

# Introduction

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Our political system has long been admired and wondered at by Americans and outsiders who marvel at its ability to govern for 225 years a remarkably dynamic, diverse society. Yet most Americans today believe that our government is failing to deliver what it promises, and they have lost confidence in its effectiveness. Herein lies a deep and dangerous dilemma, one that this book seeks to explain and perhaps to help solve.

Consider some of our government's past successes—many of commission, some of restraint. Since the Civil War, the U.S. political system has been extraordinarily stable and durable, experiencing no deep crisis of regime legitimacy and requiring only a dozen additional amendments to our eighteenth-century Constitution, most of them of only historical significance. Our polity and civil society have accepted and integrated a vast number of immigrants of diverse races, religions, languages, and cultural backgrounds, most with relatively low education levels, transforming them into patriotic Americans and loyal permanent residents. Our competitive, resilient economy leads the world in technological innovation and has given us the highest standard of living in the world. (Despite recent setbacks, it still vies for that distinction with oil-rich Norway and tiny tax haven Luxembourg.<sup>1</sup>) Having rescued our allies in two world wars, the United States has exerted hegemonic military, cultural, diplomatic, and economic power (for better and worse) for seven decades. It has extended civil rights for racial and religious minorities, women, gay people, and the disabled. It reduced poverty significantly between 1960 and 2010, with much of

that decline occurring since 1980.<sup>2</sup> Its civil society is the world's most robust and creative, with a vibrant religious and civic culture that supports a bewildering variety of philanthropic, religious, and social service activities. Among liberal democracies, Americans are by far the most patriotic people; almost 90 percent completely or mostly agree with the statement "I am very patriotic"; most claim to engage in patriotic activities.<sup>3</sup> Our natural environment, highlighted in its national park system and vast tracts of unsettled territory, is stunning. The U.S. demographic structure and fertility rate are the envy of faster-aging Western democracies. A deep norm of tolerance leaves the United States as one of the few advanced democracies without a nativist or xenophobic political party. Its formidable military establishment poses no threat to civilian politics. Its response to 9/11 was largely effective in avoiding subsequent attacks on the homeland. It maintains a stable currency that helps support the global economy. Some of its domestic policies and programs are highly successful (see chapter 11).\*

This is the good news. The bad news is that Americans have a dismal opinion of the federal government's performance, one that is only getting darker.<sup>4</sup> Significantly, this growing antipathy is not antigovernment generally (see chapter 4). Instead, it targets *only* the federal government; respect for state and local governments is both high and stable. Nor is this hostility toward the federal government in Washington a partisan matter. Instead, it is expressed by a majority of Democrats as well as Republicans.<sup>5</sup> And perhaps most revealing, this disaffection long preceded the current political gridlock in Congress that many pundits see (wrongly, as I shall show) as the root of the problem.

In both 1997 and 2010, a Princeton Survey Research Associates/Pew survey reported that only 2 percent of respondents believed that the federal government does an "excellent job" in running its programs; 74 percent of respondents said that it did only a "fair" or "poor job."<sup>6</sup> In 2011, 79 percent said they were "frustrated" or "angry" with

\*A *policy* is a statement of goals; a *program* is an instrument for implementing a policy. Generally, I use the terms interchangeably. Policy makers are those who design, adopt, and implement policies. Again, I shall use the generic term except where it seems important to distinguish among them.

the federal government. (In 2007, before the recession, that total was 74 percent.) Again, Obamacare's initial website breakdown, unexpectedly low enrollment by the young and healthy, and the constant regulatory maneuvers necessitated by these factors have probably magnified this deep discontent.

In 2010, only 36 percent thought the government "often does a better job than it is given credit for." Fully 83 percent thought that federal programs' performance was "getting worse" or "staying the same." In 2011, 64 percent thought that "big government" was the biggest threat to the country in the future; only 26 percent identified "big business" as the biggest future threat, even only five years after the economic meltdown.<sup>7</sup> In 2010, only 4 percent had "a lot of confidence" that when the federal government decides to solve a problem it will actually be solved. In July 2013, a *Wall Street Journal*/NBC News poll reported that 83 percent of Americans disapprove of Congress's performance—the highest in the poll's history.<sup>8</sup> And, perhaps most ominous, a Harvard Institute of Politics poll published in April 2013 found that among voters under thirty, traditionally the most optimistic and idealistic demographic group, trust in the president and in Congress is at low levels and declining.<sup>9</sup> Not surprisingly, both parties are finding it harder to induce attractive, ambitious candidates to run for the U.S. Senate.<sup>10</sup> Even the public's approval rating of the Supreme Court, which it traditionally revered, has declined significantly since the 1980s to just 44 percent.<sup>11</sup>

Consider the responses to a question that pollsters have asked for more than a half century: "How much of the time do you think you can trust the government in Washington to do what is right?" In 1958, 73 percent said "just about always" or "most of the time"; in 2011, only 10 percent did so.<sup>12</sup> In April 2013, only 28 percent of Americans had a favorable opinion of the federal government; even among Democrats, who controlled both the White House and the Senate, it fell to only 41 percent, down ten points from the previous year.<sup>13</sup> Indeed, even the Democrat leadership decries failures in many programs, while insisting that it can rectify them with more money, greater fairness, and smarter administration.<sup>14</sup> The public evidently disagrees. A

2011 Rasmussen poll found that a record-low 17 percent of voters felt “the federal government has the consent of the governed” and 38 percent (a plurality) wanted the federal government to become “inconsequential” in American life.<sup>15</sup> In 2013, the Brookings Institution found that even *56 percent of Democrats* believe the government is “mostly or completely broken.”<sup>16</sup> And this was *before* the government shutdown and failed Obamacare rollout on October 1, 2013, which of course aroused even greater public disgust! Even liberalism’s century-old flagship, the *New Republic*, now despairs.<sup>17</sup>

In short, the public views the federal government as a chronically clumsy, ineffectual, bloated giant that cannot be counted upon to do the right thing, much less to do it well. It does not seem to matter much to them whether the government that fails them is liberal or conservative, or how earnestly our leaders promise to remedy these failures. Failure is also common in the private sector, of course. Most new firms go out of business within their first five years,<sup>18</sup> and the performance of leading private firms have often been abysmal and sometimes criminal<sup>19</sup>—for example, the “big four” accounting firms that audit brokerage safety and performance,<sup>20</sup> the top bond rating companies,<sup>21</sup> stock exchanges,<sup>22</sup> and the major financial institutions.<sup>23</sup> The leading heart organizations’ new set of cholesterol guidelines was discredited within days. But whereas consumers dissatisfied with private providers can usually take their business elsewhere (as Blackberry and other companies have discovered), discontented citizens are stuck with the government they have, until the next election.

Why, then, do most members of such a successful society so disparage their government? (Interestingly, Europeans’ faith in *their* governments appears to be even lower!)<sup>24</sup> This is an urgent, complex question, to which I offer five answers that are consistent with the social science evidence.<sup>25</sup>

The most straightforward answer is that *the federal government does in fact perform poorly in a vast range of domestic programs.* (As explained below, this book focuses exclusively on *federal domestic* programs.) This is amply demonstrated by the large body of evidence compiled by the nation’s leading social science analysts and

public administration scholars,<sup>26</sup> evidence that I prefigure later in this chapter and in detail in part 2. A competitive party system and an attentive, critical media get the word out on these failures, and the public naturally takes notice.

