

SAVING AMERICA

Thomas Jefferson Foundation Medal Lecture

In Citizen Leadership

Given by

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April 13, 2012

at Monticello

Chairman Lockhart, thank you very much. As someone who has spent a career working to improve public policy, it is an almost surreal honor to find my name coupled in any way – even in the same sentence – to that of our third president. I am truly humbled to be here.

I spend my working days worrying about many things: can the world order accommodate a new great power without conflict for the first time in history? Will Iran's nuclear ambition and Israel's nervous mix of insecurity and aggression combine to precipitate a conflict that serves no one's interests? How can the US and Russia find a way to overcome the seemingly permanent legacy of mistrust from the Cold War. And so on. There is no shortage.

But what I'd like to share with you today is what I worry about at night. It has nothing to do with foreign policy. Simply put, I believe this country is rapidly losing – or perhaps has lost - the capability to address the major challenges that face it, all but military threats from abroad. My evidence for this is the growing list of problems with major consequences for national wellbeing whose features have been essentially unchanged and which have remained unresolved for at least twenty-five years.

History is full of examples of empires and countries that lose the capacity to respond to their problems and fall into decline. It is not impossible that this should happen to us. It is hard to know how seriously we should take the political gridlock we've becoming used to, but a quarter of a century seems a fair length of time when we should draw a line between acceptable business as usual and something else.

The American National Election Studies group has been asking Americans the same question roughly every two years since 1958: "Do you trust the government in Washington to do what is right, all or most of the time?"

Until the mid-sixties, 75% of Americans answered yes. A slide then began and continued steeply downward for fifteen years, so that by 1980, only 25% said yes. In the interim, of course, were the Vietnam War, two assassinations, Watergate and the impeachment of the president and the Arab oil embargo. So there were plenty of reasons for people to feel estranged, even antagonistic. But what matters most is that the trust did not recover. For the last three decades the approval level has bumped around in the region from 20 to 35%.

The trust percentage fell below half in about 1972. This means that anyone under the age of forty has lived their entire life in a country the majority of whose citizens do not trust their own national government to do what they think is right. Through four long decades, none of the massive changes Americans have voted for in leadership and in ideology have changed that.

Think what it means for the healthy functioning of a democracy that two-thirds to three-quarters of its people do not believe that their government does the right thing most of the time. Jefferson believed that the strongest government is the one "of which every man feels himself a part." Obviously, most Americans do not feel that way today. It is astonishing that a democracy can even survive such a state of affairs and not at all surprising that it would no longer be a healthy democracy.

Those of us over forty have known a very different America. In four years of Lyndon Johnson's presidency, Congress passed 200 major pieces of legislation. The list includes three revolutionary laws that transformed the nation: the Civil Rights Act, the Voting Rights Act and the Fair Housing Act. When the Voting Rights Act was passed, there were 300 black elected officials in this country. By 2001, the latest numbers I can find, there were 10,000.

Democrats at the time were well aware that by championing these laws, they were saying goodbye to a South that had voted solidly Democratic for decades. Yet they did it anyway. This was political courage by a president and by congressional leaders of a sort that you can hardly imagine happening today. The support was also bipartisan. Senate Republican leader Everett Dirksen and his many moderate Republican colleagues played a central role.

But civil rights was just the beginning. Medicare was created in those years. Also Medicaid. Food Stamps. Head Start. Two new Cabinet agencies – Housing and Urban Development and Transportation. The National Transportation Safety Board. Thirty-five national parks. The first federal assistance to higher education (as student scholarships, grants, work study programs) and the first to elementary and secondary education. Legal Services for the poor. The National Endowments for the Arts and the Humanities, the Corporation for Public Broadcasting and the powerful Freedom of Information Act. I am just skimming the top here. There was much, much more from urban mass transit to international monetary reform.

These weren't normal years, of course. Johnson was a consummate legislator-president, he had the legacy of JFK to build on and his own massive electoral victory as a mandate. If a political system that could produce on such a scale seems impossibly distant, even foreign, to you, it does to me too. My point is that Washington's ability to act in 1964 and its ability to act today represent two entirely different universes.

What about today? What are these problems we've been unable to address? One could start with energy policy. For more than 35 years, since the shock of the Arab oil embargo, we have failed to formulate a national energy policy. Beyond talking endlessly about energy independence, a goal that is neither feasible nor even desirable, we've accomplished very little beyond the important step of automobile efficiency standards.

