



AMERICAN ENTERPRISE  
DEBATES

**How Much Government  
Is Good Government?**

Rep. Paul Ryan vs. David Brooks

*With an introduction by Arthur Brooks*





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## FOREWORD

# The Mission of the American Enterprise Debates

APOORVA SHAH

*Research Fellow, American Enterprise Institute*

The art of debate has crafted the United States as a nation. From the Declaration of Independence to the *Federalist Papers* to Lincoln and Douglas, our country cannot get away from a good argument.

It is easy to look back nostalgically at the elegance and eloquence of such historical debates, however, and wince at the crudeness and populism of today's political climate. Indeed, we have heard all too often in recent years—even from the president himself—that America's political rhetoric has become too heated, too caustic.

That is where the [American Enterprise Debates](#) enter. We recognize that underneath the façade of feisty rhetoric and name-calling lies a variety of unresolved political, economic, and cultural issues in our society, and that these issues merit probing dialogue and nuanced argument.

What is the right role of government in our country? Do new forms of technology harm human minds and relationships? Can America bring about democracy in the developing world? These are just a few of the questions that the American Enterprise Debates aim to address.

Our mission is to transcend the traditional divisions of Left versus Right and have our debaters present unorthodox perspectives on important issues. Instead of hardening listeners' preconceived biases, like many debates do, we want to challenge them and get them thinking and talking (or typing and tweeting).

A dialogue between two great minds follows. Hopefully, this debate will bring you insight not only into the pressing issues of the day, but also into the enduring questions that define what our nation has been, is, and will become.



## INTRODUCTION

# How Much Government Is Good Government?

ARTHUR BROOKS

*President, American Enterprise Institute*

How much government is good government? In September 2010, Representative Paul Ryan (R-Wisconsin) and I co-wrote [an op-ed](#) in the *Wall Street Journal* that tried to answer that question. In the article, we addressed the growing role of government in recent years and made a fairly philosophical assertion about the way our nation is heading. We wrote, “Today, America faces a choice between free markets and managed capitalism, between limited government and an ever-expanding state, between rewarding entrepreneurs and equalizing economic rewards.”

*New York Times* columnist David Brooks (no relation), responded in [the pages of his newspaper the next day](#). “The American story is not just the story of limited governments,” he wrote. “It is the story of limited but energetic governments that use aggressive federal power to promote growth and social mobility.” This set off an intriguing debate within and outside of AEI about one of the primary cultural issues of our time: the size of government.

The debate is not just about economics and finance. It's about culture—the results of the last presidential election should convince us all about that. The size of government and what our government does are cultural issues as much as they are matters of economics. The current debate about government will continue in our nation—and will likely dominate the political discourse in the run-up to the next presidential election.

The size and role of government are profoundly moral considerations. They go right to the heart of what Americans think about fairness and justice, about service and the opportunity to earn and enjoy our own success. How much government is good government? Our answers to that question will determine whether in America we are on what Friedrich Hayek called “the road to serfdom,” or whether we are ready to take the (often difficult) steps that will put us back on the road to freedom. The coming months and years will tell.

The American Enterprise Institute is fully committed to the competition of ideas. And in the wake of the on-paper debate between Paul Ryan and David Brooks, AEI research fellow Apoorva Shah had the idea of “formalizing” the ongoing discussion by bringing it within the confines of AEI. In short, he sought to provide a format for thought-leaders to debate the big issues of the day. The interaction that followed between congressman and columnist on December 2, 2010, was thus the inaugural session of our new American Enterprise Debates series. In it, Messrs. Ryan and Brooks picked up where they left off in the pages of the *Wall Street Journal* and the *New York Times* to ask: What is the proper role of government, and how should we be thinking about it today?

