political rights to participate and hold official positions on the critical policy making bodies are also features that reflect the “size of government.” Clearly a government that can capriciously impose limits on who can participate in government is a “bigger” government than one that is obliged to foster widespread, comprehensively neutral political participation, regardless of race, religion, ethnicity, economic status, or citizenship status. Moreover, would we weigh more heavily government powers to shape civil rights, such as freedom of speech, worship, assembly, and the right to petition government than the power of government to dictate whether or not a government can regulate the height of a building?

Widespread participation in government is something that itself has to be produced by government assurances and enforcement of those rights. For some, particularly those who would prefer to see fewer people involved in expressing political demands or participating in policy making, the enforcement of civil rights is seen as onerous and a restriction on their freedom . . . that is, their freedom to discriminate. Yet there is no question that an active, larger public sector is sometimes required in order to expand the freedom and ensure the civil liberties of individuals.

In sum, the size of government, at the minimum, is a function of the number of things government does substantively, the amount of resources deployed (including human resources) and the methods used to implement public policy (whether coercive, command and control or steering and incentives-based approaches).

## **GOVERNMENT SIZE AS A CASE OF THE TRAGEDY OF THE COMMONS**

Garrett Hardin (1968) writes in his seminal article about how a resource will inevitably degrade under certain circumstances. The “tragedy” he described involved grazing pastures, but can apply to such things as whales, air and water quality, or traffic jams.

Notions like “race to the bottom” or even speculative bubbles are also related. The “tragedy” refers to the idea that despite all parties preferring to avoid the tragedy, their rational behavior will cause the resource to be destroyed or a desired service to be withheld.

Let’s assume that no entity or person owns the whales in the world’s oceans and everyone has access to the whales and no one can be excluded from hunting them. If I restrain myself from taking as many whales as I can, my self-restraint only provides more for others.

With no ownership of the whales and everyone having access to them, the additional whales provided by my self-denial simply provides more for whales for others. Without being able to restrain others from killing those whales that I provide by my abstinence why would I deny myself the maximum number of whales I can slaughter?

If somehow I can convince a few whales to procreate and produce more whales, there is no way I can assure their exclusive availability to me. As a rational, self-interested actor, why would I do that? Tragically, first for the whales and ultimately to us all, rational and self-interested whale hunters will be motivated to hunt and kill as many whales as quickly as possible before others take them.

As a result, the stress on the supply of whales will be maximized. The prospect of whale-depletion will rise dramatically. We have, of course, seen this actually happen. The collapse of the Grand Banks cod fishery in the 1990s is another example (Harris, 1998). The extinction of the dodo and the near total annihilation of the North American buffalos are yet other examples among the many we could identify.<sup>4</sup>

What are some of the ways to manage the tragedy of the commons? In the case of a “common property resource” contained within a nation-state, there are a number of ways to mitigate the risk of instigating the tragedy of the commons. The following are not an exhaustive list, and they all raise additional issues, but they are instructive.

**Assign property rights to the resource.** Organize an auction or some lottery and let the winner manage the resource as an owner. As an owner deriving an income stream, the owner will invest in the renewal of the resource, whether fish, forest, or other game. The owner will also seek to gain a return from those who use the resource, for recreation or commerce. The owner, it is assumed, will adjust fees or access to the resource to ensure that it continues to provide income. The public, which has “given” or awarded the resource through some method will likely want some percentage for the concession.

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<sup>4</sup> Common property resources that extend beyond national boundaries, such as whales or the quality of ocean water generally require international cooperation and enforceable agreements to be managed. Let’s avoid unneeded complications and focus solely on managing the issue within a nation state.

**Public regulation.** The public might assert ownership and control to preserve a resource. If the resource is endangered, access might be shutdown altogether. On the other hand, the public might charge a fee to get access and raise the fee up or down to control the amount of “fishing” or consumption so as not to outpace replenishment or replacement. Regulation might also simply limit the number of individuals who are permitted to have access on a first-come-first-serve or lottery basis. It could restrict the methods used to “hunt” or otherwise affect the resource.