The reasons include a deep unwillingness to confront the inevitability of energy prices, the stranglehold of special interests – in this case energy interests – over Washington, and a strange national blind spot about the gigantic resource that could be mined from improved efficiency of energy use.

Since 1973, we've considered invading Saudi Arabia, we've funded rapid deployment forces for use in the Middle East, we've been willing to endure massive inflation and Congress has wasted untold hours arguing over symbols, like the trivial amount of oil in the Alaskan National Wildlife Reserve. But we've never seen the political courage by leaders to acknowledge the truth about the distribution of energy resources around the world and the fact that we live in a global energy market. Nor have we seen any hint of willingness by the American public to face and adapt to these geological and economic realities.

A second such problem is health care. It took 45 years to make the first major step beyond Medicare and Medicaid toward universal health care coverage, and it may well be lost. In any case, The Affordable Care Act is actually not health care reform. It is only health insurance reform. Even if it stands, it does not come near to doing what must eventually be done to contain costs, namely to address the way health care is delivered and paid for.

Health care in the US now consumes 17% of GDP heading towards a fifth of our economy soon after 2020. That is obviously unsustainable. Equally important, the system does not deliver. We spend, per person, *more than twice* what most European

countries spend, with poorer outcomes as measured by life expectancy, infant mortality and the other indicators of public health.

We *know* that paying people on a piecework basis, which is what fee-for-service is, encourages more use of services. We *know* that medicine – an interaction between sick and frightened patients and highly educated providers - is not a normal competitive marketplace. We have decades of data showing that consumption of medical services is heavily tied to the supply of hospital beds and physicians: data which mean that huge savings are possible without impact on health outcomes. How long do you believe it will be before we are able to tackle the much more fundamental changes in the current system that these truths demand?

Perhaps my third example – the combined effects of wage stagnation and of rapidly rising inequality - should have come first. During the past thirty-plus years an astounding 80% of American households have lost ground economically – even though in this time a huge proportion went from one income to two income households as women entered the workforce. Today that bottom 80% shares 7% of all financial assets. Among the lucky twenty percent the vast majority of gains over this period went to the top 1% (whose average income is \$1.9 million). The same is true within that narrow slice: the top 0.1% took home nearly all of the top 1%'s slice. The same pattern applies, slightly less dramatically, for after-tax income as well. In another indication of the same phenomenon, the ratio of CEO pay to pay of the average worker went from 40 to 1 in 1960 to more than 400 to 1 in 2005. The US today has close to the greatest inequality of all the advanced countries in the world.

Closely related to steep inequality is what economists call intergenerational mobility – peoples' ability to rise above the circumstances of their birth. In the country that has defined itself from its beginning, with good reason, as the land of opportunity, that mobility today is far below what it is in much of Europe.

These drastic changes in the distribution of income and wealth have been affected by global trends we do not control, but primarily they are the result of conscious policy choice – in tax policy, regulation and spending.

Inequality and intergenerational mobility are things economists measure. What they mean in human terms is people's ability to improve their lives. And what these numbers tell us is that this core of what is supposed to define the American experience has darkened dramatically in the past 35 years. It is safe to assume that that has consequences: dramatic losses in peoples' feelings of trust in government and in their interest in and willingness to contribute to our collective wellbeing. There is also pain and anger from people who thought they had done everything right, yet whose lives have not turned out as they'd been brought up to expect.

Interestingly, there are, also apparently, feelings of guilt by the growing number of those who need government help, and with the guilt, denial. Forty-four percent of Social Security recipients tell researchers that "they have not used a government program." So do 43 percent of those who receive federal unemployment benefits and 40 percent of those on Medicare. It is worth pausing to ponder what these strange numbers portend.

The list of these first tier issues unaddressed for at least 25 years is longer than these three. Climate change belongs on it. So does the failure to jettison Cold War policies to reflect today's very different nuclear threats. But surely the case is made. Where not so long ago we had a national government that could act with wisdom, ambition worthy of a great nation, and with a shared responsibility for the collective good, today we have a strangled remnant of it that on the big issues can do little more than lurch from one short term deadline to another. A few days ago, congress passed the *ninth* extension of the major federal transportation law – this time for three months – on a piece of legislation that is supposed to be designed, debated and policy reset for six years.