# The Case for Limited Government

REPRESENTATIVE PAUL RYAN (R-WISCONSIN)

*Chairman of the House Budget Committee*

The American Enterprise Institute billed this debate as a case for limited government, represented by me, versus David Brooks with a case for energetic government. Unfortunately, I'm not probably going to do a very good job of upholding my end of the bargain because I happen to believe that the choice is a false one. In fact, energetic government is impossible without limits. The idea that mainstream conservatives are antigovernment is simply not true, and Arthur Brooks and I try to make that point in our first op-ed in the *Wall Street Journal*, where we quoted F. A. Hayek in *The Road to Serfdom*. Even Hayek reminded us that “the state has legitimate—and critical—functions for rectifying market failures and securing some minimum standard of living.”

Take, for example, Edmund Burke, in many ways the founder of modern conservatism. Burke was a champion of ordered liberty, recognizing the impossibility of one without the other. The statesman and philosopher believed liberty was not the freedom to do anything you wished, but freedom coupled with the responsibility to do what was right. This attitude, inside leaders, compels them to act decisively,

forcefully; not in any direction they choose but in the one best for those they lead.

Recent history is filled with examples of such conservative leaders. Think about former New York City mayor Rudy Giuliani, what he did to clean up the police department in New York and implement tougher penalties for people breaking the law. Living in New York City is not the same as it was before he arrived. Tommy Thompson, one of my political mentors and former governor of Wisconsin, made bold steps to clean up the moribund welfare system in Wisconsin. Take a look at

Governor Mitch Daniels, who's bringing consumer-directed health care reforms to Indiana. Think about former Governor Jeb Bush, who brought some much-needed and bold education reforms to Florida by setting the agenda and pursuing it until they came through.

These leaders have a couple of things in common. They were no strangers to energetic government, and they were widely admired by mainstream, limited-government conservatives.

**"A government whose size and scope is not properly limited will always seek to raise taxes** before it looks for ways to innovate and do more with less."

I've also embraced energetic, yet limited, government with my [Roadmap for America's Future](#). The Roadmap changes the structure of health care, retirement programs, tax policies, and the budget process to keep America from foundering on shoals of debt, economic insecurity, and massive forecasted cuts. The Roadmap does not do away with government—it does not even do away with entitlement programs. It's a plan that makes these entitlement programs sustainable. It's a plan that makes these programs something we can live with in the next century, while keeping a limited government and a free enterprise society.

### **Energetic Government Is Impossible without Limits**

I'd like to expand upon this idea that energetic government is impossible without limits. Big government is lethargic government. A government

whose size and scope is not properly limited will always seek to raise taxes before it looks for ways to innovate and do more with less. This is why those who do not share our commitment to limited government have insisted that higher taxes are always the best way and the easiest and first approach to close our yawning deficits.

I see this every day in Congress. This is a solution I have rejected, not simply because I'm married to some magical, mythical, absolutely perfect tax revenue level. Higher taxes are something I have a fundamental difference with because I disagree with those who think our biggest problem is not enough revenue. In fact, focusing just on size entirely misses the point. We should not be asking, "How big should our government be?" We should be asking, "What is our government for?" "What is its purpose?"

Should government enforce the rules, or should it pick winners and losers? Should government provide a basic safety net, or set up an enormous transfer program to fund entitlements for the middle class and the wealthy? Is government instituted by us to secure our liberties and allow us to thrive compatible with a state that consumes an ever-growing share of the private economy?

Rather than focus on size alone, we should be asking what makes America exceptional. Who are we, and what do we aspire to be at this juncture in our history, at the beginning of this century?

Abraham Lincoln probably **said it best**: "The progress by which the poor, honest, industrious and resolute man raises himself, that he may work on his own account and hire somebody else is the great principle for which this government was really formed." Do we want to have an opportunity society with a robust, circumscribed safety net so that Lincoln's resolute man is free to work and to take chances and to better himself, or do we want to have a stagnant,

**"We risk crossing into a tipping point at which the size of government will do irreparable fiscal and moral damage, where we bankrupt the country and turn our safety net into a hammock."**

cradle-to-grave welfare state, where opportunity is sacrificed for a misguided vision of equality?

