A Politics of Public Goods

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Although federal budgets have grown by trillions of dollars over the past half-century, one activity of government has become steadily less substantial: the percentage of the federal budget and the share of the national wealth spent on public goods. The provision of things like clean air, national defense, basic scientific research, and roads—things, in short, that benefit the great bulk of the population through their very existence—has long been a core state function. The shift in spending away from these goods and increasingly toward social-insurance programs has correlated both with the growth of the state and a decline in the respect Americans have for it.

It therefore stands to reason that a shift away from social insurance and back toward public goods could restore the prestige of government, increase America’s social and economic dynamism, and provide a democratically acceptable way to shrink the state. And doing so would be healthy. Relative to other potential visions of a modern, fundamentally liberal state focused on protecting rights, a return to one in which government focuses on public goods might simultaneously prove more democratic, more effective, and more unifying.

Building such a state, however, would require a clear, compelling vision of a sort that contemporary political leaders have yet to put forth.

Public Goods versus Social Insurance

The term “public goods” comes from the work of economist Paul Samuelson, but the concept has long been fundamental to economic thought. In strict terms, economists say that public goods are “non-rivalrous” and “non-excludable.” Non-rivalry means that one person’s “use” of a public good does not diminish another’s ability to enjoy it. Non-excludability means
that it’s impossible—or at least deeply impractical—to exclude anyone from the benefits of the good. Clean air is the archetypal public good: There’s no way to stop people on the Earth’s surface from breathing the air, and one living being’s breathing does not stop another’s. National defense, public statistics, and the findings of basic scientific research on the laws of nature are other examples of core public goods.

Several other goods resemble public goods and are usually called “quasi-public goods”: major transportation and telecommunications infrastructure, clean water, stable soils, flood control, public parks, and the like. Most quasi-public goods are to some extent rivalrous or excludable—for instance, a road can become clogged with traffic, and water can be rationed. But exclusion can be impractical (as with clean water) or simply rare (as with urban public parks). All of these goods may be thought of broadly as “public goods,” which is the term I use going forward when discussing them as a whole.

Nearly every government in the world concerns itself with public goods. The least controversial functions of government include administering courts, providing a police force, and ensuring the continuity of ruling institutions. And beyond that, nearly every nation in history has had a military, while nearly all modern states of any size have carried out some environmental-protection activities. Also, all but a handful of modern nation-states—at least in theory—are chartered to guarantee the physical safety, rights, and liberties of their populations. But public goods, of course, are not the only benefits that governments provide their populations.

Starting in the late-19th century, governments have concerned themselves with another set of responsibilities: social insurance. While nearly all sizeable, centralized states in history have had some means of caring for those who lacked the resources, initiative, or ability to take care of themselves, social insurance is different in that it aims to soften or eliminate the vicissitudes of life for the great majority of the people. Rather than providing relief from poverty through efforts such as workhouses in Victorian England or free bread in the Roman Empire, social-insurance systems concern themselves with providing benefits to the bulk of the population.

Scholars consider Otto von Bismarck’s set of social reforms in Germany in the 1880s to be the first modern social-insurance state. Under Bismarck’s system, health benefits, pensions, and a version of workers’ compensation insurance were either provided by the state or
mandated to be provided by employers. These benefits covered almost everybody, and they were popular—so much so that they were widely replicated around the world. Indeed, by the end of World War II, every wealthy country had established a welfare state that provided some version of the aforementioned benefits to nearly every citizen.

The United States is no exception. Social-insurance payments writ large—Social Security, disability insurance, Medicare, Medicaid subsidies, the Supplemental Nutrition Assistance Program (SNAP), several smaller programs for one-parent households, flood insurance, crop insurance, and a variety of other programs—comprised 72% of federal outlays in 2017. Meanwhile, only 19% of the budget was spent on things like defense, research, clean air, and roads—things that might broadly be classified as public goods. (The balance consists of interest on the debt, conduct of foreign affairs, the administration of courts, the operation of Congress, and other general functions of government such as elections.) Some of these programs, particularly Social Security and Medicare, are seen as “forced savings” in that they are financed in part through payroll taxes paid by future beneficiaries who must work a certain amount to earn benefits. But none of them really are: Social Security and Medicare spending actually comes from a combination of current revenues and special illiquid “bonds” held in trust funds.