Second, and equally conspicuous, *our legislative process is highly dysfunctional by almost any standard*. “Even in some of the worst years of partisan gridlock,” *New York Times* reporter Jonathan Weisman reports, “a deadline has meant something to Congress—until 2013.”<sup>27</sup> The title of a recent book by two leading scholars of Congress is telling: *It’s Even Worse Than It Looks*.<sup>28</sup> And as with the survey evidence just discussed, these professional judgments were rendered *before* both the latest government shutdown, the Obamacare website fiasco, and the impending debt limit crisis.

Third, *Americans perceive a gap between “the democracy of everyday life” and democracy as practiced in Washington*,<sup>29</sup> between how well their neighborhoods and religious communities generally function, and the federal government’s often dismaying performance.\*

Fourth, *prosperity may have raised public expectations and demands*.† This could explain why voters from wealthier countries like the United States tend to criticize their governments more than those from poorer ones do, and also why they direct their discontent not at democracy per se, which still enjoys very strong support in all industrialized countries, but instead at their governing institutions and leaders. Some analysts ascribe this discontent to “postmodern” attitudes that erode respect for authority;<sup>30</sup> people want to know, “What have you done for me lately?”

Finally, *Americans harbor the conceit that we the people are not responsible for the government’s failures, which are instead caused by*

\*The main exceptions are one-off existential situations in which goals are clear and normal politics is largely suspended (as was the case in World War II), and the relatively few but important domestic program successes discussed in chapter 11.

†Brookings Institution economist Scott Winship shows that growing inequality is a doubtful explanation. See Winship, “How Much Do Americans Care about Income Inequality?” April 30, 2013, <http://www.brookings.edu/research/opinions/2013/04/30-income-inequality-winship>; and Scott Winship, “How Much Do Americans Care about Income Inequality? Part II,” May 15, 2013, <http://www.brookings.edu/research/opinions/2013/05/15-do-americans-care-about-inequality-winship>.

*alien forces in Washington*. In this self-justifying view, those politicians are shortsighted, selfish, partisan, lazy, and hypocritical, but we citizens are not. We do not acknowledge the role played by our inattention, apathy, cynicism, ignorance, and demand for many more government services than we are willing to pay for.\* Failure produces more finger-pointing than blame acceptance, as president John F. Kennedy noted after his own failure at the Bay of Pigs: “Victory has a thousand fathers; defeat is an orphan.” Walt Kelly’s cartoon character Pogo uttered another version of this truth: “We have met the enemy and he is us.”<sup>31</sup>

## DEFINING FAILURE AND SUCCESS

Assessments of policy or program effectiveness necessarily depend on how I (and the analysts whose work I synthesize) define and measure failure and success. Because these judgments are contestable, I use chapter 2 to explore these definitions and measures, answering questions like: Failure and success compared with what—an unregulated market? What about programs that are successful in some respects but not in others? How can one assess a program’s performance? Since even ineffective ones create *some* benefits for at least *some* people, how can we assess them *overall*? Chapter 2 presents my answers to such questions. I note there that the main index of a program’s performance should not be its durability or its enthusiastic defenders,† which may reflect political inertia protected by

\*Former congressman Barney Frank reportedly once told a group of complaining constituents, “We politicians are not great shakes, but you voters are not a day at the beach either.” Such candor is as rare as it is true. Most politicians flatter the voters, as when, in 1974, then presidential candidate Jimmy Carter called for “a government as good as its people.” Our framers had no such illusions, placing their faith not in individual virtue but in institutional arrangements. As James Madison wrote in “Federalist No. 51”: “If men were angels, no government would be necessary. . . . A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions.”

†Social Security and Medicare, our largest federal programs, are so popular that anyone who proposes to reduce their benefits risks political defeat. This is why president Barack

strategically positioned beneficiaries, but instead its *cost-effectiveness*. I explain there what this means, how it can be assessed, and why many such assessments are controversial. We shall see that it is much harder to assess government failure than market failure, and to conclude that particular public programs do or do not “work.”

As the analysis proceeds, readers should keep in mind several points that subsequent chapters will exemplify. Even the most successful programs (see chapter 11) exhibit flaws, some of them serious, and even failed policies confer some benefits. Sometimes the benefits are immense, but they are delivered at much higher costs than necessary. (This is why I do not count Medicare a success, as I explain in chapter 11.) All such assessments are *relative*—both to the criteria of success presented in chapter 2 and to how effective the program might be if its shortcomings could somehow be remedied. And although people often blame government failure on powerful interest groups, campaign contributions, and partisan polarization, the causes are almost always much deeper—and most of them, as we shall see, originate in Congress! In fact, interest groups (discussed throughout, especially in chapters 4, 5, 7, 8, and 11) are the lifeblood of a vibrant democracy like ours; their effects are large but widely misunderstood. Campaign contributions play a smaller role than most people think, as we shall see in chapter 7. And political polarization merely shows that the country is deeply divided; indeed, it has been from the very beginning and at times even more than now. But it does not explain policy failure.

Understanding government failure, then, presents complex challenges. Its funders, consumers, and ultimate appraisers—“We the People”—are more disgruntled than ever, and the social scientists who assess the evidence most rigorously find that these appraisers’ disapproval is amply warranted. In a consent-based polity, so damn-

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Obama, even with the political latitude afforded by his reelection in 2012, hesitates to offer specific proposals to alter these programs, and why the proposals of bipartisan, blue-ribbon commissions from Breaux under president Bill Clinton to Simpson-Bowles under Obama have largely been ignored.

ing a verdict by both generalist citizens and policy specialists should be a cause for grave concern.

## THE SOCIAL STAKES IN IMPROVING GOVERNMENT PERFORMANCE

Advocates of federal regulation can point to many social gains in recent decades—declining auto and airline accident rates, public health advances, legal rights for minorities and women, environmental protection, and the like—that they ascribe to public policy. Many policy analysts applaud the gains but are skeptical that the government is responsible for most of them. They argue that market and other factors produced most of the gains, and that more effective policies could have yielded gains that were larger, less costly, or both. I present evidence bearing on the competing claims in chapters 5–8. Skeptics concede that entitlements like Medicare and Social Security—where the big money is—have succeeded in redistributing wealth progressively, but think that much of the redistribution is unfair (to young people) and poorly targeted (to well-off Americans), and that some entitlement programs like food stamps and unemployment compensation create too much moral hazard (discussed in chapter 5). No serious analyst denies that the projected growth path, if unchanged, is unsustainable and eventually ruinous, but no one expects future policy makers to let that happen.

Reasonable people differ intensely over the proper *scope* and *size* of the federal government—that is, the areas of activity in which it should intervene, the projects it should undertake, and the means it should employ. Historically, the federal government’s size—and, more importantly, its responsibilities—have been hotly, sometimes violently, contested issues from the earliest days of our republic. Its role has waxed and waned in the wake of various crises or national emergencies. Notably, however, its expansion in the last half century—quite apart from national defense and other public goods—has been strikingly steady, ratcheting ever upward, with only the *rate* of increase varying.<sup>32</sup> Public administration scholar Paul Light has dis-

titled from the federal statutes enacted between 1943 and 2000 a list of the government's most important missions. The list demonstrates the remarkable growth in its programmatic ambitions during this period, a growth that even president Ronald Reagan could only slow, not reverse. Light also shows that various techniques that *every* modern president has instituted in order to eliminate bad programs, reduce wasteful spending, narrow the agenda by devolving authority to the states, and "starve the beast" (a phrase often used by small-government conservatives) through deep tax cuts have failed to turn the tide.<sup>33</sup> Historian Niall Ferguson notes that the *Federal Register* has grown two and a half times faster than the economy over a long period of time, and that the ratio of final rules issued by federal agencies to laws passed by Congress in the last decade has been 223 to 1,<sup>34</sup> not counting "Obamacare" (and many Dodd-Frank Act) regulations still to be promulgated. Political scientist John DiIulio shows that the expansionary dynamic is largely irreversible.<sup>35</sup> And other leading political scientists concluded in 1997 that "the realm of policy knows no conceptual bounds."<sup>36</sup> And this was *before* the government embarked on No Child Left Behind, expanded Medicare to cover prescription drugs, adopted vast new regulation of the financial system, and enacted the remarkably ambitious Affordable Care Act (not to mention waging two wars).

