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## Reviving a Public Spending Agenda

### Introduction

In the 1950s and early 1960s intellectuals and political leaders debated the importance of “public spending.” Set off by the economist Paul Samuelson’s important series of articles on the topic, and popularized by John Kenneth Galbraith’s *The Affluent Society*, the syndicated columns of America’s most influential pundit, Walter Lippmann, and by Democratic politicians critical of the Eisenhower administration economic policies and political priorities, the benefits of public consumption became a key issue in political discourse and even the 1960 presidential election. A number of commentators described public spending as the major political topic of the postwar era.<sup>1</sup> From the mid-1950s through the 1960s, the *New York Times* assigned a reporter, Edwin L. Dale, Jr., to the public spending beat.<sup>2</sup> Just as the newspaper had labor and consumer affairs correspondents in this era, it assigned a reporter to the issue because of the fundamental importance of the topic.

Advocates of public spending (or “public expenditures”) held that there were two imbalances in the way the nation consumed: one in the relationship between public and private and the other within the public realm. According to the advocates of public spending, the government overencouraged private consumption and itself underconsumed. In the postwar years, the Government sanctioned all manner of private consumption but itself did not spend enough money in key areas, including defense spending, infrastructure, education, urban renewal, and the environment. “Our people have been led to believe in the enormous fallacy that the highest purpose of the American social order is to multiply the enjoyment of consumer goods,” declared Lippmann in 1957. “As a result, our public institutions... have been...scandalously starved.”<sup>3</sup> Relatedly, the government preferred tax cuts rather than spending as a mode of stimulating the economy and the political class often valued balanced budgets over deficit spending during

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<sup>1</sup> Edwin L. Dale, Jr., “Are Americans Going Soft?,” *New York Times*, Dec 1, 1957; Edwin L. Dale, Jr., “Public Spending Reported on Rise; Economists Say This Will Be Only ‘Upward Thrust’ in the Economy for ‘58,” *New York Times*, January 29, 1959; 24; Edwin L. Dale, Jr., “‘Great Debate’ in Capital: Is U.S. Misusing Wealth?,” *New York Times*, February 7, 1960; 1; Edwin L. Dale, Jr., “Big Debate: Public vs. Private Spending,” *New York Times*, March 13, 1960, E5; Barbara Ward, “The Great Silence in the Great Debate,” *New York Times*, May 8, 1960, SM 26.

<sup>2</sup> Irvin Molotsky, “Edwin Dale Jr., 75, Reporter And an Expert in Economics,” *New York Times*, May 11, 1999.

<sup>3</sup> Quoted in Dale, “Are Americans Going Soft?”

recessionary periods.<sup>4</sup> What Galbraith called the problem of “private opulence and public squalor” suggested that not all forms of consumption were equal—even if in some Keynesian sense they were equally a constituent part of aggregate consumption-- and that public-oriented spending needed to be increased, even if it came at the expense of private consumption.

Galbraith described the problem of how to spend our newfangled affluence as unprecedented, but in some ways Americans had been debating about how to promote the general welfare since its founding. Although they didn’t use the term public spending, an important group of historians had earlier shown the public spending was not a new departure but part of a longstanding political tradition. Showing that the New Deal was not the first tie that government was centrally inserted in economic development, Louis Hartz, Oscar Handlin and other historians showed that public spending marked the essence of the nation’s political economy. As Oscar Handlin wrote in 1943, “From the very first organization of the Commonwealth in 1780, the state actively and vigorously engaged in all economic affairs of the area, sometimes as participant, sometimes as regulator.” This set of historians demolished the myth of laissez faire in the early Republic and showed that federal, state, and municipal funding was inextricably intertwined with the development of American capitalism.<sup>5</sup> Even the supposed founder of laissez-faire economics, Adam Smith, “was a firm believer in public goods: he thought that the state has an obligation to build roads and bridges, establish an army, and do all the other things necessary for a sane policy in which the market can function naturally.”<sup>6</sup>

Despite regular predictions in the late 1950s and early 1960s that the public spending debate would be a major topic in the coming decades, by the late 1960s the issue quietly dropped out of political and intellectual discourse. Whereas the op-ed pages and political debates of the late 1950s and early 1960s were full of consideration of this issue, by the late 1960s the topic lay

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<sup>4</sup> Calling for “government intervention on a major scale to halt the downward slide of economic activity,” the *Times* editorialized with disappointment that the Eisenhower administration would propose tax cuts rather than “new large public works program.” “Tax Cuts VS. Spending,” *New York Times*, March 13, 1958, 28.