**Private collective action.** If the domain and numbers of people are small enough, they might solve the problem through collective action and private action. If the source of the fish is naturally accessible to but a few individuals, they might be able to organize on their own, without formal compulsion, and thereby sustain the supply of fish. Individuals who live in a historic district, for example, might wish to preserve the unique architectural style of the area and prevent people from converting their homes and properties to “higher and better” uses through collectively agreeing to deed restrictions, reinforced by local ordinances. If the number of people using a beach is not too large, they might agree to voluntarily avoid doing things that detract from its enjoyment, even without contracts or formal, regulatory, and coercive methods.

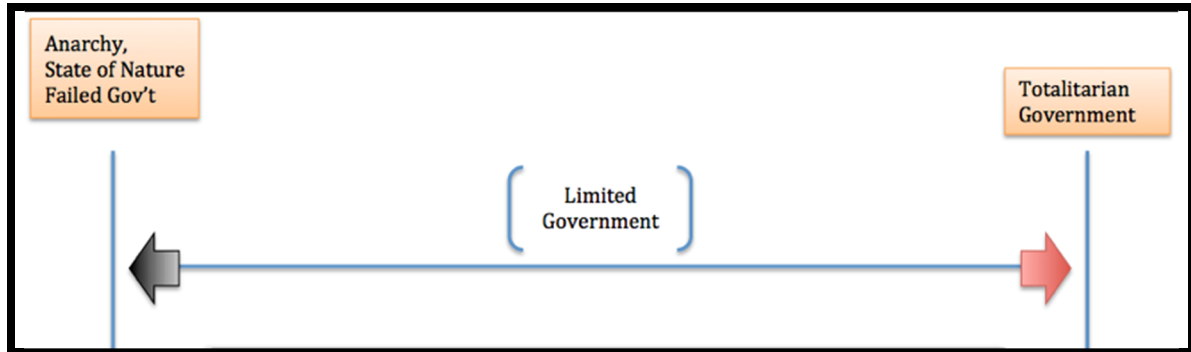
## **MANAGING GOVERNMENT SIZE AND THE TRAGEDY OF THE COMMONS**

As we’ve discussed, there is no consensus on how to measure the size of government. Therefore, we don’t have a precise way to decide that we’ve arrived at Big Government. We know how to measure the temperature of water. We know when it has frozen or is transformed into steam.

On the other hand, deciding when we have too much or not enough government remains deeply subjective and very often controversial (Neiman, 2000). For some people a government that can enforce motorcycle helmet requirements for children or adults is a government that is too big. For others, a government that can’t get people to take life-saving vaccines or wear masks during a pandemic that has killed over a half-million of our nation’s residents is too small. For some, a government that can regulate vehicle exhaust emissions connotes the road to dictatorship. Others suggest that a government that can’t act decisively in the face of what is viewed as calamitous climate change is an anemic, ineffectual regime.

At the most general level, then, we know that there is no consensus about how the mix of activities and methods and resources result in too little or too much government. In actuality, philosophical, cultural, geographic, and historical differences in one nation or across nations make it foolhardy to say that beyond this or that point government is too large or small. What might be seen as a controversial government intrusion in the United States (say the use of a national identification card), can be commonplace and widely approved in another widely recognized democracy (e.g., Germany and Spain). Think gun regulation . . . need we say more?

**FIGURE 11**  
**The Size-of-Government Continuum**



The preceding Figure 11, highlights that there is agreement about the idea of “limited government,” if that notion is abstractly conceived of as an interval on a continuum – between failed or non-existent government and totalitarian government. In this view, limited government is an interval on a continuum and contains an unspecified array of public actions and issues. Even without laying out what is contained in or excluded from that interval of “limited government” we can still recognize that the management challenge is to keep the public sector from getting too close to one or the other ends of the continuum.