The shift away from investments in public goods has been gradual but continuous, albeit with a few breaks. Social insurance started making up a majority of all federal spending by the time Richard Nixon finished consolidating the Great Society programs in 1972. Indeed, before the government began rolling out Great Society programs in earnest during the late 1960s, such spending never made up more than a third of outlays.

Although social insurance is sometimes referred to as a “safety net,” the majority of its spending has little to do with providing security to those who fall on hard times; rather, social insurance is largely focused on preserving a middle-class standard of living. The Tax Foundation finds that six in ten American households now receive more dollars in transfer income from the state than they pay in taxes. These benefits range from means-tested assistance for the poor, like SNAP (previously known as “food stamps”), to far costlier benefits like Medicare and Social Security. Since a bit more than 12.5% of the population lived in poverty as of 2017, this means that nearly 80% of the households
receiving federal social-insurance payments greater than their federal
taxes were already considered “safe,” because they were earning incomes
above the poverty line.

If anything, the growth of social spending in terms of both reach and
generosity has correlated with reduced generosity to those with lower
incomes. For example, Temporary Assistance for Needy Families, the
main cash-grant assistance program for poor families, is less generous by
some measures than the open-ended entitlement arrangement of its pre-
decessor, Aid to Families with Dependent Children (AFDC). Nearly all
of the new social programs of recent years—Medicare Part D, enacted
under George W. Bush, and the large health-care-premium subsidies
implemented as part of the Patient Protection and Affordable Care Act,
enacted under Barack Obama—have targeted middle- and working-
class Americans. Donald Trump’s proposals for paid family leave, as
well as New York governor Andrew Cuomo’s effort to eliminate college-
tuition costs even for families with above-average incomes, could also
be considered similar provisions of social insurance to the middle class.

The vast majority of growth in the federal government since
Republicans took control of Congress in 2011 results from social-
insurance spending. With some ups and downs—infrastructure spend-
ing rose with Obama’s 2009 Recovery Act, and defense spending will
increase in fiscal year 2019—the percentage of federal outlays going to
just about everything from research to defense has declined. Today’s
federal government directly employs fewer people than it did in the
1970s; much work has been contracted out, and some efforts that the
government once directly administered are now incentivized through
tax policy or devolved to the states. (The latter isn’t exactly a shrinking
of the government, of course, but it does make government less vis-
ible.) Further, the government has cut per-capita real-dollar spending
and pared down the percentage of GDP spent on virtually everything
from road construction to space exploration. Today’s federal govern-
ment “intrudes” not so much by running too many programs but by
mailing out checks to people and businesses facing an ever-growing list
of sub-optimal circumstances.

Still, big government is popular. For example, 81% of respondents in
a poll paid for by the National Academy of Social Insurance said they
“didn’t mind paying social security taxes” because they value the stabili-
ity it provides to their fellow citizens. Pluralities of citizens consistently
tell pollsters that they also want to spend more on targeted, means-tested programs like SNAP; only a narrow slice of the population supports eliminating them outright. Although he occasionally recited small-government bromides, Trump, a Republican, was elected on promises to never cut Medicare and Social Security benefits. Republicans in Congress were happy to pass fundamental reforms of Medicare and Social Security when they knew a president would not sign them, but, once given control of both Congress and the presidency, they failed to roll back even the Affordable Care Act in a meaningful way, much less reform those more-established entitlement programs.

Although the federal government’s share of GDP has declined periodically—as it did during the dot-com prosperity of the 1990s, for example, and during the drawdown of the Obama administration’s stimulus package—the overall trend lines for the size and scope of American government on the federal, state, and local levels have moved upward. No serious group that either holds power today or has a legitimate chance of doing so in the future genuinely favors shrinking government. Efforts to distinguish between “makers” and “takers” have proven politically disastrous. Mitt Romney’s “47%” comments during the 2012 presidential campaign may have contributed more to his defeat than anything else that year.