<sup>5</sup> Oscar Handlin, “Laissez-Faire Thought in Massachusetts, 1790-1880,” in “The Tasks of Economic History,” A Supplemental Issue of the *Journal of Economic History*, December 1943, which also contained Louis Hartz, “Laissez Faire Thought in Pennsylvania, 1776-1880” and Milton Heath, “Laissez Faire in Georgia.” See also Louis Hartz, *Economic Policy and Democratic Thought: Pennsylvania, 1776-1860* Cambridge, MA: Harvard University Press, 1948); Oscar Handlin and Mary Flug Handlin, *Commonwealth: A Study of the Role of Government in the American Economy, Massachusetts, 1774-1861*, rev. ed. (Cambridge, MA: Harvard University Press, 1969; 1947); and E. A. J. Johnson. *The Foundations of American Economic Freedom: Government and Enterprise in the Age of Washington* (Minneapolis: University of Minnesota Press, 1973).

<sup>6</sup> Adam Gopnik, “Mark Man: What Did Adam Smith Really Believe,” *New Yorker*, October 18, 2010, 82-87. Quotation 87.

dormant. After leaving the *Times*, Edwin Dale became the spokesman for David A. Stockman, director of the Office of Management and Budget in the first Reagan administration, and thus went from explaining the salience of public spending in the 1950 and 1960s to justifying a lack of it in the 1980s.

If ever there was a time for the revival of a campaign for public spending, we are living in it today. In addition to the fact that public spending is an effective form of economic stimulus, it is also a form of investment, with short- and long-term benefits. The nation's transportation infrastructure is in desperate need of modernization, our public schools are grossly underfunded, policies to combat global warming and other environmental crises remain unimplemented, we lag behind other countries in green technology, our power grid is antiquated, and the list could be extended. Although as candidates, Democratic politicians such as Bill Clinton and Barack Obama emphasized the value of government spending—with Clinton describing an \$80 billion infrastructure plan as his “first priority” and Obama promising “the largest public works construction program since the inception of the interstate highway system a half century ago,” shortly after they were elected—as presidents they did not make it a top priority.<sup>7</sup>

Even those who have emphasized the need for federal action to solve our deep economic crisis have generally promoted the boosting of private consumption. Government policies that promote individual consumption—such as the recent tax cut compromise mediated by President Obama—have received far more attention than plans to invest public money in socially beneficial ways. Yet both the impact of public spending on the nation's long term economic health would be far greater. In order to understand why public spending has been so small a part of public discourse at a time when it is so potentially relevant, we need to examine both the history of this idea as well as the “crying wolf” against public spending that has changed form but remained a consistent part of conservative rhetoric since the end of World War II, and which has in recent decades become the dangerous conventional political wisdom of our era.

## History

Paul A. Samuelson is usually credited as the first economist to develop a theory of public goods. In his classic 1954 paper “The Pure Theory of Public Expenditure,” he defined what he called “collective consumption goods” as those “which all enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good.”<sup>8</sup> For Samuelson, the two keys to such goods were what he called

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<sup>7</sup> See, for example, Bill Clinton, “America Is Buckling and Leaking,” *New York Times*, June 24, 1988, A31; “Priorities, Priorities,” *New York Times*, Nov 11, 1992, A24; Peter Baker and John M. Broder, “Obama Pledges Public Works on a Vast Scale,” *New York Times*, December 6, 2008.

<sup>8</sup>Paul A. Samuelson, “The Pure Theory of Public Expenditure,” *Review of Economics and Statistics* 36: 4 (1954): 387–389.

“non rivalry” and “non excludability,” that is that everyone could enjoy such goods and that one person’s enjoyment of them would not take away from other people’s ability to enjoy them as well.

The idea of collective consumption goods entered more general circulation in the late 1950s, as many commentators charged that the Eisenhower administration and the culture at large was repudiating the public-oriented and government-centered spirit of the New Deal and World War II years in favor of both a balanced-budget fetishism and a government-sanctioned private buying spree. Moreover, critics argued that Eisenhower’s policies endorsed a selfishness that ran counter to the patriotic and public-oriented spirit of the Great Depression and New Deal years. They worried both about the spiritual emptiness this would promote but also about the dangers such inwardness posed to a country fighting a Cold War and claiming to lead the “free world.”

Critics condemned what one commentator spoke of Eisenhower’s “allergy to public spending.”<sup>9</sup> The columnist Walter Lippmann was among the first to diagnose this allergy as a problem, and he did so largely for reasons having to do with the Cold War. Contrasting “public need” with “private pleasure”—even before Galbraith famously paired private opulence and public poverty—he devoted a large number of his influential “Today and Tomorrow” syndicated columns to legitimating public expenditures. His reasons were not so much economic as political, driven by the moral challenge of the Cold War, which called for collective spending and personal sacrifice. As he wrote in 1957, “What the country needs to hear from the President is not softness about private self-indulgence but a stern and austere reminder that our public responsibilities must come ahead of our private pleasures.”<sup>10</sup> Enumerating all the public needs—“parks and recreation facilities, and on hospitals, highways, housing, and communications” and especially the military, he wrote, “What we should be hearing from Washington, and talking about ourselves, is not tax cuts, not how to be able to buy on borrowed money more and more longer and wider and faster motorcars, but how to meet our responsibilities and to do our duty.”<sup>11</sup> For Lippmann the pleasures of individual consumption could never add up to the national greatness necessary to meet the historical moment.

