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Essay by **Robert Y. Shapiro**, Columbia University

Ideas Are Not Enough

Brink Lindsey, Will Wilkinson, Steven Teles, and Samuel Hammond of the Niskanen Center in Washington, D.C., have written an important, nicely crafted, and provocative policy paper, representing the views of a new American political “Center,” which they have summarized for a broader audience and which has received significant praise and commentary.¹ In short, from a libertarian-oriented perspective, the paper offers a public-spirited, moderate, and appealing alternative to the partisan extremes that have been offered and debated by small government/pro-market oriented conservatives, on the right, versus supporters of big, welfare-state oriented government on the left. This alternative is presented as new centrist ideas that have the potential to move toward solving problems and mitigating the ideological conflict over pressing economic and social welfare issues, as well as related issues, on which President Donald Trump and his administration have caused unprecedented turmoil. That the report takes on the political right as well as the left suggests that it may well be on to something that the authors hope can restore lost trust in government and its leaders, who have been consumed by partisan polarization, wave elections, nationalized politics, and political incivility, with no way out in sight.²

¹ See, for example, Brink Lindsey, “We Don’t Need to Be So Polarized. Let’s Be Pro-market and Pro-government,” https://www.washingtonpost.com/opinions/we-dont-need-to-be-so-polarized-lets-be-pro-market-and-pro-government/2019/01/02/254fcc4e-0d37-11e9-8938-5898adc28fa2_story.html; David Brooks, “A New Center Being Born: The market and the welfare state go together,” <https://www.nytimes.com/2018/12/20/opinion/centrism-moderate-capitalism-welfare.html>

² For a further review of this, see for example Narayani Lasala-Blanco, Robert Y. Shapiro, Shannon Schumacher, and Joy Wilke, “Any Way Out? Public Opinion, Partisan Conflict and Demographic Change,” Unpublished paper, 2018; Robert Y. Shapiro, “Liberal Internationalism and Partisan Conflict,” <https://issforum.org/ISSF/PDF/Policy-Roundtable-1-6.pdf>; Robert Y. Shapiro, H-Diplo/ISSF Review of Daniel J.

In their own words, the authors see that their challenge and objective is “to restore the promise of the American Dream. In other words, the goal is the return of widespread economic opportunity and broadly shared prosperity, so that all Americans—not just a lucky few at the top—feel that the rules of the game are working well for people like them” (2-3). Their recommendation is to redefine and fortify a centrist policy by moving to both the “pro-government left” and the “pro-market right” at the same time by promoting greater market competition and also expanded and “better crafted social insurance” (3). Thus the government and market would complement each other, with the government assuring collective goods that cannot privately be well supplied. To turn these ideas into programs requires an open-minded (my adjective) and “ongoing empirical investigation and critical scrutiny” (3); this suggests “a modest, empirical, comparative approach to political economy and policy analysis. The best we can do is to evaluate existing social systems in terms of the values we care about and see what we can learn” (4). One major value is “a strong presumption for widespread opportunity and an openness to redistribution” (5).

The keys to this are markets that work when they are well-designed and a democratic government that works when it and its policies are well structured. The devil, however, is in the details; the policy report, while good in its outlining of problems and types of policies, could have been longer on details. But the reader can get a sense of what kinds of government regulation/deregulation can promote positive market forces and deal with deficiencies and negative externalities. Minimal barriers to entry and exit, “free trade across national boundaries, freedom to hire and fire, freedom to take a job or to quit, freedom to introduce new products or production methods without prior permission, and freedom to invest” (5) are needed to promote the positive effects of competition. This does not mean an unregulated market, but one in which government regulation protects the public from direct harm and is biased against capitalists who are involved in collusion and actively seeking excessive concentration in ways that break the law or pursue legal constraints on their competitors through lobbying (or worse). In the case of social goods like education, where a good case can be made for charter schools that introduce market forces of sorts into schooling (though the report does not cite other types of school choice), the report emphasizes the need for an autonomous and effective governing structure. A more than “minimal, night watchman state” is needed to oversee “rules and norms that will structure markets to produce, over time, the optimal social outcomes” (5). Here, however, what kind of government involvement is needed to foster such rules and norms is not further addressed.

The report approaches small d-democracy government dysfunction in the same way it approaches market dysfunction. It emphasizes the problem Mancur Olson recognized that leads to “well-organized, smaller groups receiving small but concentrated benefits” compared to poorly organized larger groups, so that there should be “constraints on government to prevent it from responding to these concentrated interests...” (6). Again, the nature of these constraints is not discussed further. In contrast, the pathology (my term) that has led state governments to provide large pensions to state workers so that they can pay them less is addressed directly in terms of the need to require that all pensions promised be prefunded—which might, in political terms, require “responsible public deliberations” in which “citizens balance benefits and costs” (6). The report refers to such examples as “kludgeocracy,” the accumulation of contradictory, ineffective, and inflexible policy mechanisms” which ultimately and visibly reflect badly on government (6). But the specific actions that “anti-kludge principles” should lead to are not always easy to determine. The report does cite its preference for

Hopkins, *The Increasingly United States: How and Why American Political Behavior Nationalized*.
<https://issforum.org/ISSF/PDF/RE41.pdf>.

carbon taxes over other regulations to deal with global warming, and for tax credits and work subsidies like the Earned Income Tax Credit over other existing anti-poverty benefits.