Furthermore, many popular policies alleged to reduce the size of government appear instead to fuel its growth. Tax-reform activist Grover Norquist has memorably described tax cuts as a way of “starving the beast,” yet lower taxes simply do not beget a smaller or less-intrusive government. As Michael New of Ave Maria University has shown, writing for the Cato Institute, tax increases seem to do more to restrain government growth than tax cuts do. Americans do not want a minimal state and will not consent to one so long as they are able to express their will through elections. Whatever its theoretical merits, then, a shift to a truly minimal state isn’t going to happen.

Yet there is still hope for those who favor a smaller state. While the programs of the social-insurance state are popular individually, the government that provides them is not. As such, Americans might be willing to consider alternatives to the social-insurance state even if they like some of what it does. Data offered by the Brookings Institution’s Vanessa Williamson show how popular social-insurance programs are relative to public goods. Spending priorities like parks, sanitation (which includes
environmental-protection activities), and roads are all significantly more popular than spending on health care and, by a small margin, even the supposedly “untouchable” Social Security program. Science spending writ large is not very popular in Williamson’s data, but both space exploration and research get very high marks with the public; NASA has a 68% public-approval rating in one Pew Research Center poll, and a 2018 Research!America/Zogby poll showed that over 80% of Americans consider research spending very or somewhat important. There is a constituency, therefore, that favors a government that does more in the realm of public goods and would prefer that to more social insurance.

At minimum, government was more popular and more unifying when it concerned itself less with social insurance than it does in modern times. Indeed, the decline in confidence in government and the growth of the social-insurance state have tracked almost perfectly over the past several decades. In other words, the more government has done to provide social insurance—as distinct from public goods—the less people like and trust that government. In 2017, according to the Pew Research Center, only 18% of American adults believed government would “do the right thing” all or most of the time. Under the Eisenhower, Kennedy, and Johnson administrations—when the federal government spent far more on public goods as a percentage of its budget—willingness to trust the government never fell below 50%.

Setting aside aberrations in times of national emergency, nearly all measures of social solidarity, ranging from voter turnout to participation in civic life, have declined along with the growth and reach of the American social-insurance state. The reasons why this has happened are, of course, complex and well beyond the scope of this essay, and it is far too facile to say that social insurance caused the decline in social solidarity by itself. But the converse claim—that social insurance creates social solidarity—does not represent America’s historical experience.

**THE CASE FOR PUBLIC GOODS**

For the greater part of our history, Americans have looked to government to provide public goods that transcend the functions of the minimal state. Starting with Alexander Hamilton’s erudite reports on public credit and manufactures, prominent civil servants from across the political spectrum have tried to make the provision of public goods a federal priority.
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Prior to the Civil War, much of the domestic-policy debate (not related to slavery) involved the need for “internal improvements”—largely the construction of a canal system that would link inland manufacturers and farmers reliant on water power to coastal ports, as well as the existence and size of a peacetime military. Presidents who expanded the size and scope of government did so mostly by providing public goods. Abraham Lincoln’s non-Civil War-related domestic-policy agenda included making “internal improvements” to roads, bridges, canals, and railroads; developing a system of land-grant universities; passing a Homestead Act; and implementing a revenue tariff (enacted in the waning days of his predecessor’s administration) to pay for it all.

Even the two presidents most responsible for erecting the pillars of the modern American social-insurance state—Franklin Roosevelt and Harry Truman—often tended to think in terms of public goods. Seeking to stimulate the economy during the Great Depression, Roosevelt didn’t extend federal unemployment insurance but put millions to work producing everything from free travel guides to trails and lodges at national parks. Looking to improve health care, the 79th Congress, led by Harry Truman, proposed not a health-insurance scheme but rather a capital-investment program for hospitals that provided charity care under the Hill-Burton Act of 1946.

The point here isn’t that these interventions were necessarily better than the alternatives proffered in more recent years—in the case of medical care, few modern scholars would argue that they were. It’s simply that new investments in public goods were considered the obvious way to achieve public purposes for a good part of American history.

The government that transformed 13 colonies on the Atlantic seaboard into a continental superpower with the world’s largest economy and most powerful military did so by focusing its attention on the provision of public goods—all while maintaining liberal-democratic institutions. That America was built on public goods does not, of course, dictate that it must continue to focus on them in the future. But there is a powerful philosophical and practical case to be made that the provision of public goods is more conducive to the protection of the fundamental rights and freedoms valued by political liberalism than an ever-expanding social-insurance state. This is true for at least three reasons.