Other proponents of public spending also challenged the emerging view—preeminent in what Lizabeth Cohen has called the “consumers’ republic” of postwar America—that acts of private consumption were the essence of American patriotism.<sup>12</sup> In “the race between free men and

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<sup>9</sup> H.M. Groves et al., “The Economics of Eisenhower: A Symposium,” *Review of Economics and Statistics* 38, No. 4 (November 1956), 357-385. Quotation 378.

<sup>10</sup> Walter Lippmann, “Public Need and Private Pleasure,” Sept 5, 1957. Quoted in *The Essential Lippmann*, 361.

<sup>11</sup> *Ibid.*, 362.

<sup>12</sup> Lizabeth Cohen, *A Consumers’ Republic: The Politics of Mass Consumption in Postwar America* (Knopf, 2003).

their opponents,” the economist and political adviser Leon H. Keyserling believed that public economics were crucial. Private and conspicuous wealth was no guarantor of the virtue necessary to successfully fight the Cold War.

The ancient empire of Carthage, gifted with commercial genius, had economic strength, but it lacked a sense of priorities. It gilded its roofs with precious metals, but denied the cost of a few more elephants and other supplies to Hannibal, while Cato in the Roman Senate vowed its destruction.<sup>13</sup>

To Keyserling, the “strengthening of the free world” required not only military expenditures but also what he called “the waging of peace on the economic front.” This involved not private purchases of the sort later valorized by Eisenhower’s Vice President Richard Nixon in the “kitchen debate” with Khrushchev in 1959, but government programs, especially a vigorous anti-poverty program and extensive foreign aid, both of which would mitigate the appeals of socialism. In contrast to Nixon, advocates of public spending argued that laying the groundwork for a longstanding and powerful *Pax Americana* required public as well as private expenditures.

By far the most popular critique of the mid-century valorization of the private over the public was Galbraith’s *Affluent Society*. His argument, less Cold War-centered than others, was about the imbalance between private and public wealth. In the postwar years, he wrote:

a certain mystique was attributed to the satisfaction of privately supplied wants. A community decision to have a new school means that the individual surrenders the necessary amount, willy-nilly, in his taxes. But if he is left with that income, he is a free man. He can decide between a better car or a television set. This was advanced with some solemnity as an argument for the TV set. The difficulty is that this argument leaves the community with no way of preferring the school. All private wants, where the individual can choose, are inherently superior to all public desires which must be paid for by taxation and with an inevitable component of compulsion (208-209).

Galbraith’s sought to promote support for impoverished public sphere. The most famous passage in the book, describing a family’s automobile vacation, provided a tour of the public/private imbalance: “The family which takes its mauve an cerise, air-conditioned, power-steered and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, lighted buildings, billboards and posts for wires that should long since have been put underground.” Galbraith continued to counterpose the private wealth Americans had accumulated in the postwar years with below-standard public goods. Dismissive of popular culture, the aesthetics of commercial culture, and the “comic books, alcohol, narcotics, and switch-blade knives” that he saw proliferating, Galbraith believed that a privatized consumer culture was immoral and ignoble. Galbraith was no tightwad, however. He did not

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<sup>13</sup> Leon H. Keyserling, “For a National Prosperity Budget,” *New York Times*, March 25, 1956, SM7.

condemn spending itself but emphasized the importance of who spent the money and what it went to.

The historian and liberal commentator and Galbraith's fellow Americans for Democratic Action founder, Arthur Schlesinger, Jr. shared this sentiment. He dismissed the Revenue Act of 1954, which transferred some \$7 billion (\$10 billion in current dollars) from public to private spending as a shift in priorities "from schools and missiles to gadgets and gimmicks."<sup>14</sup> Whereas many American politicians were praising the widespread purchase of cars, suburban homes, and televisions that went inside those homes as proof of the American genius, Schlesinger and others were shocked by the complacency and short-sightedness of this vision. We see a similar point of view expressed by the Democratic leader Adlai Stevenson in his description of "suburbs spread out and out, without shape or grace or any centered form of civic life." The call for public purpose seemed overwhelmed by private and, in their view, superficial and tasteless consumption.