Today, federal domestic spending is at the highest share of gross domestic product (GDP) since the end of World War II (albeit still well below European levels). A larger share of Americans receive entitlements than ever before; the federal government now backs 90 percent of new mortgages (up from half before the financial crisis), and 93 percent of student loans (a share that will approach 100 percent, with private lenders now excluded from the market). The number of regulatory agency staff members has ballooned, and these staffers churn out more and costlier rules than ever before.<sup>37</sup> Much of this increased spending since 2008 was due to the Great Recession, but its link to the business cycle has attenuated as administrations propose more spending even in a growing economy. Reasonable people differ, of course, on the merits of a more interventionist gov-

ernment. My point for present purposes is that its growth increases the urgency of understanding its endemic failures.

Policies that don't work pose many risks to social well-being, but in this introduction I shall mention only four: (1) wasting scarce social resources; (2) suffering on the part of those Americans who most depend on government; (3) reducing future economic growth; and (4) threatening the government's legitimacy.

*Wasting social resources.* In 2011, the federal government spent approximately \$3.8 trillion. Even if we set aside the \$768 billion in defense spending as sacrosanct (which it isn't, as was evident in the budget decisions negotiated at the end of 2011), this leaves more than \$3 trillion of annual nondefense federal expenditure (almost 95 percent of total outlays) whose value depends on how well the government spends it.<sup>38</sup> Politics and ideology aside, the conventional justification for this immense expenditure is that the money is better spent by the government than by the private taxpayers from whom it is exacted. If and to the extent that this justification is false—if the government in fact spends it less wisely and generates less social value than taxpayers spending the same amount would—then the difference in that value represents sheer waste to society (what economists, usually when referring to certain market inefficiencies, call a deadweight loss).

This waste could occur for several reasons. First, taxpayers could derive more value from spending the same amount of money than even a perfectly executed government program (whatever that might mean) would generate. Second, the government program may perform less effectively (i.e., produces less social value) than it should—most obviously in waste due to duplication, overlap, and fragmentation of programs. (I discuss this problem in chapter 6.)<sup>39</sup> Although the first reason is no doubt important with respect to many government programs (I shall provide examples later on), my argument in subsequent chapters will focus primarily on the second.

*Those who depend most on government.* Every American is affected by federal programs; they are simply too ubiquitous to avoid. Even the wealthiest citizens, for example, benefit from public goods

such as clean air, the Centers for Disease Control and Prevention, national parks, and the federal courts. But taxpayers also support a host of subsidy programs that seek to extend access to education, housing, nutrition, and a host of other “merit goods.”\*

In contrast, tens of millions of Americans, especially those who are permanently disabled, and unemployable, are now utterly dependent on the government for the essentials of life: food, shelter, basic health care, and other protection against hazards for which they are not responsible and which they cannot absorb without great suffering. (For the purposes of the present discussion, the normative value and design of these programs and their effects on recipients and society are beside the point; I will discuss them later.) Precisely because such public provision is life sustaining, it is immensely valuable to the recipients—and also to those better-off citizens, evidently a majority, who want the government to provide for the indigent. For that reason, poor government performance—inefficiency, unjust distribution, mistargeting<sup>40</sup>—harms the putative recipients and dismays their public-spirited fellow citizens.

*Future economic growth.* The achievements of the United States that I described earlier constitute a record unparalleled in world history. But precisely because of our successful legacy, some question the nation’s ability to maintain, much less extend, these accomplishments in the face of remorseless challenges: global competition, implacable demographic changes, periodic financial and economic recessions, and rising public demands for more government intervention. Curing our daunting, interrelated pathologies—an embedded underclass, weak family structures, fiscally unsustainable entitlement programs, persistently mediocre (or worse) elementary and secondary education, growing inequality, a deteriorating infrastructure—demands many changes, some of which government policy alone cannot effect. But what we can and must demand of government is that its policies be cost-effective, a theme taken up in chapter 2. (Such discipline is not merely a domestic policy imperative. Mike

\*The concepts of public and merit goods are discussed in chapter 3. I discuss the effectiveness of programs to provide them throughout the book, especially in chapter 8.

Mullen, then chairman of the Joint Chiefs of Staff, said that “the single, biggest threat to our national security is our debt.”<sup>41</sup>)

Is the United States capable of reforming its system in these ways? I think so (otherwise I would not have written this book) but, in truth, many informed, sympathetic observers harbor serious doubts. Consider for a moment just the business environment. The *Economist*, generally a staunch admirer of American economic institutions, notes that growing legal restrictions on financial transactions are making it “so difficult to list shares on an American stockmarket that firms increasingly look elsewhere or stay private. America’s share of initial public offerings fell from 67 percent in 2002 (when the Sarbanes–Oxley Act passed) to 16 percent last year. A study for the Small Business Administration, a government body, found that regulations in general add \$10,585 in costs per employee. It’s a wonder the jobless rate isn’t even higher than it is.”<sup>42</sup> Quoting comments by Harvard Business School faculty and alumni, the *Economist* observes, “The US government is failing to tackle weaknesses in the business environment that are making the country a less attractive place to invest and [is] nullifying some of American’s most important competitive strengths. . . . 71% [of HBS alumni] said that American competitiveness would decline in the coming years.”<sup>43</sup> In June 2013, Niall Ferguson cited the United States’ dramatic decline since the mid-1990s in World Governance Indicators for voice and accountability, government effectiveness, regulatory quality, and control of corruption.<sup>44</sup> Subsequent chapters will express similar doubts about many other aspects of government performance (or passivity, which of course is itself a policy).

Many commentators insist that the problem is partisan bickering and congressional paralysis. I have my doubts. Incivility in politics is a long American tradition,<sup>45</sup> and many of the greatest governmental achievements of the past—the transcontinental railroad, the Hoover Dam, the interstate highway system—were accomplished only fitfully and after protracted disagreements, often appalling corruption, and political skulduggery.<sup>46</sup> Partisan polarization, I think, is not so much a *cause* of our problems as a *consequence* of a central political reality

that has its virtues and its vices: the American people, from whom the partisan politicians take their cue, disagree fundamentally about many of the substantive directions that they want policy and institutional change to take—though as we shall see in chapter 4, this polarization is often exaggerated. To some extent, moreover, public division over which policies to support and in what forms reflects the fact that the problems are so difficult even to comprehend, much less to solve. Until the public somehow reaches greater consensus on these difficult policy issues—something that politicians even in the recent past have occasionally managed to forge for a time—we will be mired in a status quo that can only be altered by effective government reform of one kind or another. This, of course, is easier said than done—but it *has* sometimes been done in the past. Chapter 11 provides some precedents for reform, and chapter 12 discusses some possibilities for today.

*Threats to government legitimacy.* The opinion data cited earlier indicates that the American people have dramatically less confidence and trust than they used to in the federal government's propensity to do the right thing. This is very bad news not only for those who advocate new and innovative public initiatives but also for those who want to reform or repeal existing policies. It seems to bespeak a genuine feeling that the government cannot or will not do much well or right. (I say "seems" because the questions posed in these surveys do not usually invite respondents to distinguish in their misgivings among different policy choices.)

