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Modernizing Conservatism

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With their impressive election victory of 2010 and the emergence of the Tea Party--the most significant (and disruptive) grassroots political phenomenon since the anti-Vietnam War movement in the 1960s and 1970s--conservatives and especially the self-conscious "conservative movement" might be excused for exhibiting an air of triumphalism. The Democrats' commanding majority in the House has been dispatched, the Senate and the presidency are increasingly on the ropes, and fears that President Barack Obama's 2008 election might have represented a fundamental and lasting realignment of the American electorate are rapidly fading from memory. It might seem that the long-standing conservative project to shrink the New Deal welfare state by starving it of tax revenue, reigning in entitlements, and limiting its reach into the lives of American families and businesses--begun in the Reagan years and continued fitfully through the first and second Bush presidencies--might be ready to recommence. And perhaps, this time, with help from the fervor of the Tea Party, conservatives may even finish the job.

For those willing to probe a bit deeper, however, it should quickly become apparent that we badly need to take stock of our position. Conservatism, despite these impressive electoral victories, is failing on its own terms. Start with the social indicators, which are the most important to conservatives. America's fast-growing and largely minority underclass shows limited signs of progress or assimilation to middle-class American life. And the white middle class--the bed-rock of conservatism's political strength and social vision--is showing signs of social stagnation and economic regress that should be sounding ominous claxons in conservative meeting halls but, so far, have attracted only the attention of Charles Murray. Stagnant income growth and mobility and a shrinking middle class are considered unhealthy by most conservative understandings of social health, cohesion, and well-being. While conservatives have plenty of macro ideas for increasing economic growth, they have fewer ideas about how to secure a wider distribution of new wealth.

Political and economic indicators bring more grim news. Thirty years after the arrival of the Reagan Revolution, government is bigger than ever. The Reagan years appear to have been little more than a mild speed bump in the progress of ever-larger government. The regulatory state advances relentlessly on every front. The soaring national debt threatens economic oblivion sooner or later. In short, the Reagan era, for all that was accomplished, was not an analogue to the New Deal era. In fact, the much-vaunted Reagan Revolution was not revolutionary and failed to alter the nation's basic long-term political trajectory.

Meanwhile, the continuing negotiations over the debt ceiling and deficit reduction promise only further heartburn, as Congress is forced to choose either cuts to popular entitlement programs, or deep reductions in national defense spending, and/or tax increases. Given the painful price that conservatives have repeatedly paid for proposing cuts to Medicare and Social Security, it is hard to see how this ends well for conservatives.

By allowing their well-reasoned and often well-founded critiques of government action to metastasize into a categorical rejection of all prospective government action, while continuing to deny the basic political economy of the welfare state, conservatives increasingly find themselves in an ideological and practical straightjacket. Where con-servatives have succeeded in cutting government, they have done so by taking an indiscriminate fire ax to non-defense discretionary

spending. Meanwhile, they have had virtually no success at all in cutting middle-class entitlements, which represent the lion's share of federal spending and continue their unrestrained growth. This kind of conservatism would be unrecognizable to, for example, Calvin Coolidge, a current sentimental conservative favorite who favored minimum wage laws and child labor regulations, or even to Reagan, who favored large-scale government science research beyond just missile defense.[1]

1.

Conservatives have opposed, as a matter of deep principle, the expansion of government, and most especially any tax increases that are seen as enablers of government expansion. This position, coherent and sensible on its own terms, refuses to confront its obvious defect: it has not stopped the growth of government, even on the metric of government spending, let alone regulation.

In the Reagan years, it was widely thought, though seldom articulated, that the policy of holding the line on taxes amidst soaring budget deficits would eventually curb the deficit through a starve-the-beast strategy. In one of his early speeches in February 1981, which he largely wrote himself, Reagan said:

Over the past decades we've talked of curtailing government spending so that we can then lower the tax burden. Some-times we've even taken a run at doing that. But there were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice and breath. Or we can cure their extravagance by simply reducing their allowance.²

Behind the scenes, Reagan's economic team argued vigorously amongst themselves about the probity of this strategy.

