

VOLUME XVIII, NUMBER 3, SUMMER 2018

CLAREMONT

REVIEW OF BOOKS

A Journal of Political Thought and Statesmanship



Dennis Hale
& Marc Landy:
Deneen vs. the Founders

Allen C. Guelzo:
Slavery and Oligarchy

Mark Bauerlein:
David Horowitz

William Voegeli:
*Thomas Sowell's
Discrimination and Disparities*

Edward Feser:
Steven Pinker's Enlightenment

Christopher DeMuth:
The Difference Congress Makes

Glenn Ellmers:
*The Jordan Peterson
Phenomenon*

Benjamin Balint
Jonathan Bronitsky
Michael S. Kochin
Michael Rosen:
Israel, Then & Now

A Publication of the Claremont Institute

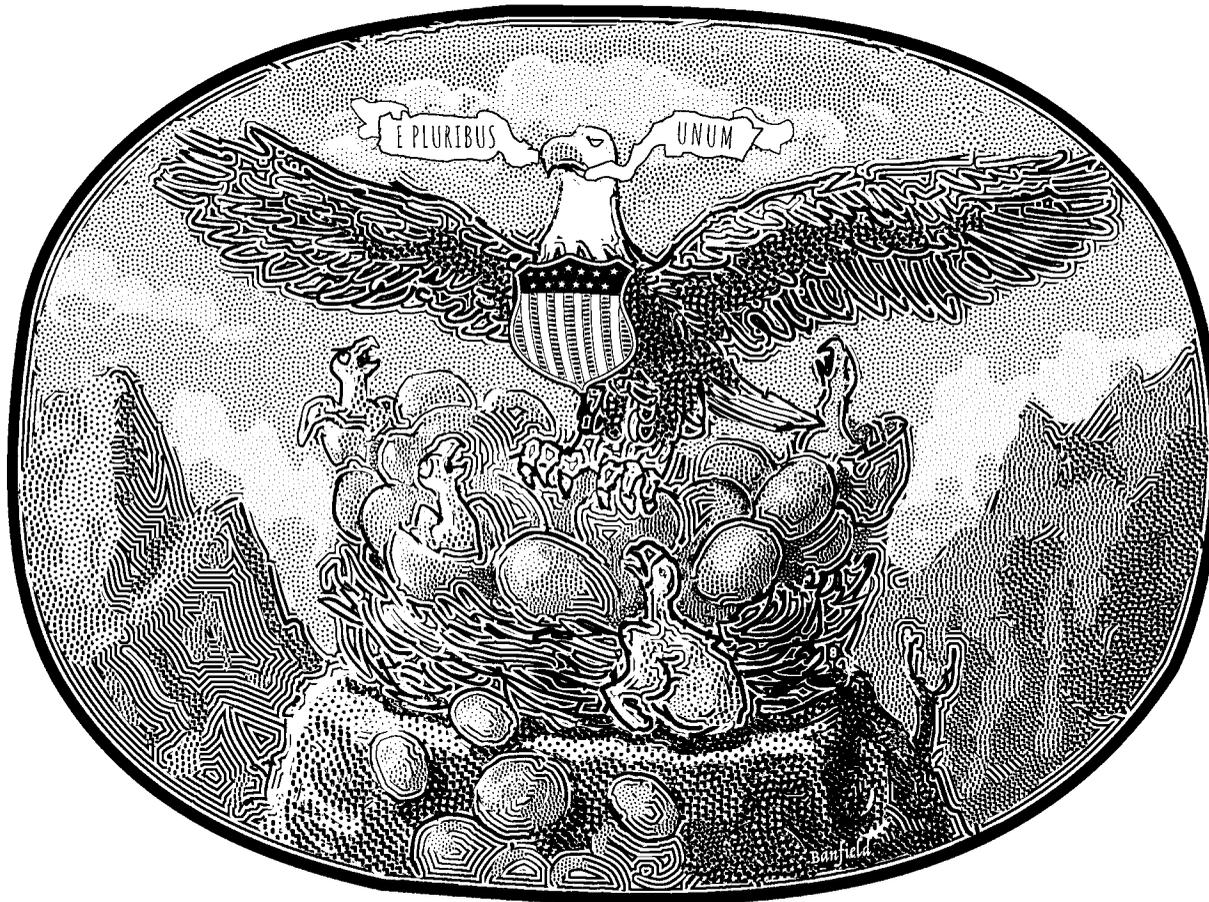
PRICE: \$6.95
IN CANADA: \$8.95



Book Review by R. Shep Melnick

RED INK

The High Cost of Good Intentions: A History of U.S. Federal Entitlement Programs,
by John F. Cogan. Stanford University Press, 512 pages, \$45