Does this widespread and growing mistrust of governmental morality (doing "the right thing," whatever that might be) amount to a loss of its legitimacy? The answer to this important question depends on definition and degree. Some years ago, I cautioned against overuse of the concept, noting, "For many legal [and other] scholars, the invocation of legitimacy is not merely a handy rhetorical trope. It also serves as an indispensable prop, a kind of all-purpose, gap-filling, *deus ex machina* that we often use to rescue arguments that lack much empirical support or merely reflect our deeply-felt preferences.

We can all readily agree that any sound democratic regime must be perceived as legitimate in the sense that those subject to it accept and feel bound by its law *because* it is its law, quite apart from whether they agree with its merits.” In the specific context of affirmative action policy, I argued that when its advocates “insist that the policy is necessary to democratic legitimacy, what they really mean is that they feel very strongly about it. Their opponents, of course, feel just as strongly, yet this fact does not render laws authorizing [or prohibiting] affirmative action illegitimate.”<sup>47</sup>

At some point, to be sure, growing public suspicion of the government’s morality, motives, or competence might well produce widespread feelings of illegitimacy. This was illustrated most vividly in the public outrage over the abject failures of the Federal Emergency Management Agency in response to Hurricane Katrina.<sup>48</sup> In my view, however, public doubts about the government’s effectiveness and ability to do the right thing,<sup>49</sup> and do it reasonably well, do not yet amount to a perception of illegitimacy (although some astute commentators disagree<sup>50</sup>). Nevertheless, it does pose a growing danger, like rising floodwaters threatening to breach a levee. It is also sobering to recall, as Paul Light does, that there have been two periods in recent history—during the administration of president Ronald Reagan, and in the months following 9/11—when trust has rebounded but then fallen back.<sup>51</sup> Today, as noted above, trust in the federal government is lower than ever before. Given the unusually difficult political and policy challenges that it faces today and for the foreseeable future, such trust will be difficult, though not impossible, to regain. A relatively new development that supports this downbeat prediction is this: presidents and other elected officials on both sides of the aisle (albeit more often Republicans) no longer content themselves with merely disparaging this or that public policy; they now lead the chorus of systemic criticism of government competence and capacity.<sup>52</sup> More speculatively, increasingly well-educated, well-traveled, and technologically sophisticated citizens may be more receptive to such systemic criticisms of government as they hold it to

ever higher standards of professional ethics, wise policy making, and efficient administration.

Even if the current level of dissatisfaction falls short of widespread loss of legitimacy, it still constitutes a serious challenge to effective governance. It means not only that citizens hold low expectations of the government (which, after all, should be easier to satisfy), but also that the public is less willing to provide government with the authority, support, resources, and patience that effective policy making may require. Political scientist James Morone has chronicled the historical cycle of public dissatisfaction with government performance: discontent, demands for reform, and enactment of new policies, followed by fresh disappointment. He argues that the public's chronic suspicion of governmental power, a signal feature of American political culture going back to colonial times, has engendered a self-fulfilling prophecy: suspicious voters resist providing the government the power and resources that are necessary, in Morone's view, for the kind of successful, effective programs that could have reversed this mistrust and disrespect of government.<sup>53</sup>

There is little doubt that the perpetual despair–reform–despair cycle that Morone describes has confirmed, and likely increased, public resistance to large new policy initiatives. President Barack Obama's signature Affordable Care Act of 2010, far from refuting this claim, actually confirms it. In a heavily Democratic Congress, it survived a filibuster by one vote and its popularity began to plummet practically before the ink from the presidential pens was dry. As I write more than three years later after an election that returned Obama to office with a Senate controlled even more firmly by his party, many states continue to resist the new policy by failing to establish the mandated insurance exchanges and Medicaid expansions,<sup>54</sup> and public opinion about the act grows increasingly negative as full implementation unfolds.<sup>55</sup>

This resistance to grandiose public initiatives seems endemic to our time. *New York Times* columnist David Brooks has contrasted the New Deal era, when a desperate public actually believed that the

federal government could solve big problems, with the current public's weary cynicism.<sup>56</sup> As noted earlier, a large majority of Americans view big government as a larger threat to the country's future than even big business—and this only a few years after misconduct by major financial firms brought the economy to its knees.<sup>57</sup> This state of mind could be fatal to the kind of “public spirit” that political scientist Steven Kelman thinks is essential to sound policy making.<sup>58</sup> In short, all citizens have a vital stake in improving government's performance, but none more so than liberals and progressives deeply committed to bolder public undertakings.

Tellingly, federal policy intervention has increased over the same period during which public mistrust of government has risen. Contrary to what growing public disaffection might imply, the threshold for intervention is markedly *lower* today than it was as recently as fifty years ago. Long before the Dodd-Frank and Affordable Care Acts were passed, political scientists James Q. Wilson and John DiIulio noted the change:

The Old System had a small agenda. . . . When someone proposed adding a new issue to the public agenda, a major debate often arose over whether it was legitimate for the federal government to take action at all in the matter. . . . For the government to take bold action under this system, the nation usually had to be facing a crisis. . . . Each succeeding crisis left the government bureaucracy somewhat larger than it had been before, but when the crisis ended, the exercise of extraordinary powers ended. . . . The New System . . . is characterized by a large policy agenda, the end of the debate over the legitimacy of government action (except in the area of First Amendment freedoms), the diffusion and decentralization of power in Congress, and the multiplication of interest groups. . . . Under the Old System, the checks and balances made it difficult for the government to *start* a new program, and so the government remained relatively small. Under the New System, these checks and balances make it hard to *change* what the government is already doing, and so the government remains large.<sup>59</sup>

These institutional and attitudinal changes, then, place far greater demands today on a government already prone to policy failure and lacking the public's confidence. As we shall see, the deep, systemic

causes of programmatic failure cast great doubt on the claim by commentators like Morone that more authority and resources would enhance governmental performance commensurately.

Indeed, the trajectories of public confidence and federal expenditures have moved in opposite directions. More specifically, the decline in public confidence has paralleled a large growth in the share of federal expenditures devoted to safety net programs, especially for health care.<sup>60</sup> This correlation is a strong and consistent one. Whether the correlation between more government and less public confidence is causal is harder to say: Medicare, for example, has accounted for much of that budgetary growth, yet it enjoys very widespread public support. Likewise, as columnist Ezra Klein observes, the decline of confidence in government seems unrelated to the increase of money in politics (discussed in chapter 7).<sup>61</sup>

What is clear, however, is that the federal and state governments have grown steadily (the former is now more than five times as large as it was in 1960, in real terms, and the latter's growth during this period is even greater), that total government spending per capita in the United States is now greater than in France, Germany, and the United Kingdom, and that it grows in both good times and bad. Our debt-to-GDP ratio not only exceeds that of most European democracies but also the average for Latin America.<sup>62</sup> This growth in the federal government is obscured somewhat because it has largely taken the form of private contractors, nonprofit grant recipients, and state and local government implementers rather than federal employees *per se*. (I discuss this obscuring phenomenon further in chapter 10.) This fact probably explains why so many people, including many who should know better, still believe the antiquated notion that the United States has a relatively small public sector. As DiIulio put it in an important 2012 article, "Big government is here, and it isn't going away."<sup>63</sup> All the more reason, then, to demand that the giant become more effective.

The rest of this introductory chapter does five things: (1) it defines the scope of the analysis; (2) it presents general conclusions about government's performance by leading social scientists; (3) it

distinguishes optimistic and realist stances toward this performance; (4) it introduces the central role of markets in policy effectiveness; and (5) it provides a road map to the rest of the book. I then conclude with a paragraph about my own policy background and political orientation.