Wondering about the "mystique...attributed to the satisfaction of privately supplied wants," Galbraith attributed the "remarkable attack on the notion of expanding and improving public services" in the post-war years to a new and dangerous conflation of private spending with freedom. The reaction to the expansion of government during the New Deal and World War II "was motivated by a desire to rehabilitate the prestige of private production and therewith of producers." But business interests successfully made the case that their interests accorded not only with the greater interests of society but with longstanding American conceptions of freedom. "All private wants, where the individual can choose, are inherently superior to all public desires which must be paid for by taxation and with an inevitable component of compulsion," wrote Galbraith summarizing this "conventional wisdom."

Galbraith's book set off a debate about the purpose of government. As James Reston wrote in 1960, on the eve of the election that was widely seen as a referendum on public spending, this debate "raises in acute form that oldest of all American political controversies: whether the power of the Federal Government should be increased to guarantee the security of the American people, or held to a minimum to assure their freedom." Raymond J. Saulnier, Eisenhower's Chair of the Council of Economic Advisors, an advocate of the Consumers' Republic, took the mission of the government to be quite straightforward: to help the economy "produce things for consumers." Ike's Democratic opponents, Reston pointed out, used the exigencies of the Cold War to argue that "the first priority in the allocation of resources must be given to the defense, growth and development of the nation rather than to the private desires of its citizens for more goods and services." Furthermore, these critics feared "materialistic subversion of the American character in this doctrine of the priority of producing things."<sup>15</sup>

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<sup>14</sup> Arthur Schlesinger, Jr., "A Democratic View of the Republicans," *New York Times*, July 17, 1960, 165.

<sup>15</sup> James Reston, "The Underlying Issue of the Campaign," *New York Times*, Mar 13, 1960, E8.

Although advocates of private consumption took it to be a mark of freedom, public spending proponents refused to cede this ground. Adlai Stevenson claimed in 1960 that “freedom itself has many meanings and has implied different things to different people at different times in our national life.” Freedom should not be understood only as the consequence of private interests being fulfilled. It is interesting that Stevenson, like so many others, made their point with a deep cultural conservatism. “It is the often mediocre and sometimes intolerable consequences of unchecked private interest that have led to the reassertion, at regular intervals in American history, of the primacy of public good,” he wrote. He also lamented: “Never before in my lifetime—not even in the days of Harding and Coolidge—has the mystique of privacy seemed to me so pervasive.” This was important because the free world depended on a moral seriousness, which Stevenson did not find in consumer society. “The face which we present to the world, especially through our mass circulation media, is the face of the individual or the family as a high consumption unit with minimal social links or responsibilities—happily drinking his favorite beer, mother dreamily fondling soft garments newly rinsed in a wonderful new detergent, the children gaily calling from the new barbecue pit for a famous sauce for their steak.” Presaging Lyndon Johnson’s message in his Great Society speech, Stevenson claimed that “high private consumption is not our ultimate aim of life.” Those aims, in Stevenson’s view, should be the collective wealth that made the country great: “Nor does high consumption guarantee to America’s children, the teachers or the schools that should be their birthright. It does nothing to end the shame of racial discrimination. It does not counter the exorbitant cost of maintaining good health, nor conserve the nation’s precious reserves of land and water and wilderness.”<sup>16</sup>

Stevenson ended on a hopeful note, arguing that advocates of public spending in this Cold War context should be immune to the red-baiting that characterized so much opposition to the New Deal: “I believe the old idea of America and its government as a politics instrument for the common weal is being restored once again after all the cheap sarcasm about ‘bureaucracy’ and ‘creeping socialism.’” Arthur Schlesinger, Jr. shared many of Stevenson’s suspicions of private consumption at a time of national crisis. He complained that the country spent \$10 billion a year on advertising and less than \$ 3.5 billion on higher education, “freeing as much money as possible for public spending.” Moreover, like Stevenson, he was hopeful that patriotic duty would minimize the red baiting charge, what he called the “delusion—that government is somehow the enemy, and that it is better to watch national defense lag, cities rot, slums multiply, segregation persist, education decay, West Virginia miners starve, pollution spread and the Soviet Union occupy the moon than to give the Government the resources to prevent these scandals or bring them to an end.” Seeking to legitimate public spending as American, rather than foreign, and as capitalist rather than socialist, they hoped that in post-McCarthyite America government spending would be consensually accepted as patriotic.