First and most important, the provision of public goods provides an alternative to the socially corrosive identity politics of modern progressivism
that many academics and other influential cultural elites robustly promote. While a degree of group identity is healthy and, indeed, necessary for social progress, it is nearly impossible to build social solidarity upon the basis of group characteristics that are more or less immutable. Indeed, the enthusiastic embrace of identity politics by so many on the left has proven inconsistent with either improving the existing American welfare state or accomplishing progressivism’s overriding goals, such as reducing income inequality. So long as group identity exists, it will be difficult to avoid the observation that certain aspects of the welfare state disproportionately benefit some groups over others.

This makes the social insurance provided by the state far more controversial than it otherwise would be, and likely degrades the quality of the programs themselves. As America’s inability to reform Social Security and Medicare shows, the groups that benefit most will try to define their benefits as somehow “earned” and “deserved,” while denigrating those provided to others. Even if America theoretically could build social solidarity and increase confidence in a national project on the basis of a vastly larger social-insurance state, no current political force is interested in doing so in the short term: The left is too concerned with identity politics, while a large—if shrinking—part of the right opposes a significantly larger welfare state, believing that it would smother much of what makes America unique and prosperous.

Second, public goods are more unifying for the population because they are “needed” by everyone, while the benefits of a social-insurance state are not. The overwhelming majority of able-bodied people living in a developed, stable democracy will never slip into long-term poverty regardless of whether they are involved in a social-insurance system. But nobody can provide clean air or national defense alone, and there is by definition no market demand for true basic science. Physical-infrastructure projects (which are not core public goods, in any case) can be distributed unequally and can be excludable through tolls and user fees. But they cannot practically be built by any individual alone. Governments can also take on the long-term debt necessary to finance such projects at lower interest rates than the private sector can.

The horse-trading involved in our political system and the unique role of the states have resulted in large infrastructure projects that have, indeed, had widespread benefits. Both the interstate highway system and the rollout of broadband internet infrastructure, for instance,
involved “over-investments” in rural areas relative to their populations, and therefore enjoy widespread support. And while it is certainly possible to exclude certain citizens from the benefits of quasi-public goods (in fact, the Jim Crow system existed primarily to do just this), doing so has not only proven quite difficult to sustain in the long term, but it is deeply inconsistent with the principle of individual liberty and the maintenance of a true liberal democracy.

Third, insofar as a liberal-democratic state acts to secure rights and to provide the opportunity for enjoying them, public goods do more to drive risk-taking and innovation than social insurance. Social insurance, as its name suggests, is intended to allow people to keep what they have. Health-care subsides are intended to preserve the good health that nearly all have at birth, while pension systems act to preserve the standard of living that retirees had during their working lives. Conversely, the provision of many types of public goods provides people with a basis on which to undertake creative activities, ranging from starting a business to creating a work of art. Transportation infrastructure facilitates the movement of people, goods, and services, while the internet moves information in much the same way. Robust national defense makes large investments possible on the basis that they will be secure. Ample funding for basic research sets the scope of new innovation. A healthy environment inspires through natural beauty, provides various ecosystem services like flood protection, and protects personal health for all.

Public goods also contribute to a sense of national cohesion that has undeniable political appeal. If America is to follow its founding creed and treat the people’s rights as “self-evident” endowments, then the state’s protection of those rights alone cannot be seen as a positive act, since the state isn’t providing anything. In such a scenario, the provision of public goods is the logical positive role for the state — and the best democratically acceptable alternative to a social-insurance state. It is not a purely classical-liberal role but, if people are to expect some positive action from their government and vote on the basis of positive promises, it is probably the best that can be done.

Investments in public goods, while important to the future and success of a state, cannot become its primary reason for being. Without a package of rights protected by the state, many public goods are of little use. The success of America’s technology industry has been undergirded
by large investments in public goods like basic research and defense contracts, a free press, the protection of intellectual property, and sufficient consumer wealth to purchase personal computers. Likewise, the interstate highway system has proven useful because Americans have the disposable income required to purchase vehicles, a sufficient level of physical security to travel between states, and a reasonable level of assurance that laws will be fairly enforced wherever they go.