## THE SCOPE OF THE ANALYSIS

My analysis concerns only *federal domestic programs*. Thus, I do not discuss foreign, military, or national security policies. The criteria, measures, and expectations of effectiveness in these areas are simply too controversial and opaque.<sup>64</sup> Nor do I consider state and local programs. This has nothing to do with their significance in American life. Indeed, as I discuss in chapter 4 under the rubric of localism, state and local governments perform highly important functions, especially in education, criminal justice, and land use regulation. They constitute roughly half of the nation's public sector, and have expanded their workforces far more than the federal government has. Federal policy vitally affects state and local governments in many ways—for example, through enforcement of federal laws against state and local police forces and other programs,<sup>65</sup> or federal mandates (funded and unfunded). Including them here, however, would be an unmanageable undertaking. Even so, the analysis in the chapters that follow will shed considerable light on lower levels of government because many of the same systemic forces that shape federal performance also apply, *mutatis mutandis*, to them.

By the same token, the performance of foreign governments is outside my ken here.\* Many of our government's defects are also found elsewhere—see, for example, *The Blunders of Our Governments*, a 2013 book about British failures<sup>66</sup>—but again, this book

\*Such comparisons, however, would hardly be reassuring. A comparison of our progress on seventy-five separate objectives with that of other leading democracies up to the mid-1990s found that it has been below average in roughly two-thirds of the cases and at or near the bottom in approximately half. See Derek Bok, *The Trouble with Government* (2001), table 2.

does not analyze governments in general. The term *exceptionalism* points to many unique features of our public and private orderings;<sup>67</sup> some are highlighted in chapters 3 and 4. Comparisons between our government's effectiveness and that of other advanced liberal democracies might yield valuable insights, but they would suffer from severe data and comparability problems, which is why they are rare.<sup>68</sup> In certain areas, however, foreign experiences may have much to teach us—for example, about bureaucratic organization (chapter 10) and the war on drugs (chapter 8). I shall draw upon them where they seem useful and reliable.

My analysis focuses on the *actual performance of government programs that are already in place*. I do not discuss the more abstract theoretical, philosophical, or ideological claims about the nature, role, and scope of government under one or another political theory. Library shelves already groan with weighty tomes on the origins of government, the various forms that it may assume, the a priori arguments concerning its proper purposes, and the sources and nature of political obligation, legitimacy, and power. All societies have grappled with these fundamental questions, and every political philosopher since Aristotle has reflected on them, often brilliantly. But exploring them would distract from my narrower purpose here. Accordingly, I shall finesse them, with apologies to (and disagreement with) those who believe that one cannot assess and explain government performance without resolving these core philosophical and theoretical questions. Instead, I shall for the most part take the current configuration of government programs as a given and try to answer questions of the following sort: What kinds of programmatic tasks has the government set for itself, and how well does it perform them? Why does the government fail so often in discharging those tasks, and which factors best explain its occasional successes? How might we do better?

These questions are dauntingly difficult—even conceptually. This probably explains why no one has taken them on in *systematic* fashion. By *systematic*, I mean an analysis that (1) applies to a broad range of specific public policies; (2) focuses on the structural, en-

demic forces that shape government performance rather than the contingent and partisan ones; (3) rests on empirical evidence of government performance rather than intuitions or deductions from political theory; (4) invokes economic analysis where relevant (as it often is) but goes beyond it; (5) has no partisan, ideological, or interest-based ax to grind and no programs to defend; and (6) is conducted in a pragmatic, moderate, meliorist spirit.<sup>69</sup>

## SOCIAL SCIENCE EVIDENCE ON GOVERNMENT PERFORMANCE

Systematic studies of government performance exist, but they are rarer than one might think. Peter Orszag and John Bridgeland, top budget and policy officials in the administrations of presidents Barack Obama and George W. Bush, respectively, write, “Based on our rough calculations, less than \$1 out of every \$100 of government spending is backed by even the most basic evidence that the money is being spent wisely,” which is hardly surprising given that in the hugely costly health care area, “less than \$1 out of every \$1000 that the government spends . . . this year will go toward evaluating whether the other \$999-plus actually works.”<sup>70</sup> And those studies that are conducted are narrow in scope. Alan Gerber and Eric Patashnik report that political scientists—our most thoroughgoing students of government—publish four times as many works on distributive issues than on studies of government effectiveness.<sup>71</sup> (They imply here that if more studies were conducted, more failures would be documented.) Political scientist Terry Moe, reviewing the public choice scholarship that has dominated the field in recent years (more on this in chapter 4), observes, “The question that has traditionally been at the heart of public administration . . . the effectiveness of the bureaucracy—is given no serious attention.”<sup>72</sup> (This is not quite true. Chapter 5 shows that even flawed public choice theories can shed useful light.)

Microeconomic studies provide the best evidence on programs’ effectiveness, and I shall rely heavily upon them in the chapters that

follow. As Wilson explains, social science is at its most rigorous when conducting retrospective studies of existing policies that can “tell people in power that something they tried did not work as expected.”<sup>73</sup> In this introduction, I merely canvass more general evaluations of programs’ performance by leading social scientists.

Noted sociologist Peter Rossi, writing in 1987 after many years of experience in evaluating government programs, formulated the following “metallic laws” of program effectiveness:

*The Iron Law of Evaluation:* The expected value of any net impact assessment of any large scale social program is zero. The Iron Law arises from the experience that few impact assessments of large scale social programs have found that the programs in question had any net impact. The law also means that, based on the evaluation efforts of the last twenty years, the best a priori estimate of the net impact assessment of any program is zero, i.e., that the program will have no effect.

*The Stainless Steel Law of Evaluation:* The better designed the impact assessment of a social program, the more likely is the resulting estimate of net impact to be zero. This law means that the more technically rigorous the net impact assessment, the more likely are its results to be zero—or no effect. Specifically, this law implies that estimating net impacts through randomized controlled experiments, the avowedly best approach to estimating net impacts, is more likely to show zero effects than other less rigorous approaches.

*The Brass Law of Evaluation:* The more social programs are designed to change individuals, the more likely the net impact of the program will be zero. This law means that social programs designed to rehabilitate individuals by changing them in some way or another are more likely to fail. The Brass Law may appear to be redundant since all programs, including those designed to deal with individuals, are covered by the Iron Law. This redundancy is intended to emphasize the especially difficult task faced in designing and implementing effective programs that are designed to rehabilitate individuals.

*The Zinc Law of Evaluation:* Only those programs that are likely to fail are evaluated. Of the several metallic laws of evaluation, the zinc law has the most optimistic slant since it implies that there are effective

programs but that such effective programs are never evaluated. It also implies that if a social program is effective, that characteristic is obvious enough and hence policy makers and others who sponsor and fund evaluations decide against evaluation.<sup>74</sup>

Rossi, a highly sophisticated analyst with a tart tongue in his cheek, surely did not mean that his “laws,” iron or otherwise, are certainties, only that they are exceptionally strong tendencies. And while his reference to “expected value” of zero implies that some assessments might be more positive, it also implies that at least many will be negative rather than simply have “no effect.”