The de facto starve-the-beast strategy was the great cop out of the Reagan years. By assuming that restricting revenues would eventually compel reductions in the size of government, the Reagan administration was able to justify avoiding any serious attempt to reform entitlement programs. Beyond a few very minor trims, every trial balloon of deeper entitlement reform was swiftly routed and withdrawn. It is uncomfortable but necessary for conservatives to acknowledge that Reagan's disinclination to attack entitlements was one reason for his popularity--after an initial flurry, he did not seriously attack the welfare state.

Long-term evidence indicates that the starve-the-beast strategy not only fails, but may make the problem of unrestrained spending growth worse, suggesting that a "serve the check" strategy might be a more effective means of curbing the growth of government spending. The simple explanation for this seeming paradox is that the starve-the-beast strategy currently allows Americans to receive a dollar in government services while only having to pay 60 cents for it.³ Rigorous analyses from centrist economists Christina and David Romer of UC Berkeley⁴, and from libertarian economist (and Reagan White House alumnus) William Niskanen conclude that the starve-the-beast strategy fails. Strikingly, Niskanen's analysis found that lower taxes correlated with higher levels of federal spending. As a result, Niskanen argues that raising taxes may be the most effective way to reduce gov-ernment spending.⁵

Thus, conservative attachment to a failing strategy has rendered the Right incapable of reducing government spending. And yet, conservatives resist facing up squarely to this grim reality for a variety of reasons, some of them having to do with their undeniable successes of the last two generations. The first and most significant triumph was the creation of the conservative movement itself, which arose from the far fringes to the center of American political life in little more than a generation. Having control of no significant institutions, especially in the media or in academia, and possessing little depth of intellectual leadership, the conservative movement

created its own "counterestablishment" (as Sidney Blumenthal was, I think, the first to observe) with remarkable speed. From the epic defeat of Barry Goldwater in 1964, the movement hardly paused to draw a deep breath, going on to capture and transform the Republican Party into a wholly conservative party, culminating in its greatest victory with the election of Ronald Reagan 16 years later.

Conservatives can point to several substantial policy victories over the last generation that followed from their intellectual ferment and organizational ascendancy. The reduction in income and investment tax rates is of a piece with a broader reinvigoration of market processes, which included the successful, large-scale deregulation of several industries (transportation, energy, communications). Other deregulated markets, however, have shown more mixed results (electricity) along with some outright failures (the savings and loan industry and the financial sector), suggesting that either the theory or practice (or both) of deregulation is incomplete. Despite these cases of incomplete or counterproductive results, the conservative reinvigoration of markets and the discrediting of central planning was a positive correction to liberalism worldwide, giving rise to "third way" centrism, sometimes referred to as neoliberalism, a policy blend guided by market dynamics alongside social insurance philosophy.

In terms of social policy, conservatism can be credited with welfare reform that has substantially reduced dependency, as well with a reduction in crime rates that proceeded largely according to conservative policy prescriptions. Yet these are strangely limited examples. The reform of the New Deal-era welfare entitlement has not been emulated in other entitlement or social insurance programs. The reduction in urban crime has helped center-city economic revitalization in general, but Detroit, Cleveland, and other old industrial cities are still basket cases. The conservative idea of "enterprise zones" in blighted urban areas, an offshoot of supply-side economics, cannot point to any real success stories. Conservative ideas for education reform, especially school choice and charter schools, have made only scant progress against determined opposition that seems unlikely to abate any time soon.

The end of the Cold War is perhaps conservatism's greatest victory. Although many aspects of this story are contestable, conservatives can at the very least claim a greater clarity and consistency in their anti-Communism. But this very success has contributed to the confusion and dissent among conservatives about the nation's strategy in a unipolar world facing the challenge of terror and semi-state-based radical Islam. It is not clear how the lessons and strategies of the Cold War era can be applied to this problem, if they are applicable at all.

2.

Even with the necessary qualifiers, these are substantial achievements, but it is a mistake to allow triumphs to breed triumphalism. The conservative movement soldiers on--as any political movement should to some extent--in the belief that it can and will achieve a complete and ultimate triumph over liberalism. This is best observed in Grover Norquist's slogan that the goal of conservatism should be to shrink government down small enough to "drown it in the bathtub." The self-conscious "Progressive movement" believes in the reciprocal version of this goal of ultimate and complete triumph, as expressed by Ruy Teixeira and John Judis's thesis that demographic trends alone should eventually swamp conservatives and produce a durable liberal majority that will enable a more sweeping redistributionist agenda.⁶

While the activists and political strategists must think and act in terms of victory as a practical matter, conservative and liberal intellectual leaders should not. There are three dominant political facts of our age that conservative thinkers (and also liberals) need to acknowledge. The first is the plain fact that neither ideological camp will ever defeat the other so decisively as to be able to govern without the consent of the other side. This is not merely my political judgment; it is sewn into the nature of America's basic institutions and political culture.