Perhaps the strongest argument in favor public spending came from Senator Joseph Clark (D-PA), who condemned the “folklore” that “private spending is inherently good and public spending is inherently bad—and therefore public spending should always be minimized and

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<sup>16</sup> Adlai E. Stevenson, “National Purpose: Stevenson’s View,” *New York Times*, May 26, 1960, p. 30.

private spending increased to the maximum the gross national product will permit.” Noting a pattern that a generation later came to characterize the New Right, Clark noted the rhetorical trick of equating the word government with “other nouns having an evil connotation—such as ‘waste,’ ‘extravagance,’ ‘socialism,’ ‘bureaucracy.’” He argued that ‘this is a pernicious tendency. Taxation and public spending are the means by which we divide resources between the public and private sectors of the economy. Those activities which are in the public sector are there not because they are naughty and ought to be destroyed, but because they are essential and cannot be adequately performed by private enterprise.’<sup>17</sup> The presidential campaign of 1960 seemed to make an endorsement of Clark’s position, since John F. Kennedy’s vision of public spending had vanquished Nixon’s endorsement of the policies that he promoted as Eisenhower’s Vice President.

## **Crying Wolf**

The main line of criticism against the doctrine of public spending has been that to the extent that the American government’s role is to foster consumption, it should aim to do so in the private sphere. Public spending involved taking money from citizens better positioned to make judgements about how to spend their money. In 1959, President Eisenhower made the argument that the utility of private consumption outweighed that of state spending, when he said at a press conference that “our federal money will never be spent so intelligently and in so useful a fashion for the economy as will the expenditures that would be made by the private taxpayer, if he hadn’t had so much of it funneled off into the federal government.”<sup>18</sup> In this zero sum game, public spending crowded out the more fundamental private consumption.

To this argument was added another: the libertarian claim that government spending was not just less productive but an assault on freedom, a form of theft and an assertion of tyrannical state power. Critics of public spending veered by Hayekian libertarianism and the tactic of describing the New Deal as socialism. As the economist Barbara Ward summarized the critique in 1960, “if we permit government at home to spend more, we shall so increase its encroachments on personal liberty that we will simply become totalitarians by another route. Why, therefore, fight the Russian dictatorship by means that create a dictatorship at home?” As Ward noted, the charge that any form of public spending was socialism in spirit and therefore un-American was often enough to stop such programs in their tracks. “Today the fear of Big Government is so widespread and so well publicized in the United States that in many circles it is enough to state that a program, however essential, involves further government action and the discussion comes to an abrupt stop.” Notwithstanding the optimism of Stevenson and Schlesinger that such charges would not longer be effective in the era of the Cold War crisis, politicians and intellectuals needed to respond to the fear that public spending was tantamount to unfreedom—first defined as

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<sup>17</sup> “Private vs. Public Spending” *The Atlantic* 1959, 16, 19.

<sup>18</sup> “Transcript of President Eisenhower's News Conference at the National Press Club,” *New York Times*, Jan 15, 1959, p. 18.



socialism but by the 1960s even when the charge of socialism lost its power, liberal programs faced this charge as well.

This criticism of government spending has morphed into a full-blown critique of government itself. A hallmark of the modern conservative movement, especially since the 1970s, has been to demonize government at every turn.<sup>19</sup> This critique of government has extended to federal regulation and legislation but it has primarily centered on the power of the purse. Federal spending has been critiqued for a variety of reasons. As Paul Krugman has written, “three decades of antigovernment rhetoric, rhetoric that has convinced many voters that a dollar collected in taxes is always a dollar wasted, that the public sector can’t do anything right.”<sup>20</sup> But waste and fraud are only one element of antigovernment rhetoric. The attempt to “starve the beast,” that is to shrink government capacity altogether has involved a multifaceted dismissal of the state’s fiscal policies.<sup>21</sup> Primary among them has been the view that active government is itself anti-American, and that government spending cuts against American traditions of freedom. As the journalist Edwin Dale wrote in 1960, summarizing the fears, “bigger and bigger government is the exact antithesis of our entire system, and damaging to our economy as well?”<sup>22</sup> For much of the 1990s and 2000’s critics of government spending framed taxes as theft, even though they largely abandoned the charge of socialism. The rallying cry of this movement—taxpayerism, I have elsewhere called it—was the phrase, “it’s your money.”<sup>23</sup> The phrase itself has an interesting history. When first introduced in the 1930s, it signified the importance of financial planning (“the safest place to put your money”) as well as the dangers being ripped off in the marketplace, as in Chase and Schlink’s 1927 bestseller, *Your Money’s Worth*.<sup>24</sup> Over time it took on a new signification, as a warning to citizen’s to see government programs as confiscatory. An early example of this discourse came from the *Saturday Evening Post*, which in an article entitled “It’s Your Money,” warned citizens in 1944

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<sup>19</sup> For a brief history see Lawrence Glickman, “The Government Did Have Something to Do With It,” <http://baselinescenario.com/2010/10/06/government-cheney-halliburton-glickman/>

<sup>20</sup> Paul Krugman, “America Goes Dark,” *New York Times*, Aug 8, 2010.