Two books published in 2006 by the predominantly government-friendly Brookings Institution tend to support and extend Rossi’s iron laws. One is a collection of articles whose authors analyzed the effectiveness of four large, costly, and important federal policy undertakings.<sup>75</sup> In a case study of a particular arthroscopic surgery undergone by millions of Americans at federal expense, the authors find this procedure often unnecessary, usually no more valuable than a placebo, and subsidized by the government without any good evidence of effectiveness.<sup>76</sup> The vast majority of federal spending on urban mass transit goes to transit workers (at above-market wages) or equipment suppliers, with just 25 percent used to improve transit and to lower fares.<sup>77</sup> Federal rental housing programs are dominated by unit-based assistance when recipient-based assistance would be far more cost-effective: “Even the smallest estimates of the excess costs of unit-based assistance imply that shifting ten families from unit-based to recipient-based assistance would enable us to serve two additional families.”<sup>78</sup> And the federal special education program both creates incentives to include many students who are not truly disabled and underserves those who are.<sup>79</sup>

The second Brookings book, authored by regulatory economist Clifford Winston, reviewed *every published scholarly study he could find* of the actual microeconomic policy effects of federal programs designed to correct three types of conventional market failure: market power, information inequalities and externalities, and

public goods.\* (In chapter 2, I explain the notion of market failure; chapter 5 discusses nonmarket or government failure.) I detail many of Winston's specific program evaluations in chapter 8, but here I simply present his conclusion that "policymakers have attempted to correct market failures with policies designed to affect either consumer or firm behavior, or both, or to allocate resources. Some policies have forced the U.S. economy to incur costs in situations where no serious market failure exists, while others, in situations where costly market failures do exist, could have improved resource allocation in a much more efficient manner."<sup>80</sup>

These scholarly critiques of government performance are echoed in program-specific studies by government agencies and think tanks, and in peer-reviewed academic analyses. In 2012, I and two research assistants canvassed all of the assessments published since 2000 by the Government Accountability Office, the Office of Management and Budget, the center-left Brookings Institution, the center-right American Enterprise Institute, and two conservative think tanks, the Cato Institute and the Heritage Foundation. (The Congressional Budget Office conducts only prospective, predictive assessments of proposed policies, so its reports were not useful for my purposes.) The results were stunning. We found more than 270 such assessments, some of which will be cited in later chapters. Only a small number of these assessments could be considered positive; the vast majority were either clearly negative or showed mixed results.

This scorecard, of course, is not decisive. Critics might raise three objections—selection effect, unrepresentative examples, and "success is in the eye of the beholder"—which I have endeavored to meet.

\*Clifford Winston, *Government Failure versus Market Failure: Microeconomic Policy Research and Government Performance* (2006). Winston largely eschewed studies conducted by the government, agreeing with regulatory economist Robert Hahn that such studies "can be biased, inconsistent, and technically flawed because they have not been subject to review by appropriate scholars. Hahn even suggests that some government agencies do not appear to trust the numbers produced by government assessments of their own policies" (9).

A selection effect could occur in two ways—either if assessors were more likely to evaluate programs of doubtful effectiveness, perhaps in order to help policy makers improve them or replace them with better ones, or if assessors were motivated by an antigovernment bias. A selection effect under which putatively weak programs are more likely to be assessed is plausible, but it is also plausible that those who support particular programs will want them assessed in order to demonstrate their merit to skeptics and to the public. A priori, it is hard to know which tendency dominates in any particular situation.\* As for ideological bias, it is not confined to conservative opponents of public programs but can also be found among liberal-progressive defenders of more active government. The only practicable way to assure analytical balance is to rely on studies published in peer-reviewed academic journals by professionally qualified researchers from mainstream institutions. My own approach to these questions is summarized in the final paragraph of this chapter.

A representativeness critique would argue that the policies whose assessments I report here constitute but a small fraction of those that fill the pages of the United States Code and the *Federal Register*, and that they are not representative of the much larger set that I do not discuss. Without assessing all programs, no one can say for sure whether the ones I do discuss are representative, and because programs differ from one another across so many dimensions—substantive content, animating theory, legal requirements, leadership talent, bureaucratic talent, public and congressional support, interest group dynamics, market conditions, implementation obstacles, funding, and many others—no sampling technique could possibly meet rigorous social science standards. What I can say is that the programs I do discuss are particularly important by reason of their budgetary size, prominence, durability, and political support. Because the structural

\*Winston, focusing on the academic studies that he canvassed, concedes the possibility of such a selection bias but adds that “academics, especially economists, are contentious individuals who are unlikely to shy away from the opportunity to challenge other researchers’ findings simply because they will be identified as supporting government policy.” Winston, *Government Failure versus Market Failure*, 11n3.

factors analyzed in part 2 evidently impair the performance of so many important programs, and because these factors are present in one form or another in virtually all other programs, I can think of no reason why the patterns that I shall describe would not also apply to them. Accordingly, the burden of proof should now shift to those who deny the accuracy or representativeness of the evidence that I shall adduce, or the inferences that I shall draw from it concerning the policy effectiveness of particular programs.

The “eye of the beholder” critique—the notion that a program’s effectiveness is nothing more than a subjective judgment on the assessor’s part—assumes that more objective assessment criteria of success and failure are unavailable. This critique is discussed and refuted in chapter 2.

## OPTIMISTS AND REALISTS

Policy analysts can be broadly grouped into two camps: optimists and realists. Optimists look at the many national achievements that I listed early in this chapter and insist that the government had a lot to do with these gains. In one variant of this optimism, political journalist E. J. Dionne thinks, contrary to what I argue below, that government would succeed more often if public expectations were higher, not lower.<sup>81</sup> Kelman is another prominent optimist, noting, “Government performs better than its reputation, but not well enough. . . . Government organizations take millions of young children every year and teach them to read. . . . A government organization gets millions of old people a pension check every month. Government organizations enforce environmental laws, and the air gets cleaner. The wilder tales of government waste and incompetence generally turn out to be grossly exaggerated upon closer examination. Furthermore, just as new government programs can fail, so too can new products from private firms fail because of the inability to create organizational capacity to make them succeed.”<sup>82</sup>

Part 2 will show that Kelman’s optimism is excessive and misguided. He vastly underestimates the barriers to more effective gov-

ernment; some are remediable (see chapter 12), but many are too structural for significant improvement. He assumes that government is responsible for producing environmental and other social gains; we shall see, however, that the government's causal role in producing some gains—relative to other factors—is often debatable, and that some outcomes are not gains at all but have made matters worse (see examples in chapters 5, 8, and elsewhere). His assertion that both government and markets can fail is true but misleading as it implies a false equivalence: failed products quickly exit the market; failed programs, like diamonds, are forever.\* To cite but one of countless examples: the Davis-Bacon Act, a perennial target of policy reformers because of its wastefulness, was passed in 1931 and shows no sign of departing.<sup>83</sup> Were Kelman to review—as a hard-eyed analyst, not a dewy-eyed idealist—the mountain of empirical evidence presented in part 2 on the ineffectiveness of program after program, he would probably have to abandon his optimism; there simply is too little basis for it, except perhaps for straightforward redistributions like Social Security and a few other areas like voting rights (see chapter 11).

Realists believe that optimists are, well, unrealistic. One group—call them the *stoic* realists—holds that government failure is an inevitable product of the human condition in a fallen world populated by Immanuel Kant's "crooked timber of humanity,"<sup>84</sup> where politics and self-interest, narrowly conceived, contaminate everything. The stoic would point out that the "good enough for government work" indictment is equally true of flawed families, religions, markets, popular culture, universities, friendship, sex, sports, and everything else that matters to us. In this world-weary, tragic view, the best advice to the disappointed citizen is "get over it."

As will become clear, I am a different breed—call me a *melioristic* realist. I emphasize the deep, recurrent reasons for widespread

\*See James Q. Wilson and John J. DiIulio Jr., *American Government: Institutions and Policies*, 12th ed. (2011), 463: "Policies once adopted tend to persist, whatever their value. (It is easier to start new programs than to end old ones.)" Congress does occasionally kill programs, but not remotely as many as it creates; Bok, *The Trouble with Government*, 91.

government failure analyzed in this book, believe that most of them are endemic to our system, and note that policy makers can have at best a severely limited knowledge of the opaque, complex social world that they seek to change, and meager tools for changing it—a point to which I return in the book’s final pages. Nevertheless, as chapter 12 demonstrates, I am convinced that important policy-making improvements are possible in many areas if demanded by a public that is better informed about how human nature operates in the political realm, about how government works and doesn’t work, and about what it can and cannot realistically deliver. I return to this melioristic realism in chapter 13.