There are many reasons why Washington can't tackle the big issues any longer. Some of them we cannot change, like the replacement of old time, edited news with news sold by

thousands of outlets as entertainment – which feeds on conflict – and in which bloggers and talkers are free to combine facts and opinion at will. Beyond doubt, however, the primary reason is money. We are spending more and more to elect governments we like less and less. In 1974 it cost a modest \$56,000 to win an average House seat. Together all 535 congressional campaigns cost \$77 million. In 2010 they cost \$3.6 billion – a 50-fold increase. The last presidential election cycle came in at \$5.3 billion, up 70% in the last two cycles.

To pay astronomical campaign costs, members of Congress must begin fundraising for the next election as soon as they're sworn in. That's one of the reasons members go home every weekend (and hence the reason for a three day legislative work week). That means they don't bring their families to Washington and they no longer socialize with colleagues and certainly not with members of the other party. It's much harder to dislike and mistrust someone you stand on the sidelines with at your child's soccer game early Saturday morning or play poker with on a Thursday night. This new lifestyle, which also dates back about thirty years, feeds the bitter partisanship that pervades Congress these days.

The scale of the funds required has other, direct effects on policy. The most committed givers are those on the ends of the ideological spectrum – whether on the left or the right – and the single issue voters. Direct mail and its digital cousins cater to them. They fan fears with exaggeration and lies. Members make promises which they then have to try to fulfill even if there is no realistic chance of success. And so the money chase drives the system to the ideological extremes and is itself a major cause of polarization.

The money doesn't stop at elections of course. It is the fuel that feeds Washington's lobbying industry. Or, rather, the lobbying industry is the conduit that funnels the money from special interests to members' bottomless coffers. Lobbyists representing health care interests are reported to have spent \$1.4 million per day during the health care debate and more than \$1 billion over the financial reform bill. In the early 1970s, there were 150 businesses represented by registered lobbyists in Washington. Today there are hardly any

that aren't. And it works. By one calculation, the average return to corporations is \$6-\$20 in tax benefits for every dollar spent on lobbying.

Members of both political parties have equal need of campaign money, and so they are equally beholden to a system that, while not illegal or corrupt, massively distorts members' attention, priorities and the legislative outcome. So far, every attempt to fix the problem through changes in the rules, has opened new loopholes, made things worse or been declared unconstitutional. The last, critical link in this circle is that the more wealth that is concentrated at the top, the more the interests that have it can spend on the giving and lobbying that in turn improves their economic advantage.

It is hard to know when to keep pushing for incremental reform to a fundamentally sound system and when to draw a line and say no, something more, something bigger, is needed. I think there is reason to believe – which I've tried to sketch in these few minutes – that we have arrived at such a place. Changing the players by term limits, or by targeting incumbents, or by electing members uncontaminated by knowledge or prior experience of the issues they must deal with, won't work. Put new players into the same game and pretty soon you will have the same outcome. More of the same, whether led by one party or another, is not going to heal this system. By no one's choice, our political system has walked itself into a cul de sac from which there is no obvious escape.

So what to do? If it is time for sweeping, fundamental change, then the answer is obvious: the impetus will have to come from civil society. Look at the transformative changes of the last 50 years – civil rights, the environmental movement, women's rights. In each case, the engine of change has come from outside government.

“It was by the sober sense of our citizens, Mr Jefferson said, “that we were safely and steadily conducted from monarchy to republicanism, and it is by the same agency alone we can be kept from falling back.” We do not need to fear a return to monarchy, but we do need to fear more years like the last thirty.

This cannot be a movement that is merely against – it has to know what it is for. And it cannot be a movement whose goal is simply less government. In today’s world, if the United States wants to compete and to qualify as a great nation, we need a government able to do more not less, a government willing and able to deal with everything from climate change to cybersecurity to global financial reform to rebuilding a first class infrastructure and rethinking health care delivery.

There is much to work with. We have strong institutions, deep respect for the rule of law, and a great love of country. We have an educated populace, a strong tradition of philanthropy and of volunteerism. We have the world’s greatest capacity for innovation and perhaps most important, we are a society that has historically been able to confront and adapt to rapid change. But, the loss of belief in a better future undermines that strength. It makes people fear change. The more that people are stagnating or falling back economically, the more they look to the past rather than towards a better future. So we do not have indefinite time to take up this challenge.

If one cannot be optimistic, then, at least there are grounds to be hopeful. Jefferson would have felt that way. “No man has greater confidence than I have”, he wrote to James Monroe, “in the spirit of the people. Whatever they can, they will.” So, it is up to us. We can. We must.