The second fact is that the divisions between Left and Right are fundamental and unbridgeable. A frequent trope of political rhetoric is that everyone agrees about the ends; we merely disagree about the means. Although this is often true at the level of a discrete policy issue (for example, broadening access to health care), it is wrong at the deeper level of what might be called the "tectonic plates" that shift individual political battles. Reducing Left-Right differences to disagreements over means has a numbing effect on clear thinking; it is an obstacle to grappling with some of the larger problems--such as entitlement spending--that now need the sort of reform that goes far beyond the business-as-usual tinkering around the edges. Left and Right have conflicting modes of moral reasoning that cannot be easily synthesized or bridged.

Which brings us to the third major political fact of our age: the welfare state, or entitlement state, is here to stay. It is a central feature of modernity itself. We are simply not going back to a system of "rugged individualism" in a minimalist "night watchman" state; there is not even a plurality in favor of this position. A spectrum of conservative and libertarian thinkers acknowledge this, though this perception has not penetrated the activist ranks. Back in 1993, Irving Kristol called for a "conservative welfare state" on the pragmatic grounds that "the welfare state is with us, for better or worse, and that conservatives should try to make it better rather than worse."⁷ National Review's Ramesh Ponnuru noted in 2006, "there is no imaginable political coalition in America capable of sustaining a majority that takes a reduction of the scope of the federal government as one of its central tasks."⁸ William Voegeli, author of the most trenchant critique of the welfare state (*Never Enough*) since at least Charles Murray, concludes, "No conservative, either in the trenches or the commentariat, has yet devised a strategy for politicians to kick deep dents in the side of the middle-class entitlement programs without forfeiting a presidency or a congressional majority."⁹ And libertarian economist Tyler Cowen faces the reality squarely: "The welfare state is here to stay, whether we like it or not."¹⁰

3.

Given these realities, how must conservatism revive itself for the 21st century? For starters, we must admit that starve-the-beast has been a spectacular flop. Reagan argued, both as governor and as president, for constitutional amendments requiring a balanced budget, limiting spending to a fixed proportion of personal income, and imposing a two-thirds vote requirement to raise taxes.¹¹ These reforms--even if they could be passed through the difficult amendment process--might have some effect, but their record on the state level suggests conservatives will be disappointed. The two-thirds vote requirement for budgets and taxes, along with the balanced budget requirement, has not kept California's welfare state from slipping into the abyss. Colorado's constitutional spending limit was breached and amended by the most conservative governor in the state's history, Bill Owens, because it proved defective in ways important to conservatives.

Requiring the American people to actually pay for all of the government they receive is, as Niskanen and others have convincingly argued, the most effective way to limit its growth. Right now the anti-tax bias of the Right results in shifting costs onto future generations who do not vote in today's elections, and enables liberals to defend against spending restraints very cheaply. Instead of starving the beast, conservatives should serve the check.

While increasing taxes will likely feel painful to many conservatives, there are innovative ways to reform the tax code that might be palatable while also increasing revenues. One area of tax policy where there is some room for maneuver would be family tax policy. While many households today--perhaps half or more--do not pay any federal income tax, all working households pay payroll taxes. One conservative idea that liberals ought to like well enough is to expand the current \$1,500 per child tax credit to something closer to \$5,000, which would wipe out a large portion of payroll tax liability and raise household after-tax income considerably. The revenue loss could be made up through broader tax reform that reduces deductions, credits, and tax breaks both for individuals and corporations. A wholesale pro-growth tax reform that

incorporates both features might even allow for lower marginal rates along the lines of the 1986 Tax Reform Act. For conservatives this would be a pro-family initiative that would not involve the usual culture war issues. And this targeted tax cut should appeal to liberals as well, who generally disapprove of tax cuts that reward the rich but ought to be willing to support tax reform that would predominantly benefit working families.