In short, we can disagree over when government is too big or too small. Yet we can abstractly agree in principle that the trait that we call “limited government” is a desired attribute in democratic systems, even with all of its ambiguity and all of the sound and fury surrounding the issue.

If we also assume that a democratically organized, limited government is accessible to all adults and responsive to an increasing range of demands, we can approximate the “tragedy of the commons” problem of the sort conceptualized by Garrett Hardin. In this case, responsiveness in government is analogous to a fishery that yields government goods and services. Under these conditions, the public sector might degenerate into a “tragedy of the commons” problem because of the activities by highly motivated, well-organized, self-interested, utility maximizing political actors.

Think of it this way, if everyone has the opportunity to make demands on the public sector and if government decision makers are motivated to be responsive as a way to increase their chances of holding on to their positions, then clearly the public sector will grow. If you are especially sensitive to the problem of “big government” and are strongly inclined to prefer “small government,” lots of democracy and lots of public sector responsiveness are problematic.

So, clearly democratization increases the number of political actors. When women, non-whites, and non-property owners were routinely excluded from participating in political

demand making, then the substance and resources deployed by the public sector reflected a narrower set of actors and fewer demands, in short, a smaller government.

One way to reduce the pressures on government growth, then, would be to reduce the range and diversity of actors who can participate. Only red-haired fishermen permitted here! Only left-handed fisherman! Is there any doubt that if we restored property qualifications to vote and prevented African Americans and Latinos and others deemed to be non-White, as well as women from voting that we would have a smaller public sector?

Insofar as permitting a greater array of people to participate in politics is considered a key feature of a democratic society, then a larger public sector necessarily results.

*Democratization always produces a bigger public sector. A larger public sector is the "cost" of a more democratic, more responsive, government addressing the needs of a more diverse population*

To manage the problem for those who worry about too much government, the solution is to make the policy-making apparatus less responsive to demands. These actions are similar to some of the approaches in common property resources. For example, recall that in the case of a fishery, we might regulate so that certain fish would be deemed out of bounds. We might permit fishing or whaling only during certain times. We might require that only certain kinds of fishing or hunting gear be permitted. We might also reduce the time when legislatures are in session. We might make certain types of activities more costly to achieve through government. We might prohibit certain kinds of political demands from being considered legitimate at all.

In a similar fashion, our court system has, from time-to-time operated like some panel of "philosopher kings," managing the "size of government" problem, just at a time when the range of people and macro-social changes in the nation were placing more demands to regulate commerce. For example, the Supreme Court of the United States in the mid-19<sup>th</sup> century began to be far more aggressive in reviewing the increasing demands for state level regulation of business. This culminated in the Supreme Court rejection of the New Deal in a series of cases between 1935-36. In this sense, the courts were operating to limit the growth and size of government activity, despite the increasing demand for new forms of government intervention in the economy. In effect, the Supreme Court decided that certain kinds of "fish" were out of bounds.

The Supreme Court operated in many instances from mid-19<sup>th</sup> century on to screen out statutes and ordinances that interfered with the right of individuals to contract with business. It was a way to minimize the demand for regulating business on behalf of union organizing and the health, safety, and welfare of workers, including children.

The Court's consistent opposition to state and local efforts to regulate business led in the 1905 *Lochner* case to the famous dissenting denunciation by Oliver Wendell Holmes, Jr., when he said, "The Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statics*", a notable tract by a 19<sup>th</sup> century Social Darwinist who advocated for the primacy

of a *laissez faire* approach to how government should deal with commerce and the larger economy.

All of that changed dramatically in 1937 with the famous “switch in time that saved nine.” For years Justice Owen Roberts had been joining the “Four Horsemen” (Justices Butler, McReynolds, Sutherland, and Van Devanter), who had been instrumental in striking down state and local as well as federal legislation regulating business and labor relations. They stood in unalterable opposition to government regulation and with the “swing vote” of Justice Owens, this group struck down New Deal legislation, leading to the infamous, failed court-packing scheme by FDR.