In other words, simply saying “we should have more and better public goods” is not a desirable public policy. The former Soviet Union spent far greater percentages of its gross domestic product on national defense, space exploration, basic science, and infrastructure than did the United States and other democracies. Japan’s higher levels of investments in physical infrastructure—in absolute terms and as a percentage of GDP—have actually correlated with a prolonged stagnation of an economy that once seemed poised to overtake that of the United States. China’s heavy investment in this same physical infrastructure (more than four times that of the United States as a percentage of GDP) has produced an economy in which the bulk of its biggest companies are state-connected financial institutions devoted to financing that infrastructure—which may well be a recipe for fiscal disaster. Similarly, in the United States, investments in public goods have not always paid off. The Apollo moon-landing program and Skylab, America’s first space station, cost about $140 billion in 2017 dollars and perhaps three or four times that in indirect costs. Yet they produced only a handful of technological spin-offs of lasting commercial or civilian use. (Neither the microprocessor nor the Tang orange drink was developed for the space program.)

Not all public goods, therefore, are themselves good. But the provision of public goods is a longstanding American tradition—and, perhaps most important, one that’s consistent with a liberal-democratic order.

**Distinguishing Good and Bad**

There is little certainty as to which public goods are “good” and which are “bad.” That said, an overview of the most successful public-goods investments in American history reveals three rules of thumb for dealing with that uncertainty.

First, the most successful investments in public goods have included visionary enterprises that likely could not have been justified beforehand
with a strictly rational cost-benefit analysis. Ronald Reagan’s efforts to vastly increase the defense budget in the 1980s, for example, were made to “stand up to” the Soviet Union. These investments ultimately yielded a greater benefit: ending the rival superpower and ensuring an American victory in the Cold War. Significant investments in computing infrastructure by administrations from Richard Nixon to Bill Clinton—which in turn laid the groundwork for the internet—were made merely because many people were enthusiastic about the capacity of computers to improve society rather than a highly specific idea of developing the World Wide Web.

All of the justifications offered for the interstate highway system—everything from national defense to “urban renewal”—paled in comparison to the economic benefits resulting from a cheap, free-at-point-of-service method of getting around the country. Single-family, detached houses became affordable for a great swath of America; more efficient, single-level manufacturing plans replaced multi-level ones; enclosed shopping malls largely replaced traditional downtowns as hubs of retail activity; and the reduced demand for passenger rail travel opened up more room for freight rail to transport goods at a lower price. It also stimulated sales of cars, fostered new types of businesses, and otherwise vastly changed the texture of American life.

Second, successful investments in public goods have tended to produce “networks” of various kinds rather than discrete benefits to a specific geographic area. These networks have consisted of large ventures that neither the private sector nor any state could accomplish alone. An isolated, 100-mile stretch of well-built highway would have changed almost nothing about American life; 48,000 miles of interstate highways created mass changes. Fundamental scientific discoveries also opened new vistas that were often impossible to foresee at the time they were created: Even Albert Einstein probably never realized that his theories of special and general relativity would make the GPS satellite constellation workable. On the other hand, the first transcontinental railroad line itself was of dubious value. The company that built the largest share of it, Union Pacific, entered bankruptcy just 24 years after work ended. No major cities ever developed along its route, and part of the rail bed was abandoned within 50 years. The railroad’s real value was in the network of track that attached to the specific line, which was built with a mix of public subsidies and private capital.
Less-successful efforts to invest in public and quasi-public goods, like the Apollo program, have been unsuccessful precisely because they did not create such networks. And some of the least-successful efforts to create public goods—such as the biofuel-research efforts of the Synfuels Corporation during the early 1980s—were meant to accomplish what the private sector could have easily achieved if market pressure to do so had existed.

Third, “good” public goods—particularly those that exist as network infrastructure—have often done entirely new things rather than simply improving upon what already existed. The various problems of moving goods around by canal boat weren’t solved by building better canals, but rather by investing in rail. The issues associated with rail were solved largely with the advent of the interstate highway system. The internet, the most recent major deployment of network infrastructure, allows tasks that once required travel—like shopping and face-to-face meetings—to be accomplished virtually.