Next, conservatism must learn from its success in reforming welfare that acknowledging the reality of social problems is not the same as agreeing with liberals about their solutions. Keeping the welfare state solvent as the baby boomers crash the rope line of eligibility will require tax increases far larger than Americans are likely willing to bear. One might almost say that the welfare state is the next bubble waiting to collapse. There is one obvious compromise policy mechanism for reforming and securing entitlement programs: means testing. Some conservatives, as well as the Paul Ryan plan, have embraced this in principle while others fear the premise embedded in it of recognizing the permanent legitimacy of the welfare state.

Activists in both parties fear splitting their own constituencies. Conservatives fear agreeing to such terms will mean accepting a losing position over the long run. Michael Tanner of the Cato Institute worries:

There is no evidence that if conservatives agree not to try to roll back the welfare state, liberals will agree to restrain its growth. More likely, conservatives will simply become involved in a bidding war, in which they will inevitably look like the less caring party.¹²

Liberals worry that embracing means testing for entitlements will weaken them as totem of a broader universal social contract and, by making them "poor peoples" programs, will lead to an eventual decline in public support and to their ultimate demise.

These seemingly reasonable fears of both camps are overblown. The experience of welfare reform suggests that there has been no "race to the bottom" among the states to eliminate basic assistance programs, though, to be sure, many have been severely constricted in the current fiscal crisis. But the current fiscal crisis on the state level should be seen as a harbinger of the future for the federal government if nothing is done. The force of fiscal gravity is virtually certain to compel means testing at some future date. For liberals, the means thresholds are likely to be more generous the earlier they are calculated; for conservatives, the tax increases are likely to be lower today than if postponed into the future.

Another area ripe for conservative reappraisal is the environment. Conservatives who sensibly dislike both the centralized regulation of most environmental policy and the untethered apocalypticism of much of the environmental movement have tended to respond with a non sequitur: the environment has mostly become a cause of the Left, therefore environmental problems are either phony or are not worth considering. To be sure, many environmental problems have been overestimated, and the proposed remedies are problematic from several points of view, but conservatives, with only a handful of exceptions, have ceased sustained reflection on how to assess environmental problems seriously, or how to craft non-bureaucratic and non-coercive remedies for many genuine problems that require solutions.

The tortured course that has led to the extreme polarization of environmental issues is beyond the scope of this paper, but suffice it to say that this polarization has been deleterious to both the aims of the environmental movement--which has allowed environmentalism to become so strongly associated with the aims of the Left as to be no longer worth conservatives competing for--and the long-term political viability of American conservatism, which has at this point almost entirely conceded areas of sustained public concern (environmental health, the provision of parks, and the protection of wildlife and scenic landscapes) to its political opponents.

There is a small subculture on the Right, known as "free market environmentalism," that offers an alternate path toward environmental protection consistent with conservative principles, including respect for property rights, a strong preference for markets, and our congenital suspicion of government and regulation. The conservative movement would be well served to take those ideas more seriously.

Finally, conservatives must rethink their sweeping rejection of public investments in public goods such as science research and useful infrastructure. Once upon a time, conservatives supported large infrastructure projects, such as dams, water projects, the interstate highway system, and the Apollo project. It is generally forgotten now that President Reagan supported both the international space station and the superconducting supercollider. In fact, over the last 30 years, federal science research spending has tended to grow faster under Republican presidents than Democratic ones.¹³ To be sure, there is no small amount of government research and technology spending, including under Republican presidents, that is caught in the maw of rent-seeking behavior and ideological favoritism. Too often a favored pork barrel spending program is called "investment," degrading the worthy name and long-standing track record of true public investment. But this is hardly reason to dismiss out of hand, as many conservatives do, investments in truly public goods--goods the private sector cannot or will not invest in, fearing the inability to capture their benefits.

Conservatives and liberals ought to be able to join hands on basic projects that modernize the infrastructure for roads, energy, and water. Efforts are needed to explore ways of building environmentally responsible water storage and delivery projects in the parched West that would reduce the political friction and economic cost of current water constraints. New roads and water projects could integrate market mechanisms that reduce waste and promote efficiency. And investments in energy should be made with an eye to making energy cheaper and cleaner, not in subsidizing longstanding liberal technological fetishes like high-speed rail or wind and solar energy.

4.