<sup>21</sup> .The first use of the term “starving the beast,” I have found is in Maureen Dowd, “The Crisco Kids,” *New York Times*, Oct 12, 1995, A23. See also Richard W. Stevenson, “The High-Stakes Politics Of Spending the Surplus,” *New York Times*, Jan 7, 2001, WK3; Paul Krugman, “The Tax-Cut Con,” *New York Times*, September 14, 2003, SM54.

<sup>22</sup> Dale, “Big Debate.”

<sup>23</sup> Glickman, *Buying Power*, 294.

<sup>24</sup> See, for example, O’Brien Atkinson, “It’s Your Money,” *Scribner’s Magazine* (Dec 1935), 353-355; Guy Emery Shipler, Jr., “It’s Your Money,” *McCall’s*, 84 (March 1957), 157-158. Stuart Chase and F. J. Schlink, *Your Money’s Worth: A Study in the Waste of the Consumer’s Dollar* (New York; Macmillan, 1927).

that “the administration is considering peacetime spending that will squeeze hard every dollar you or your children earn.”<sup>25</sup>

By the 1980s, the phrase-- reintroduced, first by Ronald Reagan and then by his followers--connoted the idea that there was no such thing as legitimate public money, only wrongly expropriated private money. Reagan contrasted the idea that people should “keep their money and spend it the way they want to,” rather than having the government take it and spend it “the way it wants to?”<sup>26</sup> By 1996, when Bob Dole ran for president, he was able to describe this phrase as “time-honored and true” and urged Americans not to “apologize for wanting to keep what you earn.”<sup>27</sup> By the end of his campaign the phrase had become a mantra, repeated in doubles and triplets for emphasis as in his claim the month before Election Day that “Our plan is based on a simple principle....It’s your money. It’s your money. It’s your money.”<sup>28</sup>

Republican politicians used this phrase as a way to justify their lack of governing ideas. John Rowland of Connecticut said his governing philosophy was to “give back” the people’s money.<sup>29</sup> The outgoing South Carolina Governor recently described his greatest accomplishment in office as being the “taxpayer’s advocate,” by which he meant not being economical with the people’s money but rather with not spending it at all.<sup>30</sup> George W. Bush frequently invoked the phrase on the campaign trail and to justify his tax cutting agenda once he took office. “Gore’s views government’s role as manipulating people and uses people’s own tax money to manipulate their behavior,” said Lawrence B. Lindsey, Bush’s chief economic advisor. “Bush says it’s your money. You keep it. Do what you think is best with it.”<sup>31</sup> It’s Your Money implied autonomy

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<sup>25</sup> John H. Chider, “It’s Your Money, Brother,” *Saturday Evening Post*, Feb 26, 1944, 20-21, 57, 59-60.

<sup>26</sup> “Excerpts From President's Talk,” *New York Times*, Jun 12, 1981, D4.

<sup>27</sup> “Dole's Speech Accepting the G.O.P. Nomination for President,” *New York Times*, Aug 16, 1996, A26.

<sup>28</sup> “In His Own Words,” *New York Times*, Oct 8, 1996, A21. See also G. Robert Hellman, “Dole's consumers' guide' attacks president's trustworthiness,” *Dallas Morning News*, Oct 2, 1996, 11A. In that speech Dole said: “It's your money, It's not my money. It's not his money. It's your money.”

<sup>29</sup> “A Young Republican On a Fast Track,” *New York Times*, Oct 31, 1998. p. B8.

<sup>30</sup> “Work Will `Bear Fruit’,” *State*, Dec 12 2010, A14. “Just as Democratic Gov. Dick Riley is known for his focus on education and the late Republican Gov. Carroll Campbell is known for his focus on jobs...Sanford says he should be known as the governor who always was the taxpayer’s advocate.”

<sup>31</sup> Alison Mitchell, “Gore and Bush Agree on Basics, But Differ Sharply on the Details,” *New York Times*, July4, 2000, A1.

rather than manipulation. In this context, there is little room for public spending, since of necessity lessens the right of individuals to spend their money freely that Bush and company defined as the heart of American freedom.

Dissenters have challenged the “it’s your money” school of thought. In 1991, the columnist Tom Wicker looked back nostalgically to the 1950s in and called for “pouring billions into infrastructure, building and repairing roads, bridges, sewers, city streets, public works of all kinds.”<sup>32</sup> One of his successors on the New York Times Op Ed page, Thomas Friedman suggested that Democrats replace the word “taxes” with “services.”<sup>33</sup> But political leaders have not risen to the occasion. Although he has hinted at the importance of strategic investments, Obama has, especially with his recent tax compromise, largely conceded the argument about government spending.