All this said, not every public good can be justified on a practical basis; some worthy investments might break these rules. The National Park Service, the Smithsonian museum complex, and the Library of Congress are almost certainly worth having. Due to their aesthetic and even spiritual qualities, few would pave over Yellowstone or raze the Washington Monument to build a strip mall for economic gain. While some of these investments are worthwhile for purposes of building and maintaining national unity, many are not. As Edward Banfield warned in his 1984 book, The Democratic Muse, elites often try to divert tax dollars toward items that they could have financed privately.

Political capture of public goods also occurs with industries. This presents a conundrum associated with any investment—even those that meet all of the above tests. And investment will inevitably create a group of people interested in encouraging even more investment. In the short term, this might be desirable, as it could counterbalance efforts to infinitely grow the social-insurance state. In the long term, however, this presents an ongoing risk that policymakers will have to confront if they wish to invest in public goods.

BUILDING A STATE BASED ON PUBLIC GOODS
If America’s government is to restore the trust of its people and shrink its social-insurance state in a democratically acceptable way, it would be desirable to restore a state based on public goods.
Donald Trump’s campaign for president and his call to “Make America Great Again” may have tapped into this desire. Although Trump was factually wrong to say that the United States is “a poor country” during his campaign, he was right to observe that the large investment in public goods that built the Apollo program, the interstate highway system, and a massive railroad network would be unaffordable today. Proposals to raise the defense budget to 4% of GDP on an ongoing basis, establish a Mars colony with public money, embark on a crash program to solve climate change, or greatly increase infrastructure spending might be popular with various factions, but they are just not possible without hefty, politically unpalatable, economy-weakening tax increases.

To create a liberal state based on investment in public goods while retaining a democratic structure, therefore, three things are necessary: first, a restructuring of the social-insurance state to focus squarely on the poor; second, an initial “down payment” of investment in core public goods that could be counted on to provide widely shared benefits; and third, visionary leadership.

Social insurance cannot be eliminated outright, and almost no one in American politics wants to eliminate it. But it can be limited. Every developed nation has some form of welfare state and, as social psychologist Jonathan Haidt shows in his book *The Righteous Mind*, a desire to care for the poor is virtually universal among people of all political persuasions. In other words, the United States will need to have a welfare state of some sort if it is to maintain its status as a democracy. The best version of this arrangement would be a sharper version of what sociologist Gösta Esping-Andersen has called the “liberal welfare state”: a welfare state that aims not to narrowly advance social solidarity or assure an equal distribution of wealth, but rather one that provides means-tested benefits to those who truly need them to stave off hunger, sickness, and homelessness. Benefits targeted at the middle class would ideally have no place in this scheme. Such programs assist individuals who do not really need public assistance. The role of the state, in this case, would not be to provide a middle-class standard of living to each person or to ensure that those in the middle class never fall from their status. Instead, the liberal welfare state would focus on the poor—and might even be more generous with them than the system that exists today.

This also means that a wide range of social-insurance programs that benefit mainly the well-off—crop, flood, oil-spill, and nuclear-liability
insurance, as well as nearly all financial-risk guarantees save basic bank-deposit insurance—should be eliminated outright. For other needs, however, a gradual transition would be in order. Plans for the largest entitlements, Social Security and Medicare, sketched out in these pages by Andrew Biggs and James Capretta, respectively, offer an outline. A reformed Social Security system, as Biggs outlines, might aim to eliminate poverty among the elderly outright but send relatively little “free money” to a person who had earned an above-average income. And Medicare, as Capretta explains, could provide a relatively modest “universal” entitlement to everyone while requiring greater payments from those with significant earnings and small or no premiums for those who need help. Reforms like these—which could substantially reduce the long-term cost of these programs—could also be used in part to provide a greater benefit to the poor. The costs of funding Medicaid and other programs targeted toward the less well-off pale in comparison to the potential savings available if spending on major social-insurance programs shrinks over time. With such savings, welfare programs for the truly needy could be maintained or modestly expanded.

A liberal state that emphasizes public goods would, of course, continue to see the protection of the people’s liberties as its primary objective. But once the state has attended to the basic tasks necessary to secure these liberties—e.g., funding and administering the courts, law enforcement, and elections—higher levels of investment in national defense, clean air, and basic science would all be warranted, as they would largely replace the social-insurance state as important supplementary government functions.