DO YOU REMEMBER WHEN REPUBLICANS advocated balanced budgets, even to the detriment of their electoral fortunes? That was before party leaders elevated winning elections—through massive tax cuts, raw demagoguery, and the mobilization of resentment—over standing (and often losing) on principle.

John Cogan, an admirably old-fashioned conservative, is alarmed at the economic consequences of the seemingly unstoppable expansion of entitlement spending. He is also an impressive scholar at the Hoover Institution who helps us understand why democratic politics makes fiscal restraint so difficult. His book, *The High Cost of Good Intentions*, is a thoroughly researched, intellectually serious history of every major American entitlement program, from Revolutionary War and Civil War pensions to Social Security, food stamps, and Obamacare. I know of no other work that offers such a comprehen-

sive, readable history of the American welfare state.

PARTS OF COGAN'S STORY WILL BE FAMILIAR to students of American history: the patronage-ridden Civil War pension system; the Social Security Act of 1935; the creation of Medicare and Medicaid 30 years later; the failure of comprehensive welfare reform in the 1970s; and passage of the strikingly different Welfare Reform Act of 1996. The crucial element Cogan adds is the nearly irresistible demand for incremental expansion once these programs were enacted. Who now remembers the Revolutionary War Pension Act of 1818 and the Universal Service Act of 1832, which together turned a narrowly targeted disability program for those injured in the Revolutionary War into "a general retirement program for all remaining War of Independence veterans"? Or the 1879 Arrears and 1890 Dependent Pension acts, which transformed a program for sol-

diers wounded or killed in the Civil War into a thoroughly corrupt and partisan retirement program that by 1900 covered 20% of all white males 55 or older and consumed 40% of the federal budget? Or the 1939 and 1950 amendments to the Social Security Act that turned Old Age and Survivors Insurance into a pay-as-you-go system, provided a windfall to almost everyone who retired before 1980, and created billions of dollars of unfunded liability? Some of us might remember the 1932 Bonus March, but not the 1924 World War Adjusted Compensation Act, which created the "bonus" for which those veterans marched.

Although its details are many and fascinating, what holds together *The High Cost of Good Intentions* is Cogan's argument about the political dynamics of expansion. The "creation of entitlements," he writes "brings forth relentless forces that cause them to inexorably expand. These liberalizing forces are inevitable and inseparable from the en-

entitlements themselves." Entitlement laws initially "confine benefits to a group of individuals who are deemed to be particularly worthy of assistance." Before long, though, "groups of excluded individuals come forth claiming that they are no less deserving of aid." Pressure for expansion is "magnified during periods of budget surpluses," especially during the 19th and early 20th centuries when surpluses were common. This "process of liberalization repeats itself" until the program "bears only a faint resemblance to its original noble intentions."

Cogan does not see this dynamic as the work of nefarious political elites, but as the product of readily understandable and predictable democratic politics. Focusing on Congress, he traces a long series of legislative changes in a way that provides amusing stories while supporting his central thesis. (For example, in 1944 the Georgia State Police tracked down Congressman John Gibson at a poker game in a rural truck stop and rushed him back to Washington, where he provided a pivotal vote for the G.I. Bill.) This Congress-centered approach leads him to understate somewhat the influence of executive branch officials who provided a steady stream of policy ideas to legislators—especially the spectacularly successful "program executives" Martha Derthick described in *Policymaking for Social Security* (1979).

A SECOND, MORE SUBTLE THEME OF Cogan's book is that most methods for limiting entitlement growth are ineffective. The leading example is the dedicated trust fund, first employed by Congress during the early republic. Compensation for sailors injured during the Revolutionary War and War of 1812 was to come from "prize" money reaped from the sale of captured enemy and pirate ships. As prize money grew, so did the benefits promised to sailors and their widows. When the money ran out, Congress had little choice but to bail out the program with general revenues.