## A PREFACE TO MARKETS

Markets cast long shadows across *all* policy making. Although they receive separate and lengthy analytical treatment in chapter 7, their effect on government performance is so great that I introduce them briefly here by way of introduction. Markets protected by property rights and the rule of law advance many precious human values: liberty, decentralization of power, competition, individual choice, productive incentives, prosperity, a robust civil society, and crucial information about costs, benefits, and desires that cannot be obtained as quickly, cheaply, and accurately in any other way. Markets have improved the standard of living of billions of people, particularly during the last few decades with the rise of China, India, and many other developing economies. In that vital sense, markets have also reduced inequality in those countries and strengthened many other civil society institutions on which the quality of community life ultimately depends.

At the same time, any particular market can exhibit defects (“market failures,” schematized in chapter 2) that reduce efficiency in that market and may also yield distributive outcomes that society deems unacceptably unfair. As detailed in chapter 8, much policy making seeks to ameliorate these market failures, whether real, exaggerated, or imagined. It is hard to know whether a particular market’s failure

is large enough to warrant policy change, and whether government interventions of one kind or another can improve matters over the market baseline. These questions are partly theoretical, partly empirical, and partly normative; reasonable policy makers and citizens tend to disagree about them. But as chapter 2 will show, they are the *right* questions. Later chapters offer two types of convincing answers: general, systemic analyses identifying the conditions that presage policy failure or success, and specific policy assessments marshaling empirical evidence that reveals how effective those policies actually are.

Markets are fueled by self-interest, which is one reason why many Americans mistrust them.<sup>85</sup> For centuries, critics have viewed this as a moral problem, identifying self-interest with materialistic excess, exploitation, and absence of the gentler virtues. Many public intellectuals and religious people claim that market-driven commercialism crowds out more communitarian, moral, and aesthetic values.<sup>86</sup> On the other side, many have argued, at least since Charles de Secondat Montesquieu and Adam Smith, that the values that markets esteem and reward—liberty, attention to others' needs and preferences, risk taking, cooperation, gains from trade—underlie and promote conventional morality and generate valuable forms of solidarity.<sup>87</sup> Markets also facilitate environmentalism, cultural preservation, philanthropy, and other desirable practices—even religion, whose vitality in the United States has been stoked by fierce market competition for congregants.<sup>88</sup>

What is incontrovertible is that American society, more than perhaps any other on earth, favors markets as the strong default condition. The United States defers entirely or partly to market actors to perform many of the functions that in other advanced societies are reserved almost exclusively for government—for example, health care, pensions, low-income housing, education, social services, and bail bonding. We are far more likely than others to believe that market outcomes reflect hard work and talent rather than luck; one-third of Americans think that our fate is determined by outside forces, not personal behavior, while nearly two-thirds of Europeans think this.<sup>89</sup> Americans, to be sure, often support regulation to reform markets,

producing far more of it today than even a decade ago, especially in health care and financial services. But even in the “new system” described above by Wilson and DiIulio, we also demand special justification to overcome the promarket and civil society defaults for solving perceived problems. Indeed, when Congress does intervene to reform markets, it often relies on private entities or public-private hybrids like Fannie Mae and Freddie Mac to get the job done rather than solely public administration. Such preferences dovetail with some other aspects of our political culture (see chapter 4).

This promarket default, which the New System has weakened, reflects three sturdy national values and a common misconception. The values are a highly individualistic, capitalism-friendly ideology, materialistic consumerism, and a chronic mistrust of centralized governmental power. It is striking indeed that even corporate power, which has aroused populist movements and popular indignation throughout our history—the public protests against the post-2007 economic meltdown, scandals, and officials’ solicitude for large financial interests are only the most recent example—tends to arouse less suspicion than governmental power. The misconception is that our political economy is divided into two separate spheres—government and civil society (which includes markets)—whereas in reality they are hybrid, highly interactive forms fundamentally shaped by each other.

Although chapter 7 focuses on markets, their complex relationship to public policy plays an important role in *every* chapter’s analysis. In each case, I shall approach markets pragmatically: markets tend to work well compared both with the government’s own performance and with much of the regulation that tries to control them, but they are not sacrosanct. If a strong case can be made for improving on markets in the interests of greater fairness or efficiency, reformist politicians will eagerly take up the gauntlet and many voters will support them; otherwise, not. But this public philosophy still leaves us with the two questions that this book seeks to answer: how effective are government policies (including those that hope to improve or use markets), and why is failure so common?

In this introduction, I have presented enough preliminary evidence of widespread government failure and public dissatisfaction to support (only provisionally, to be sure) the two general hypotheses advanced earlier: first, the public's dissatisfaction is well-founded, amply justified by the government's record of poor performance; and second, the root causes of this endemic policy failure are structural and thus largely inescapable under present policy-making conditions. A corollary is that government failures do not merely reflect poor implementation of sound policies—although implementation obstacles are indeed a major cause of failure, as we shall see in chapter 8—but are built into the system and thus that much harder to rectify. In chapter 12, I propose remedies for this endemic failure with this caution clearly in mind.

Hopefully, this introduction will induce readers to hang in there to consider the more substantial evidence, both theoretical and empirical, presented in the rest of the book. In lawyers' jargon, I want at this point merely to survive an early motion to dismiss by readers who assume that government usually succeeds in achieving what it sets out to do. If so, I can then proceed to the "discovery" stage, where I present the existing evidence about its *actual* performance. By book's end, I hope to persuade you, the jury, that I have proved my case. As the saying goes, everyone is entitled to his own opinion, but not to his own facts.<sup>90</sup> And the facts about government performance are damning—and vital to our efforts to do better in the future.

## A ROAD MAP OF THE BOOK

This book consists of thirteen chapters, divided into three parts. Part 1 (chapters 2–4) provides the context in which policy making occurs. Part 2 (chapters 5–11) constitutes the book's core, presenting an immense body of empirical findings on the effectiveness of an extraordinarily broad range of federal domestic policies. Each chapter analyzes a discrete cluster of endemic sources of government failure that are deep, structural, and systemic. As such, these problems cannot

easily be remedied but they can be mitigated. Part 3 (chapters 12–13) explains how this might be done. Because these sources of failure are multiple, interrelated, and often occur simultaneously, the topics treated in part 2's chapters are not as analytically discrete as the chapter titles might suggest. They inevitably overlap to a degree, and even my many cross-references to other chapters cannot completely alert this fact to the reader.

### *Part 1*

Chapter 2 presents the methodology of policy assessment. It addresses questions on which any analysis of governmental effectiveness must turn: how should we define failure and success, with what bases of comparison in mind, and how can we assess the performance of particular programs in light of those criteria? Because no crisp, wholly satisfactory answers to these questions are possible, I suggest a number of approaches that converge enough to support the book's hypotheses about why government fails so often.

Chapter 3 provides the necessary background on how public policy making works. It is divided into five parts: (1) the different *functions*—some indispensable, most matters of policy discretion—that the government performs; (2) the *processes* of policy formulation; (3) the *missions* that agencies are assigned to perform; (4) the diverse *instruments* that can be deployed in pursuing these missions; and (5) the most important *institutions and practices* that constrain government performance. Readers who already possess a sophisticated knowledge of political economy and of how policy making works may want to skip this chapter—although it emphasizes aspects of policy making that even the cognoscenti may overlook.