This is not to say that any particular public-goods policy is necessary or that the people most knowledgeable about public goods should get their way; it’s simply to say that investments in these goods are appropriate governing priorities that are likely to be popular. Spending more on national defense, at least 1% of the country’s GDP on basic science, and taking steps—many of them involving regulatory changes rather than spending—to move the country away from climate-changing fuels like coal could be considered national priorities of a liberal state oriented toward public goods. Administering these functions more efficiently and effectively could build far more national unity than attempts to tinker with the social-insurance state do.

Obviously, the precise way this would be accomplished must be open to debate; simply increasing spending for its own sake is not a good idea.
But an increased emphasis on public goods could be the key “positive” promise made by politicians at election time, which could not only attract votes, but also, unlike the social-insurance state, expand individual horizons and promote human flourishing, rather than simply trying to secure what people already have.

The final decisions on what other quasi-public goods would be provided (if any at all) are nearly impossible to reach based on any sort of logic or economic analysis. Rather than providing plans based on analysis, therefore, political leaders who endorse the limited welfare state would compete largely on the basis of audacious visions. There could be tremendous political appeal in many “big ticket” public-goods investments, and the widespread benefits they offer might well provide a democratically acceptable alternative to the continued growth of the social-insurance state. Examples of these investments might include a “hyperloop” system providing vastly quicker transportation between any two points in America, a doubling in the size of the interstate highway system, efforts to colonize Mars, and energy-infrastructure investments designed to achieve Dwight Eisenhower’s dream of power “too cheap to meter.”

The point is not that all public goods are “good” or that any of these particular projects is necessarily worthwhile; it’s that big investments have the capacity to transform life so extensively as to create new frontiers for human creativity and invention. When it comes to meeting the human needs of most people—as well as encouraging middle-class prosperity—private, local, small-scale, family, and individual efforts can use acquired local wisdom to address these problems more effectively than can the federal government.

No existing nation precisely models what a modern state based on public goods would look like. Historically, Abraham Lincoln’s dream of a unified, well-connected, ever-expanding nation based on free labor—something the railroad, Homestead Act, land-grant university system, and other “internal improvements” all sought to advance—provides perhaps the most compelling version of a public-goods-oriented vision.

More recently, the most successful examples of leaders promoting greater investments in public goods, at least in the American context, can be found at the state level. A handful of governors confronting both population and economic booms in large states have capitalized on them by embracing public-goods-first strategies. Rick Perry’s work in Texas provides a positive example. As governor, he vastly expanded the state’s
highway infrastructure, set the stage for privately financed high-speed rail (now in the advanced planning stages), made significant investments in low-cost higher-education initiatives, enhanced top-end research efforts, and oversaw a market-driven boom in electric-grid investment that began the process of replacing polluting coal plants with cleaner natural-gas and wind facilities. Jon Huntsman, Jr., of Utah and Pat Brown (the father of departing governor Jerry Brown) of California tread similar paths during their governorships. They were not indifferent to the needs of the poor (indeed, both Huntsman and Brown modestly expanded programs for needy populations), but neither had an abiding interest in providing substantially more social insurance to the middle class. And, under their leadership, their states prospered.

**The Next American Age**

Up until the 1960s, Americans relied on the federal government not primarily for social insurance but rather for sizeable public-goods projects that the private sector would not or could not undertake. These were often brave ventures that, on the whole, did far more good than harm. Greater funding for such ventures as a percentage of the national budget also correlated with far greater national unity.

Assisting those who genuinely need help is an appropriate function of the state. But government cannot eliminate every risk people face in the world of commerce, and it certainly cannot ensure that every person achieves the American Dream, however defined. Accomplishing great feats as a nation instead requires a sturdy safety net for the truly needy, combined with an active but limited government that focuses on the endeavors for which it is uniquely suited: preserving personal liberty and investing in public goods. If history is a guide, this would be a government for which the American people would have a high degree of affection, especially relative to their disdain for the social-insurance-oriented state that exists today.

A government that emphasizes public goods could be smaller than the one we have today and would also be far less intrusive in many areas of life, particularly those that affect individuals who do well for themselves. But such a government would likely do more for the people as a whole by forging national unity and, in time, restoring its own prestige and regaining the affection of its citizens.