Of course, a reformation in conservatism demands corresponding reforms within liberalism. Liberals need to acknowledge that the American people will never support the high level of taxation--let alone wholesale redistribution--that would be necessary to support the future welfare state that has been set in motion. "Liberals who want a bigger welfare state and conservatives who want a smaller one have a big thing to fight about, but nothing really to talk about," noted Voegeli. "If liberals and conservatives decide they can do business with each other it will be because conservatives accept they'll never sell voters on the huge benefit reductions they ultimately seek, and because liberals decide they'll never sell the huge tax increases they ultimately need."¹⁴

Major policy changes almost always demand the consent--not the agreement, just the consent--of the minority party. While activists on each side invariably complain that their side is quickest to sell out, over the last century liberals and conservatives have routinely consented to the majority party to implement critical policies. There was significant Republican support for Progressive Era reforms, as well as New Deal and Great Society policies. In the case of the 1964 Civil Rights Act, Republicans voted in favor of the bill in a larger proportion of their total numbers in Congress than Democrats.¹⁵ Reagan's first tax cut bill passed the Senate 89-11, and then the House with about 50 Democratic votes, despite attempts by Democratic leadership to whip their members into line against Reagan.¹⁶ The 1986 Tax Reform Act--the stepchild of Reagan's first tax cut plan--passed on a truly bipartisan basis.¹⁷

Achieving policy compromise and the reconstruction of a "vital center" requires an end to the view of practical politics as a zero-sum game, in which compromise is regarded as a defeat by both sides. Many of the Democrats who voted for Reagan's tax cut didn't agree with or like it, but they

consented to it because they recognized the public consensus behind allowing Reagan a chance to govern. In other words, minority party consent typically represents the general public support behind a majority's course of action. President George W. Bush's prescription drug benefit plan passed on a substantially bipartisan basis. President Obama was simply oblivious to the meaning of the Tea Party, the lack of Republican consent, and other related signs that a majority of Americans did not like his health care bill. The obvious implication of this conception of consent is that Democrats cannot fix health care without the consent of Republicans, and Republicans cannot fix Social Security or other entitlements without the consent of Democrats.

Consent does not require surrender. Liberals and conservatives do not agree about the principle of equality in American life and probably never will. Conservatives emphasize equal opportunity while accepting or even celebrating unequal outcomes. Conservatives see nothing inherently unjust about large disparities in the distribution of income or wealth, and also offer practical reasons why unequal rewards make for a more dynamic, creative, and ultimately wealthier society. Liberals strongly prefer more equal results, with many viewing disparities in income or wealth as random (Richard Gephardt once referred to the structure of America's wealth and income distribution as a "lottery"), and, as a result, favor egalitarian policies and entitlement programs.

Even so, most liberals are not pure redistributionists, and generally support policies that broaden opportunity for individual advancement, while few conservatives are entirely indifferent to the importance of income mobility and social opportunity. Liberal policies to advance individual opportunity tend to emphasize education, along with some job training efforts, to mixed effect. Meanwhile conservatives have tended to favor using the tax code to bring about rising incomes indirectly through higher rewards for capital investment in work effort. This much derided "trickle-down" approach has some evidence in its favor (for example, research showing the effect high corporate tax rates have on wage levels and wage growth). But even without settling that argument it can be noted that the supply-side string has been fully played out. Honest observers on the Right acknowledge the stagnation of middle-class incomes (though disagreeing on the causes). While liberals and conservatives may disagree on the very notion of equality, they can agree on certain points--for example, that stagnating incomes are problematic--and can achieve policy agreement in certain key areas.

It may be that internal ideological reformation must precede bipartisan political compromise. Ideological extremists in both parties have repeatedly succeeded in scuttling tax and entitlement compromises pursued by moderate reformers in their respective parties, and at the moment, the prospects for any compromises seem remote. It is easy and crowd pleasing to blame the intransigence of the other side, but this absolves both sides of serious self-examination and self-criticism without which political progress becomes impossible for both.

I have written this paper in the hopes that my fellow conservatives will recognize the need for a conservative reformation, and I believe that liberals must follow suit. In their current incarnations, both conservatism and liberalism are failing--not just because of poor strategies like starve-the-beast--but also because neither movement has properly adapted to the changing fabric of modern society. Given this, when there is bipartisan compromise between two outdated ideological camps it is usually unsatisfying to almost everyone. The lesson we should draw is that before the two camps can agree to an agenda truly in the national interest, liberals and conservatives must first reform themselves.