Chapter 4 probes the unique political culture in which our policy-making system is embedded. It focuses on ten elements of this culture: (1) constitutionalism; (2) decentralization; (3) protection of individual rights; (4) interest group pluralism; (5) tolerance for inequality; (6) religion and political moralism; (7) social diversity; (8) populism; (9) public opinion; and (10) civil society. These values and attitudes animate and constrain policy makers at every turn.

## *Part 2*

Chapters 5 and 6 analyze the most fundamental characteristics that shape the substance of public policy, afflict its performance, and distinguish it in kind or in degree from most private decision making. Chapter 5 explores two of these characteristics: the incentives of policy makers and of private actors who policies affect (including policy-induced moral hazard), and the irrational aspects of policy makers' decisions. Chapter 6 considers four others: (1) information deficiencies; (2) the inflexibility of the policy system; (3) its credibility problem with those whose cooperation is necessary for success; and (4) mismanagement encouraging fraud, waste, abuse, and related conduct.

Chapter 7, as already noted, focuses on how markets affect policy performance. It is long, as befits the importance of the topic. I show that the powerful incentives, logic, hydraulics, and political influences of markets are difficult to control and tend to undermine the effectiveness of many public policies, including those explicitly designed to correct market failures. Although market-savvy Cassandras often predict policies' ineffectiveness, their warnings, like those of their classical namesakes, usually go unheeded until it is too late and the policy misfires. After showing how markets compete with government for participants, administrative talent, and performance, I discuss nine reasons why markets tend to confound the effectiveness of policies that seek to perfect them: (1) speed; (2) diversity; (3) informational demands; (4) price and substitution effects; (5) trans-jurisdictional effects; (6) political influence; (7) obstacles to policy enforcement; (8) "informal" markets; and (9) the lack of good substitutes for market-based ordering. (Two other reasons, moral hazard and black markets, are discussed in chapters 5 and 7, respectively.) In the chapter's final section, I explain how innovative policy makers have sought to exploit market forces for policy purposes (especially environmental protection) rather than trying to subdue them. While I generally support this innovative approach, I show how it too is hobbled by implacable market forces.

Chapter 8 analyzes the problem of policy implementation—the obstacles that invariably litter the path between policy design and real-world outcomes. Policy makers can and often do try to anticipate these implementation problems, but their efforts almost always fall short—and for identifiable, predictable reasons. These reasons may include a flawed social or causal theory, faulty program design, naïveté or ignorance about the force of the relevant market(s), political-bureaucratic impediments, and a host of other unforeseen, often inchoate developments including Murphy’s Law (“anything that can go wrong will go wrong”). Given the indeterminacy of precisely which factors cause which particular policy failures, I use the term *implementation* to refer to any or all of them. After using a particularly well-documented example—the Oakland Project—to illustrate how these factors interact to produce policy failure, the chapter reviews the empirical evidence on the effects of a large number of specific programs across a broad range of public policy domains. I organize this large body of evidence around six broad categories of policy goals directed at markets: (1) perfecting them; (2) eliminating them; (3) redirecting them; (4) midwifing them; and (5) mobilizing them for regulatory purposes.

Chapter 9 is concerned with law—the vocabulary and grammar in which almost all public policies (except for the policy of inaction) are expressed—and particularly with its inherent limits. I focus on six of these limits: (1) law’s ubiquity; (2) the inescapable trade-offs between simplicity and complexity; (3) its linguistic ambiguity; (4) the discretion necessary for it to function; (5) its costly procedural apparatus; and (6) its inertia. These inherent limits, I suggest, preordain much of the government’s failure.

Chapter 10 discusses the growing pathologies of the civil service bureaucracy that, depending on the policy instrument being used, typically implements the policy at the governmental end and monitors and enforces it when the private sector acts on it.

Chapter 11 is about policy success. Given the dismaying portrait of endemic government failure that I paint in the earlier chapters, it is reassuring to know that some programs have been relatively suc-

cessful. I discuss some of the most important ones, and analyze what conditions, systemic and otherwise, seem to account for their success.

### *Part 3*

Chapter 12 advances a guardedly optimistic reform agenda, discussing three approaches to reform. Two of them—policies to promote cultural change that might in turn produce better outcomes, and changes at the most basic level of constitutional design—are almost certainly nonstarters, but I take them (especially the latter) seriously. This prediction reflects my sense of political reality, my respect for the remorseless law of unintended consequences,<sup>91</sup> and my conviction that cautious, carefully tested reforms often produce better outcomes than more radical ones do. Accordingly, I devote most of the chapter to a third, far more promising approach—cross-cutting reforms that seek to reduce the dysfunctional aspects of the policy systems diagnosed in part 2. I illustrate these reforms by imagining how they might improve some specific programs that are now failing us.

Chapter 12's proposed reforms will strike some readers as merely incremental. This incrementalism will disappoint more radical reformers who deride it as both unimaginative and not going to the root of the problems. I nevertheless defend incrementalism there as a wise, honorable, efficacious, and profoundly moral concession to our cognitive limitations, our complex social systems, and our diverse views of what constitutes good policy.<sup>92</sup>

Ironies abound in the struggle between incrementalists and more audacious reformers. Small, cautious changes, for example, sometimes cumulate over time into far-reaching reform, as with food stamps, which grew from a small temporary program in the 1930s to one serving nearly 45 million low-income Americans today (see chapter 11). At the other, root-and-branch end of the policy spectrum, relatively comprehensive reforms often come a cropper, which fuels disillusionment and may even discredit the progressive project. Thus, campaign finance regulation, which its advocates claimed

would “take the money out of politics,” has done pretty much the opposite and fueled fury at the Supreme Court’s protection of core political speech (see chapter 7). In such cases, disappointed reformers will often insist that a more radical reform would have worked—a counterfactual that, conveniently for them, can be neither proved nor refuted. Finally, opposition to modest gains may doom reform altogether. For instance, president Richard Nixon’s family assistance plan, which liberals rejected as inadequate, would have installed their long-sought principle of income guarantees for the poor, thus opening the door to future expansion.

Chapter 13 sums up, presenting the major themes that emerge from the analysis. All Americans have a strong stake in understanding why government’s failures are so endemic, and what might be done to improve matters. For liberals, poor performance both discredits activist government and swallows up the precious resources needed to sustain and extend it. Once conservatives accept that an activist state is here to stay, they can focus on improving programs’ effectiveness, not just quixotically demand wholesale repeal. Centrists must learn enough about the true causes of failure to propose moderate solutions. If we do not do so—and soon—our great experiment in self-government may itself come to be seen as a failure. In an era of fiscal cliffs, pallid enforcement, special-interest pandering, and growing public disgust with politicians, this warning is not hyperbole.

For better *and* for worse—and it *is* both—we are largely stuck with the government that we’ve got along with many of the cultural legacies, institutions, processes, and values that have shaped and inspired it for two and a quarter centuries. Reform is both essential and within our reach. But more radical transformation—if it be desirable, which is harder to predict, the more radical it is—must await a new political dispensation whose contours are not yet visible and whose consequences are thus even more speculative.

Finally, a few words about my own bona fides. I am a political independent, a self-styled militant moderate who has always voted for Democrats for president (except for a protest vote in 1968).<sup>93</sup> I served as a former policy planning official in the Department of

Health, Education, and Welfare during the administration of president Jimmy Carter, and am as committed to social progress (properly defined and suitably pursued) as the most interventionist reformer. I support many public programs, and as a citizen I take no pleasure (indeed, I am dismayed) in finding how often my government fails, as I dutifully report in the chapters that follow. I do take heart from the important successes to be discussed in chapter 11 but, regrettably, they are too few and far between. However, they can help us understand the reasons for the far more numerous failures.