Where the report parts from left-leaning progressive is in its strong support for Joseph Schumpeter's idea of "creative destruction," specifically for "unencumbered market entry" and bringing forth the new technology and new organization of market activity, including elements of the 'gig economy' (my term) such as app-based car hailing, which require a different regulatory model. Policies and regulations should not be biased toward bolstering "existing firms and clusters of production" but should promote new opportunities by relaxing zoning restrictions, occupation licensing, and complex big government interventions (7). The authors do not oppose regulation but want better designed regulations that allow for new opportunities.

The report goes to the center left in emphasizing that "free markets and social insurance go together" in a "free market welfare state," which certainly rings true in European welfare states and is supported by statistical correlations between indicators of strong market institutions and government size that promote public welfare (7). Creative destruction produces stresses and short-run costs for which social insurance programs and large-scale spending as needed can provide security that does not undercut market dynamism. This is something that should be accepted on the political right, and both sides should agree that this has to be paid for through prudent public finance (8). The report is silent on the specifics of taxation and focuses instead on the need to push back against "kludgeocracy," citing the confusing "organizing principle" surrounding Medicare, Medicaid, Veterans Affairs, the exchanges of the Affordable Care Act, and employer-provided insurance. It looks for simplicity through some form of Universal Catastrophic Coverage that could come in many forms, but one wonders here why it does not consider, even more simply, universal health coverage.

Where the report takes a more forceful left turn is in addressing the destabilization caused by the costs of globalization which, it states, requires "robust social insurance systems." The loss of manufacturing jobs in the United States to China contributed to the populist wave and the election of President Trump. Rather than a failure of trade policy, the China shock was "an indictment of our inadequate social insurance system and the small-government ideology that left us unawares"; it called "for major enhancements to our unemployment and income security systems, up to and including a dedicated federal funding stream for subsidized employment programs" and "strong income supports" (9). Without these, the proposed solutions become protectionism, industry bailouts, inflexible labor regulations, and impediments to new technology, all of which undermine economic innovation and security.

And on the "All Regulations Are Not Created Equal" front, the report acknowledges the problem of inadequate regulation, criticizing how the right has tried to ignore global warming and emphasizing the need to confront it because of the potential loss of GNP that it will produce. The authors see "a carbon tax as the most efficient and market-friendly regulatory response" (10). As expected, the report emphasizes excessive regulation in a great many areas, but it singles out as the worst those rules that provide subsidies to firms through financial support or especially by blocking the entry of competitors rather than those that lead to costs on existing firms. This is part and parcel of the broader and well known idea of "regulatory capture" which has been widely criticized in the case of the U.S. financial sector and in terms of the control that the pharmaceutical and medical sectors exert in the area of health care; and there are parallels in the areas of zoning, housing, and the mobility of labor in urban areas. There is no easy fix to this and the report points to the need for information outside the regulated industries themselves—"countervailing power" from philanthropic foundations, other nonprofits, and activists groups, and for taking localized issues to higher levels of government and to the judiciary "where a broader array of interests are taken into account" (12).

The report concludes with an apt and lofty commentary on the Niskanen Center's ideals, with its emphasis on "bold moderation" (14), toleration, and the engagement of the U.S. with the rest of the world. The Center is dedicated to "what Karl Popper called the 'open society': We believe in the equal moral dignity of every individual, the power of reason to guide human affairs, and the promise of peaceful cooperation and exchange among free and autonomous people" (12). Pragmatism and evidence-based policymaking is surely a subtext that should be added here. An important part of this is openness is open trade among nations, the open movement of people—immigration—contributing to the reduction of global poverty, along with refugee resettlement as "an important bulwark of U.S. national security." More generally, American "national security is bolstered, not undermined, by engagement with the rest of the world." The authors, however, caution here against the overextension of U.S. power—to the point of proposing that a specific broad-based tax should be imposed in the case "of armed conflict, so that more Americans are forced to internalize the costs of war" (13).

If ideas were enough, this Niskanen Center paper's ideals, aspirations, and types of policy proposals about how the center can hold would indeed, as it concludes, "help move our divided society toward the best version of itself, and away from the toxic tribalism of our current politics" (15). But ideas are not enough. The authors needed to draft a companion paper with the subtitle: "Leadership and Politics for an Age of Extremes." Politics and leadership are necessary to propose and push for the type of public policymaking that the authors want to promote. Who among the United States' current leaders can be identified as being able to lead the charge in the new direction proposed? Definitely not those heading the Trump Republican party, for whom free trade, liberal immigration and refugee policy, and multilateral diplomacy are currently nonstarters. Ideas for strengthening social insurance? No way. This policy paper should receive a more polite response from leaders in the Democratic Party, who are more likely than Republicans to appreciate its ideals and aspirations, and its positions on immigration and diplomacy. Democrats would readily echo the importance of social insurance, but many of them would want to push it further to the left. Many would distrust less, rather than more, regulation. Both Democrats and Republicans would take note of the paper's silence on issues of racial equality, abortion, gender equality, and other matters that have defined the current extremes of politics, and cannot be ignored by the parties.

So where will this leadership come from? The paper can certainly be read as manifesto for a new political party if the gap in the center is wide enough. That would take work and time, and a real third party would have to arise not only nationally but in the states as well. That has not happened in a very long time. The only other route would be the rise of new generation of leaders in the existing parties to take up the report's challenge. But there is no clear sign—at least not yet—that there is anywhere close to a critical mass—even a minimal mass—in the new generation of Democratic and Republican leaders and new political candidates who are prepared to turn the Center into the high ground.

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