## Conclusion

The debate about public spending went out with a whimper not a boom, a resolution brought on in the first instance not by political rejection so much as the fiscal crisis of the state in the 1970s. Kennedy’s call for national greatness contributed to the space program, which one could argue was the last great popular federal spending initiative. But his support was more rhetorical than real and the signature fiscal development of his administration was a tax cut. Although Lyndon Johnson supported public spending, the weight of guns began to outweigh butter even before his administration collapsed as a result of miscues in Vietnam. Indeed, the major political initiatives of the postwar years were anti-government, defining liberty almost entirely in negative terms. Even before Reagan became president, the Reaganites belief that government was a problem and that government spending was inherently problematic captured the political mainstream.

The period from the Eisenhower through Johnson administrations turned out to also be the last era in which non-military government spending was high on the political agenda. Notwithstanding his supposed “allergy” to public spending, Dwight Eisenhower defended his administration’s record on this front in his final inaugural address: “While building a new economic vitality without inflation, we have also increased public expenditures to keep abreast of the needs of a growing population and its attendant new problems, as well as our added international responsibilities. We have worked toward these ends in a context of shared responsibility--conscious of the need for maximum scope to private effort and for State and local,

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<sup>32</sup> Tom Wicker, “Investing in America,” *New York Times*, Aug 18, 1991, E15.

<sup>33</sup> Thomas L. Friedman, “Read My Lips,” *New York Times*, June 11, 2003, A31. See also Benjamin Capers, “Taxes: It’s Your Money Right.” <http://www.eecs.umich.edu/~kuipers/opinions/taxes.html>

as well as Federal, governmental action.”<sup>34</sup> By 1966, Edwin Dale, the leading analyst of the public spending debate, proclaimed that the era over.<sup>35</sup>

Even though Walter Lippmann, John Kenneth Galbraith and other advocates of the 1950s and 1960s were disappointed by the paucity of public spending relative to private consumption, retrospectively this era should be considered the acme of such spending. Indeed, a key characteristic of what the historian Sean Wilentz has called *The Age of Reagan* was to valorize private consumption and to condemn all non military forms of public spending as antithetical to the American spirit.<sup>36</sup> Between 1983 and 2008, As Martin Walker notes, the imbalance between private and public spending “entered a new and even extreme phase. For several decades after World War II, private consumption measured as a share of gross domestic product had remained within a range of 61 to 63 percent. But in 1983 consumption began a steady rise, peaking at 70 percent in 2007.” Galbraith’s paradox of private wealth and public squalor had not only worsened but become an “absurdity.”<sup>37</sup>

The rejection of government spending was, of course, more rhetorical than real, as spending did not decrease; however, the vast majority of federal increases consisted of entitlement and defense increases, not strategic investments. Commentators have frequently noted the hypocrisy of the celebration of minimal government alongside the tremendous demands on government made by the American people and largely supported by politicians. Anne Applebaum doubtless exaggerates when she writes that “Americans — with their lawsuit culture, their safety obsession and, above all, their addiction to government spending programs — demand more from their government than just about anybody else in the world.” but the Tea Partiers who demanded that government stay out of their Medicare did exemplify a longstanding issue in American politics.<sup>38</sup>

Alongside a challenge to the regulatory state came a challenge to the idea the very idea that collective consumption goods were a category that government should care about at all. Bill Clinton’s call for an “information superhighway” did not inspire a signature program or plan. Indeed, his view that “the era of big government is over” made such inspiring programs seem

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<sup>34</sup> State of the Union, Jan 12,1961, <http://www.infoplease.com/t/hist/state-of-the-union/173.html>

<sup>35</sup> Edwin L. Dale, Jr. “What Went Wrong?; Another Look at the New Economics,” *New York Times*, Sep 18, 1966, SM50, 102-110.

<sup>36</sup> Sean Wilentz, *The Age of Reagan: A History, 1974-2008* (New York: Harper, 2007).

<sup>37</sup> Martin Walker, “The New Normal,” *Wilson Quarterly* 33:3 (Summer 2009), 63-66.

<sup>38</sup> Anne Applebaum, “American Hypocrites: The only thing Americans hate more than big government is the absence of government protection,” *Slate*, July 19, 2010. See also “Obama Pokes Fun At 'Don't Touch My Medicare' People” Talking Points Memo, July 28, 2009. <http://tpmlivewire.talkingpointsmemo.com/2009/07/obama-pokes-fun-at-don't-touch-my-medica-re-people.php>

anachronistic. As the columnist Walter Shapiro wrote in 2001, Clinton “almost never directly challenged the Reaganites view that the government that governs best governs least.”<sup>39</sup> Even in our current economic climate, public spending has not been offered as an important tool. President Obama’s stimulus—more than a third of it in tax cuts, rather than spending—did not offer a compelling vision. The Obama administration did not advertise support for “shovel ready” projects and assisting hard-strapped states as a coherent public spending initiative. And of course the recent tax cut agreement stimulates the economy almost entirely by encouraging private consumption.

