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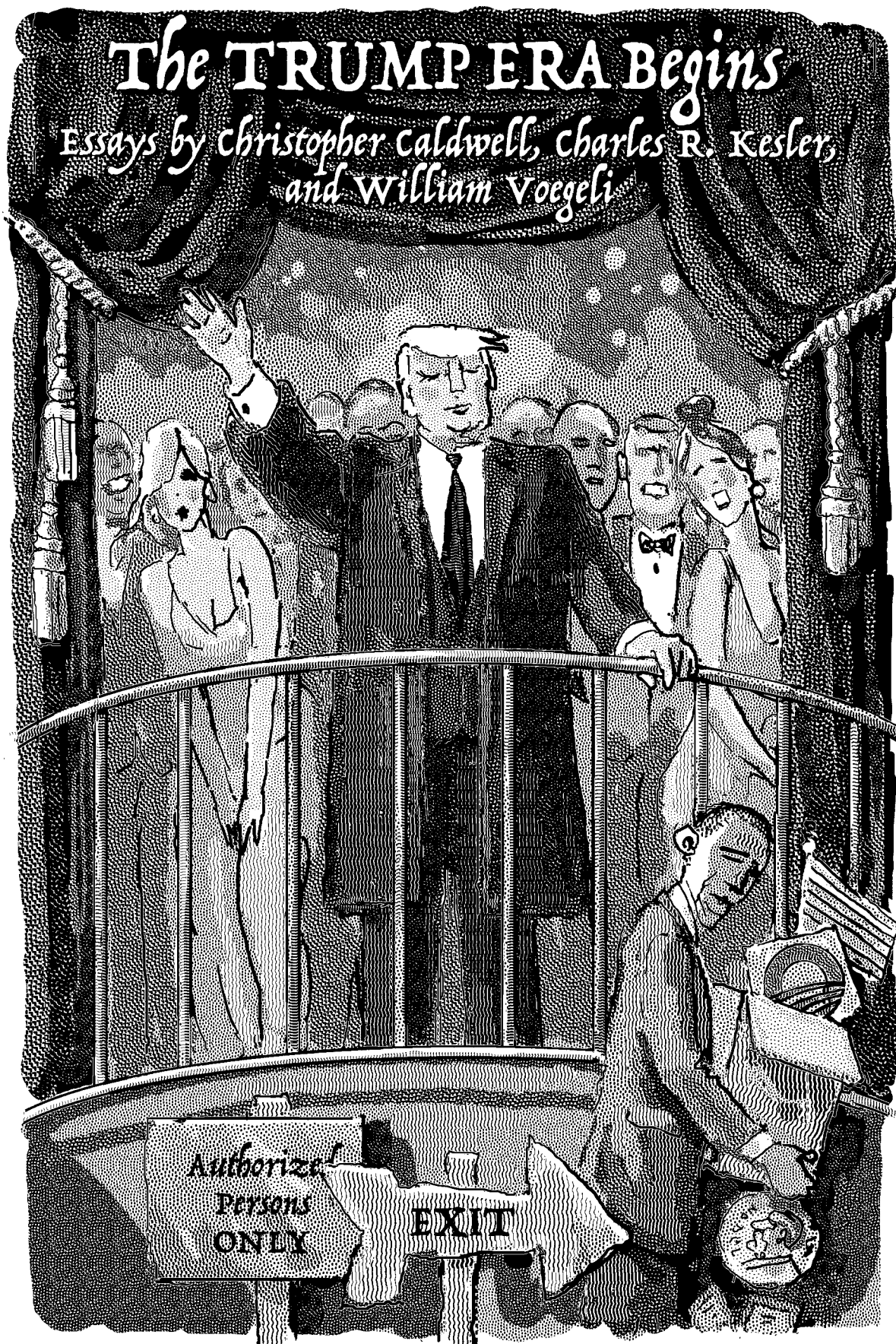
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HORSE AND RABBIT STEW

American Amnesia: How the War on Government Led Us to Forget What Made America Prosper, by Jacob S. Hacker and Paul Pierson.
Simon & Schuster, 464 pages, \$28 (cloth), \$17 (paper)



YOU HAVE TO GIVE THE AUTHORS CREDIT for letting you know where they are coming from. “This book is about an uncomfortable truth: It takes government—a lot of government—for advanced societies to flourish.” Jacob Hacker and Paul Pierson believe that Americans have forgotten this fact. Hence the title, *American Amnesia*.