In 1937 the Supreme Court of the United States upheld the State of Washington’s minimum wage legislation in *West Coast Hotel Co. v. Parrish* (300 U.S. 379), with Justice Roberts joining the-then liberal wing. The decision ended a long period of the Supreme Court’s general opposition to government regulation of commerce and the economy.<sup>5</sup>

The courts in the United States have clearly played a role in shaping management of government size in a number of ways. They have shaped, in part, how we modulate who can participate in making policy demands, through such notions as corporate personhood, equal protection under the law, as well as upholding or striking down an array of racial, ethnic, and religious barriers to participation. The courts have played a role in who can “fish” in the politics. The point is that in the United States the courts have played a very complex role in affecting the role of government, sometimes expanding the role across a host of domains, the economy, civil rights, the power of bureaucrats, etc.

We can make policymakers less motivated to respond to demands or seeking packages of policies for different constituencies. We can limit office-holding to people who don’t care about re-elections, impose term limits, limit the times during which policy making happens, or require extraordinary majorities to raise taxes or approve budgets or simply to enact legislation. We can make it harder to qualify or cast a vote. We can impose costly procedures in order to get on the ballot as candidates.

From the onset of our government under the current constitution, there has been concern about the tyranny of the few and the many. Much thought has been devoted to which institutional design and set of principles would balance the ever growing demand for widespread, meaningful influence by citizens on government and the worry that envious or vengeful majorities would persecute or expropriate property from numerically vulnerable segments of society.

But has a fulsome, strong democratic politics really been a poor method to deal with government size? The record suggests not (Barber, 1984). Decades ago, Milton Friedman, one of the most distinguished, small-government, conservative thinkers of the

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<sup>5</sup> Of course, the current Supreme Court majority of conservatives might restore earlier doctrine with respect to the commerce clause, as well as the 10<sup>th</sup> Amendment, which gave greater weight and autonomy to the states, vis-à-vis the federal government.



post World War II era, declared alarm at what he saw as the rise of socialism in Britain. Friedman believed that Britain would inexorably experience the same fate as the socialist Allende regime in Chile, which was overthrown by the fascist Pinochet-led coup d'état in 1973. Friedman stated (1976: 9)

Lest you think that this tale of the history of Chile need not concern us, let me ask you to consider a case much closer. Cast your eyes across the Atlantic to the home of most of the ideas of freedom that we cherish – to the United Kingdom. Britain is a much richer country than Chile. It has a far stronger tradition of a belief in freedom and in democratic rights. Yet, the UK is going down the same path as Chile and, I fear, is headed for the same end.

Friedman was awesomely wrong. Not long after he made the preceding comment, starting three years later, Prime Minister Margaret Thatcher led a militant retrenchment in the British public sector. Tax levels were reduced, government enterprises were ended or sold off, and far greater privatization ensued (Coman, 2013). The disengagement of the British government from many areas of commercial and economic activity was breathtaking. Indeed, the British experience paralleled a similar unraveling of long-standing regulatory policies in the United States (Bolick, 1995; Cooper, 2009), beginning with President Carter and accelerating to the administration of President George Bush.<sup>6</sup>

The deregulation of that period involved financial services, communications, trucking and shipping, airlines, as well as a host of paperwork reduction. Yet, during that period of deregulation, new regulation appeared in such areas as civil rights, environmental protection, resource and energy conservation, as well as species protection.

The point is that the public does support deregulation, tax cuts, and other forms of government reform when it believes the consequences of government size impede liberty or hobble the nation's economic performance. The public also shifts to greater receptivity for a bigger government role when it perceives concrete threats to public health, safety, and fairness.<sup>7</sup>

One of the great lessons of the failure of nations who tried to implement strictly socialist policies with a brittle Marxist blueprint is this: there is no substitute for markets, profit-seeking, and the role of price signals responding to supply and demand as the primary way to organize the production and distribution of goods and services. In the end the vast majority of people in well functioning democracies understand this.