Advocates of public spending have not gone away entirely but their voice is largely missing from the political mainstream. Yet the argument for public spending makes great sense in our current economic climate, a time when inflation is low, unemployment is high, our infrastructure is crumbling. Public spending then could be doubly beneficial, providing short-term stimulus and long-term investments. There are at least four advantages of public spending over private spending in our current climate.

1) There is no uncertainty about whether the money will be spent. Tax cuts are a much less reliable form of stimulus. Many tax cuts for the rich are not spent; those for the middle class, as Paul Krugman has recently pointed out, would be far better put to paying down the high levels of debt that many American families face. Krugman wrote, “What the government should be doing in this situation is spending more while the private sector is spending less, supporting employment while those debts are paid down.”<sup>40</sup>

2) Such spending will more directly create jobs.

3) Public spending is a form of investment in long-term public goods.

4) Infrastructure improvements of these sorts are often the impetus for entrepreneurial revolutions. This is a point Vice President Lyndon Johnson made in 1962, when he observed that “public spending is strengthening, not weakening, the nation’s free-enterprise economy.” Bill Clinton made a similar point in the 1992 presidential campaign when he said that we need government “not to manage or direct markets but mainly to help create markets.”<sup>41</sup>

The irony of the public spending debate is that one the best example of public spending working in this way is provided by the very Eisenhower administration, notwithstanding its supposed “allergy” to public spending. Although public spending advocates, like Schlesinger, viewed the

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<sup>39</sup> Walter Shapiro, “It’s your money! And government is free, right?,” *USA Today*, June 8, 2001, 11A.

<sup>40</sup> Paul Krugman, “Block Those Metaphors,” *New York Times*, Dec 13, 2010.

<sup>41</sup> “Johnson Sees Good in Public Spending,” *New York Times*, March 3, 1962; p. 31; Steve Lohr, “Clinton Proposals Seek Political Middle Ground,” *New York Times*, Apr 18, 1992, 7.

Interstate Highway Act as a tepid form of public spending (“of direct benefit to businessman” but not grand), this program provided government-sponsored infrastructure that lay at the basis of McDonald’s, Holiday Inn, and many other businesses dependent on the automobility of postwar Americans.<sup>42</sup>

As the United States faces its short-term and long-term economic problems, we would do well to learn from the debates about public spending in the 1950s and 1960s. Lippmann, Galbraith and company were prophets who have been largely ignored. In our own time, we should recognize the shortcomings of their arguments: the Cold War distortions, the gendered fear of American “softness,” the condemnation of “creature comforts” for a new middle class, and the snobbishness, which led them to critique the taste of the masses. Moreover, we need not uniformly denigrate private consumption in order to promote public consumption. Still, we are in need of an aggressive national investment program—as the Washington Post’s Ezra Klein recently wrote “we’d be better off borrowing \$850 billion to repair and upgrade the nation’s infrastructure than to give people tax breaks of varying quality and purpose.”<sup>43</sup>

The cultivation of collective consumption goods need not be pitted against the enjoyment of private wealth or associated with the tyrannical overreach of big government. In order to pursue happiness we need to collectively endeavor to raise and spend money to provide jobs and improve the landscape for the economic innovators of the future.

If American liberalism is to revive, it’s key task is to revive the notion of the positive role of government. President Obama has too rarely but forcefully made this case in regard to regulation. For example, as he told members of Congress at the Health Care Summit in February 2010:

We could set up a system where food was cheaper than it is right now if we just eliminated meat inspectors, and we eliminated any regulations on how food is distributed and how it's stored. I'll bet in terms of drug prices we would definitely reduce prescription drug prices if we didn't have a drug administration that makes sure that we test the drugs so that they don't kill us, but we don't do that.

But public spending is as equally important a leg as regulation in developing a state capable of the goals that liberals value, and now is a propitious moment to make the case.

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<sup>42</sup> See, for example, David Halberstam, *The Fifties* (New York: Random House, 1994); Dan McNichol, *The Roads That Built America: The Incredible Story of the U.S. Interstate System* (New York: Sterling, 2005).

<sup>43</sup> [http://voices.washingtonpost.com/ezra-klein/2010/12/the\\_road\\_not\\_taken\\_--\\_or\\_built.html](http://voices.washingtonpost.com/ezra-klein/2010/12/the_road_not_taken_--_or_built.html)

## **Appendix**

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