Hacker and Pierson, political scientists at Yale and the University of California, Berkeley, respectively, usefully remind us that Adam Smith—a hero to conservatives—wrote that it takes a strong government to enforce rules that keep markets honest and functioning well. Or, as they put it, “the visible hand of government can make the invisible hand more effective.” Only “active government” can constrain rent-seeking businessmen who create “market failures,” and only government working with markets in the “mixed economy” could have produced the amazing prosperity Americans enjoy. The “mixed economy remains a spectacular achievement” well worth preserving. “[L]ooking at our society as a whole, we really have never had it so good.” What’s more, Hacker and Pierson argue, “We can make our

already prosperous society much more prosperous. And in doing so, we can also get our troubled democracy back on track.”

SO FAR, SO REASONABLE. AND WITH A difference in emphasis here and there, unexceptionable. But the recipe Hacker and Pierson have in mind for this government-private sector “mix” reminds me of a former colleague’s description of a supposedly balanced statement. “It is,” he said, “like a horse and rabbit stew—one horse, one rabbit.” But it seems that this amnesia that concerns the authors is not some airborne plague. It is, they argue, created by powerful players on the American Right. “The government policies that are needed to respond to these [market] failures are perpetually under siege from the very market players who help fuel growth.... [S]ome of the most powerful actors in American politics are sabotaging government’s essential role in the economy,” they warn.

“Outraged” columnist George Will comes in for special scorn for arguing that James Madison & Co. went to Philadelphia not to design efficient government but to fill it with

“blocking mechanisms” that make change difficult. Nonsense say the authors: “James Madison did not go to Philadelphia seeking gridlock.” Of course not, but he certainly sought, or agreed to, the checks and balances that Woodrow Wilson later found so annoying, and that Hacker and Pierson now find, well, obsolete. The institutions resulting from the compromises needed to pass the Constitution “are showing their age. The Founders...anticipated neither the vast demands of modern governance nor the rise of today’s hyperpolarized parties.” True. Yet they somehow designed a system that has accommodated over 200 years of changes in demography, technology, law, and our economic system.

It is to the authors’ credit that they recognize there is no panacea to cure what they feel ails us. And it should reassure conservatives that the authors favor “[t]rial and error, small and large victories that enabled subsequent advances—that’s how progress happened, and that’s how it will happen today.” To them, progress means “restoring the capacity of our democracy to express and act upon the interests that large numbers of us share in com-

mon.” To achieve this progress, they propose, among other things:

- further reform of the Senate filibuster to reduce the power of the “contemporary radicalized GOP” and increase the power of majorities to act—Bernie Sanders and the radicalization of the Democratic Party go unmentioned;
- increasing the capacity of government to act and improving public administration by making more funds available to rebuild congressional staffs—the legislature’s “in-house expertise”—and “hiring more federal workers”;
- removing growing obstacles to the exercise of the right to vote—the claim that legitimate concerns about fraud drive these [voter I.D. and other] initiatives is absurd on its face”;
- reinvigorate “the groups that once brought ordinary Americans into politics—most notably organized labor,” and reform legislation to empower “alt-labor” forms of worker mobilization.

THERE’S MORE, SOME OF IT ABOUT INCREASING the ability of citizens to use modern technology to affect elections and bring pressure to bear on government, some about the political power of the financial sector. Thanks to modern technology, “durable organizations such as the progressive advocacy group MoveOn.org, have succeeded in building a large, ongoing presence in American politics.” Good thing, according to the authors. The billionaire George Soros, principal funder of MoveOn.org, is not mentioned lest he be confused with the “ultrawealthy activists” and “assailants” who are “sabotaging government’s essential role in the economy” and translating economic power into political power. Hacker and Pierson worry that “[j]ust as in Woodrow Wilson’s day, these concentrated resources threaten to swamp democratic government, as economic power transmutes into political power, and that power further enriches the privileged.” But the political clout of all those who shared in this concentrated economic power could not prevent the passage of the Dodd-Frank bill that has changed the financial services sector in ways unkind to bankers, raising their costs by quite properly requiring them to add sufficient capital to reduce systemic risk, or exit highly risky businesses. That money conveys the power to have access to legislators there is no doubt. Just as the ability to unloose its foot soldiers in an election campaign conveys access to union leaders. Besides, it is not at all clear that the cash piles that so worry the authors are confined to the side they so fear; af-

ter all, the left side of politics has hardly been starved for cash in recent years.