After World War I, Congress made a valiant effort to avoid the problems associated with Civil War pensions. It created both a veterans' disability program funded by individual contributions and a fiscally cautious pre-funded retirement program, whose first benefits would not be paid until 1945. In the 1920s, Congress gradually expanded the disability benefits, and extended coverage to veterans who had failed to keep up their contributions. As the "bonus" program built up a large trust fund and the nation plunged into depression, veterans demanded that they be paid their full retirement benefits in the 1930s. Congress eventually relented. The larger the accumulated surplus, Cogan shows, the greater the demand for immediate disbursement. On a much larger scale, that was the story with Social Security.

COGAN OFFERS TWO EXCEPTIONS TO the general trend of incremental expansion. He shows that the president most successful at trimming entitlement spending was not Ronald Reagan, but Franklin Roosevelt. FDR convinced Congress to pass the Economy Act of 1933, which gave him the authority to rewrite eligibility rules for all veterans' pensions. These changes could not be challenged in court. Roosevelt cut the number of beneficiaries in half. Though Congress later restored some of these benefits, Roosevelt's reductions were "the largest ever taken in any entitlement program in U.S. history."

The other exception was the G.I. Bill, a very large program "unique among entitlements in that it operated on a grand scale for a relatively short period of time." Twelve million returning veterans—80% of those who had served in World War II—received benefits from the program, but by 1955 it "had nearly run its course." The G.I. Bill was distinctive in providing vouchers and subsidies for immediate purchases, primarily college education but also financing for starter houses. This helped the country avoid a postwar recession without placing a fiscal burden on future generations.

THE EXPANSION OF REVOLUTIONARY War and Civil War pensions now seems quaint and even amusing: eligibility was so liberalized that the last Civil War widow pensioner did not die until 2003; in 2017 one woman was still receiving Civil War survivor benefits. But it is hard to see any humor in our current plight. Cogan notes that over half the households in the U.S. receive some form of cash or in-kind benefit from an entitlement program. Almost 60% of children live in families receiving such payments. Nearly a quarter of entitlement spending goes to households above the median income. Everyone knows that before long we must either cut Social Security benefits or increase taxes—probably both. Health care costs continue to eat up more and more of federal and state budgets. As another economist, Herbert Stein, famously put it, "If something cannot go on forever, it will stop."

Given the attention Cogan pays to incremental change throughout the book, it is not surprising that he eschews calls for "deconstructing" the welfare state. He implies that we should start by reducing benefits for the relatively affluent—which means primarily the elderly. Here he might find some allies on the left. Unfortunately, his history provides strong evidence that entitlements, once granted, are virtually irrevocable, especially when their recipients vote in large numbers.

Are we left with the Economy Act of 1933 as the only model for entitlement reform? Let's hope not. That was possible only because the nation faced the second-worst crisis in its history, the Great Depression. It also concentrated dangerous power in the hands of the chief executive, with virtually no judicial or legislative oversight. The good news is that this crisis is one we can all see approaching—especially when we read John Cogan's book. The bad news is that neither party yet seems to care.

R. Shep Melnick is the Thomas P. O'Neill, Jr., Professor of American Politics at Boston College.

The CLAREMONT REVIEW OF BOOKS is a publication of the CLAREMONT INSTITUTE
FOR THE STUDY OF STATESMANSHIP AND POLITICAL PHILOSOPHY.

Subscribe to
the *Claremont Review of Books*

“By far the best review of books around,
both in its choice of books and topics
and in its treating them in depth, in
style, and—most unusual of all—with
real thought, instead of politically
correct rhetoric.”
—Thomas Sowell

Subscribe to the *CRB* today and save 25%
off the newsstand price. A one-year
subscription is only \$19.95.

To begin receiving America's premier
conservative book review, visit
www.claremont.org/crb
or call (909) 981-2200.

CLAREMONT
REVIEW OF BOOKS
1317, W. FOOTHILL
BLVD, SUITE 120,
UPLAND, CA
91786

NON PROFIT ORG.
U.S. POSTAGE PAID
PERMIT NO. 504
UPLAND, CA