They also understand that market-based societies need a fair amount of refereeing from a vigorous and competent government, in order to prevent capitalism from destroying itself or losing legitimacy by ignoring the large numbers of individuals who are discarded,

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<sup>6</sup> It should be noted that after the terrorist attack on the World Trade Center buildings on September 11, 2001 the nation experienced massive increases in security regulation, imposed not only by governments, but also by the private sector as well.

<sup>7</sup> The public's capacity to rationally discern hazards with something like a consensus has in recent years been undermined. That is a relevant matter, but also for another discussion at another time.

damaged, unlucky, or left behind in the competition of market-based systems, often because of factors over which they have no control. But that's another story.

Any set of policies and institutions that follows some rigid Marxist or brittle socialist template will fail. So will overly zealous, blind obeisance to the never-never land of "free," self-regulating markets powered by unqualified faith in the beneficence of commerce. Even worse, in market systems, is the self-defeating notion that deep and widespread economic malaise will cure itself if just left alone.

Viewing the debates about government size through the "tragedy of the commons" frame highlights this fact: Debates about government size are fundamentally not about the size of government. It's actually about the fear of too much democracy. Focusing on the size of government as the paramount challenge runs the risk of overlooking the fact that some portion of government growth is what we "endure" in exchange for a more democratic social order.

The data indicate that the onset of demands for more government derives only partly from democracy. Far more important are the failures and corruption of markets and capitalism. Despair and economic collapse breed in too many of us a taste for authoritarianism and the kind of "big government" we ought to rightfully fear. That is why it is war and the fear of external threats, massive economic collapse, widespread corruption, decadence among economic elites, and extreme social inequality that engender oppressive, authoritarian public sectors. I have found no instance of where the mere presence of democratic practices and widespread participation have led to inexorable growth in government.

Conservatives tend to be obsessed with how "bigger governments" affect such matters as personal freedom and government and business performance. Prioritizing these matters leads to proposals to shield the condition of "limited" or "small government" from the economic demands of individuals and groups who are believed to be extracting more and more at the expense of the well-off.

Such shielding from the political agenda of the less well off involves proposals to make our institutions less democratic. These include required balanced budgets, extraordinary majorities to approve budgets, special majorities to enact anything, a crabbed judicial doctrine of interstate commerce, a restored 10<sup>th</sup> amendment that reinforce states' prerogatives, and an increase in the cost of access to lobbying and electioneering.

The tragedy of the commons assumes the singular value of the resource that is stressed. In democratic politics, however, the system juggles multiple values, including freedom and individual liberty, as well as economic efficiency. Moreover, in actuality, there is far more widespread and shared suspicion about the public sector – its officials and performance – than conservatives acknowledge. There are plenty of liberals who tend to worry about the potential abuse of individuals by their government. Yet they also worry a lot about untrammled private sector actors. Conservatives tend to place more weight on possible government failures and dangers and are more likely to accord private actors

legitimacy. There is, in other words, a lot of worry about lots of things and skepticism about government growth across many ideological fronts.

Rebalancing the public sector has occurred in a host of nations, including our own, when the public resents the cost, burden, or perceived ineffectiveness of government. The government's social welfare costs among a host of nations in Western Europe have been restrained and lowered somewhat. Perhaps the shrinking of the government's reach and scope was not as much as Milton Friedman would have preferred, but rather than an inexorable march to economic collapse, retrenchment and reform happened.

Citizens in a mature democracy, even one with an expansive, robust social welfare and regulatory system, generally understand that the resources required to support an active government can only come from a productive, competitive economy. They also generally understand that unfettered, ruthless, and inevitably ruinous markets will produce the kind of social conflict that often produces an authoritarian and oppressive regime.

Achieving limited government, then, is a never-ending steering and feedback and adjustment problem. At times we move towards the bigger government end of the continuum. Yet during periods of reaction, we shift towards the other end.

Nevertheless, it would be a mistake to introduce anti-democratic institutions and formal rules to make it even more difficult and costly to choose the option of bigger government or, conversely, to reform, retrench, or even shrink aspects of government size when people have rational reasons to do so.

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