NONE OF THIS IS TO SUGGEST THAT *American Amnesia* is other than an elegant statement of the argument for more, bigger, more powerful government. Or that all of its targets are ill-chosen. This reviewer would be the last to argue that CEO compensation based on short-term movement in share prices results in “huge [and by implication, unearned] pay packages,” although I would emphasize the failures in corporate governance that decouple those pay packages from performance, rather than their “huge” size. The insensitivity of corporate chieftains to the need to exercise restraint in the long-run interests of preserving mass support for market capitalism does invite support for recent government interventions (in this case by the Securities and Exchange Commission [SEC]) to strengthen the hand of investor activists who are attempting to provide shareholders—the owners of the business—greater opportunity to relate pay to performance.

That done, the mixed economy would, in my view, best be served by leaving it to investors to vote against pay packages they deem excessive, rather than have the government attempt to set ceilings on executive compensation. If such limited, or perhaps even more effective, interventions to correct a market failure by empowering shareholders is what Hacker and Pierson have in mind, I and, I suspect, many conservatives would say “amen.” Some would even applaud Barney Frank, who the authors point out was key to the success of legislation that “gave the SEC clear authority to fashion a rule broadening proxy access.” But the authors’ attack on the subsequent court ruling, *Business Roundtable and Chamber of Commerce of the U.S. v. Securities and Exchange Commission* (2011), that the SEC had not properly tallied the costs and benefits of this legislation is less compelling: one of the problems with the regulatory state is the wild claims regulators make for benefits, while grossly understating the cost of regulation. Like it or not, courts have a role to play in preventing costly regulations from overwhelming the mixed system’s ability to function efficiently. Require courts to be unduly deferential to regulatory agencies, add such deference to expanded reliance by a president on executive orders, and the mixed system will soon become freighted with more regulations than it can bear.

The authors’ call for naming and shaming “so-called experts...whose association with vested interests raises questions of ethics and

credibility” is also worthy of consideration. Many experts who are paid for some of their work are nevertheless true to themselves and the facts as they see them. They should have no problem revealing their sources of income and letting the quality of their work speak for itself. But think tanks that take on “visiting scholars” with a vested interest in the studies they submit to Congress but who do not reveal their commercial connections surely need naming and shaming by an alert press.

RATHER THAN DEPRECATE THE authors’ achievement in arguing their corner, this review is designed to strip *American Amnesia* of any claim it might have to being a balanced consideration of what ails us and how our problems might be solved. Statements such as “the truth is that although areas of government overreach certainly do exist, we have ‘too little’ effective government, not too much” can be misleading. This book is not about government overreach. Besides, who complains of too little “effective government”? Commentators such as the *National Journal*’s Ron Fournier and “columnist and Fox talking head”—no “Pulitzer Prize-winning” to modify “columnist”—Charles Krauthammer, who report a lack of trust in government institutions, are accused of “Pin[n]g the Blame on the Donkey,” fostering a belief that “Government can’t save you,” and creating a paralyzing “Crisis of Authority” when a disaster such as the Ebola crisis hits. Even so-called centrists “offer little defense of public authority.” It is the misapprehension created by such commentators that explains why seemingly credulous voters “have become profoundly skeptical that government has the capacity or inclination to foster broad prosperity, especially when doing so requires it to take on new or newly intensified challenges.” Nothing to do with voters’ own experience of stagnant incomes and rising inequality, their treatment at the hands of organs of government such as the IRS, which in a petulant response to congressional refusal to increase its funding, simply stopped answering calls from voters seeking guidance on tax questions, or failed responses to veterans’ pleas for help.

Much of this might have been written with more relevance in the waning days of the Coolidge Administration. But that was then and this is now.

- The argument that powerful forces have neutered government by creating our collective amnesia comes after two terms of a president who has expanded the regulatory state at a pace not seen since the early days of the New Deal, a



pace that would have made the authors' hero, Woodrow Wilson, proud.

- The idea that the institutions created by the Founding Fathers are "showing their age" and denying the president powers he must have in order to govern effectively is made after the outgoing president has used executive orders to an unprecedented degree to achieve goals that the legislature denied him; and has solemnly sworn to execute the office of president of the United States but then refused to enforce federal laws against illegal immigration and marijuana use. His view is that when it comes to dope the states should be allowed to override federal law, but when it comes to toilet use federal directives should override state law.

PERHAPS THE MOST TROUBLING PART of this book's defense of government is its lurch into what we might call authoritarianism, the last refuge of progressives, most notable when discussions of what is called climate change are held. Hacker and Pierson quote with approval Eric Schmidt, executive chairman of Alphabet, Inc., parent of Google—in other contexts a man whose active and growing lobbying operation would mightily offend the authors—"The facts of climate change are not in question anymore," his version of the oft-quoted contention that the science "is settled." No harm if that is what Schmidt, the authors, and many other choose to believe, never mind that the idea that any science can be settled should have gone out of fashion when the settled science that held the solar system to be earth-centered ran into the unsettling person of Galileo Galilei.

Reporters, say Hacker and Pierson, are often lacking in the ability to assess competing claims to aid readers, who rely heavily on their judgments. "We would be the last to question the contributions of dissenters from conventional wisdom." So far, so good. Then comes an important "but": "But the collective assessments of leading knowledge institutions are not just one side in a controversy. When rent-seekers and credentialed experts disagree, it is the experts whose views should be granted the greater legitimacy." There is worse. Journalists have

an obligation to avoid "he said, she said" arguments because recounting the claims of two sides "imparts a potentially misleading message of unresolved controversy and false equivalence." When the weight of the evidence is on one side, "he said, she said" is not responsible journalism. The views of the bad guys—fossil fuel companies, "merchants of doubt" about the received wisdom, spewing "propaganda...to preserve trillions in dirty assets"—are best left unreported, or at least only sneeringly noted. Only the views of the good guys—climate scientists queuing up for research grants, manufacturers of renewables living from subsidy-to-subsidy, rent-seekers all—should be set before the readership.

WHICH LEAVES THE QUESTION OF whether suspicion of government and our "amnesia" is the product solely of the radicalized GOP that "[d]istrust in government is also, however, spread systematically, deliberately, and relentlessly," the ultra-wealthy, commentators who misread Madison, and venal and merely misguided players. Or does some of the blame lay with an increasingly active government, pursuing a progressive agenda that has done so little to satisfy the needs of an aspirational middle class, or substantially reduce poverty, or keep its word when it says you will be able to keep your doctor? Yes, there is market failure, as the authors point out more than once. But there also is government failure:

- interventions that prevent mergers that would enhance rather than reduce competition;
- a Food and Drug Administration that refuses to allow competitors to enter a market in which only one seller has been authorized to operate;
- an Environmental Protection Administration that can't protect the quality of drinking water, and that at times tries to classify a puddle as a waterway;
- any agency that "takes" private property to turn over to a developer who refuses to pay the price asked by the owner;
- an SEC that chooses to play judge as well as prosecutor and jury;

- an IRS that decides that right-leaning non-profit organizations are not entitled to the same consideration as their leftish counterparts;
- a Justice Department that coerces settlements by corporations eager to avoid criminal indictments and instead pay fines that the administration uses to fund its favored organizations;
- a Congress that uses complicated legislation to conceal tax favors for major donors;
- a key senator who prefers local votes to the national interest of safely storing nuclear waste in Yucca Mountain, Nevada.

THERE IS LITTLE QUESTION THAT THE authors are right when they say there are many problems the private sector alone cannot solve. We need vigorously enforced antitrust laws to preserve the competition on which consumers depend for protection, but not enforcement aimed at firms that have grown large merely by building the proverbial better mousetraps. We need rules that force consumers to pay the social costs of their consumption decisions, but that does not necessarily mean detailed regulation when market-oriented tax policies will do the job. We need labor-market standards that address the inherent inequality of bargaining power between an individual worker and an employer, but do not force workers to join unions or support union bosses' political choices, or involve government in overriding markets and setting wages at job-killing levels.

The ultimate testimonial to the value of this book is its ability to engage conservatives such as this reviewer. Jacob Hacker and Paul Pierson have made a far better case than has so far been made for the virtues of our mixed economy, and reminded its critics of its phenomenal achievements. Would that they had given greater weight to government failure in describing the optimal mix of the government and private sectors, and been a tad fairer when describing the policies and motives of those with whom they disagree.

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