### **What Happens If We Don't Decide**

If we answer these questions correctly, the size of government will take care of itself. And if we answer these questions incorrectly, we risk crossing into a tipping point at which the size of government will do irreparable fiscal and moral damage, where we bankrupt the country and turn our safety net into a hammock.

That hammock lulls able-bodied people into lives of complacency and dependency and drains them of the will to make the most of their lives. We do face a battle over that choice. Now, the debt is so massive,

**“Who are we, and what do we aspire to be at this juncture in our history, at the beginning of this century?”**

the fiscal situation is so massive, that sooner than we think we will be facing a collapse of our social safety net.

Should the government fail to reform entitlements, those very programs will collapse under their own weight, and they will bury the next generation with a crushing burden of debt.

Clinging to the status quo will not only lead inevitably to economically stifling tax increases, but deep, sudden, and highly disruptive benefit cuts. Failing to address this program now, when necessary adjustments are manageable, assures forced austerity in the near future, imposed by credit markets in a state of panic. I serve on the Fiscal Commission; we're reminded of this every day as we look at these numbers.

### **The Welfare State Corrupts Morals and Causes Riots**

I find the prospect of irreparable moral damage just as troubling, and I know David Brooks does as well. Europe's people have labored under the rock of its welfare state for decades, and now Europe's debt crisis has lifted this rock, and we see the moral ugliness that has developed

underneath. Turn on the TV and we see French teenagers lobbing Molotov cocktails at each other and at cars, burning down schools, protesting advancement of the retirement age, demanding fat pensions for which they haven't even begun to work. Take a look at British university students shattering windows because they don't want to share the cost of their own educations. Greek mobs murdering bank tellers because their workplace happens to symbolize fiscal reality? Good grief.

Let's contrast these riots with the Tea Party protests we've watched over the last year or two. Instead of taking to the streets to demand more from the government, these citizens took to the streets peacefully to ask the government to do less, take less, and to return itself to the role our founders envisioned. David Brooks has argued that the Tea Party's conception of this nation's founding principles is flawed, and that energetic government has always been a part of this country's tradition. I agree with David on the second part, but I think he has missed what the Tea Party has picked up on, that the current president's vision of this country represents a shift, not just in the size of government, but in the *kind* of government we have.

Nowhere has this been on more vivid display than in the health care debates. The overriding problem with health care is the fact that health care costs and prices go up faster than the rate of inflation; they outpace our income. So we know we're on an irreconcilable path. These two approaches simply cannot be reconciled. One approach is represented by the Democrats' health care bill, the [Patient Protection and Affordable Care Act](#). Everybody calls this ObamaCare, with its trillion-dollar expansion of government and its reliance on the same kinds of price controls that have failed for decades and decades to control costs.

**“Clinging to the status quo** will not only lead inevitably to **economically stifling tax increases**, but also to deep, sudden, and **highly disruptive benefit cuts.**”

“If you simply look at **what we are doing to the next generation, it is actually immoral.**”

## A Different Approach on Health Care and Entitlements

Some of us have suggested a different approach, such as [one that I offered](#) with Alice Rivlin, a former Clinton Office of Management and Budget secretary and vice-chair of the Federal Reserve now at the

**“We cannot skirt the edges of this problem, we must truly change course, and we don’t have the luxury of waiting until the day after tomorrow to make this choice.”**

Brookings Institution. It simply says we will build a routine of support to individuals; we will run the money through the individual instead of through the government; we will peg that support to a rate closer to general inflation; and we will use a decentralized market process to discover efficiencies. There’s basically two ways to go: you run the money through the individual, make them more powerful, and reform our insurance laws, so individuals can have power. Then the providers of health insurance, health care, hospitals, doctors, and insurers should

compete against each other for our business in a market-based situation. Or we run the money through the government, and we trickle it down, top-to-bottom, through price controls and formulas.

That’s the choice we have before us on health care. I like to think of the plan I’ve offered as an example of energetic, smart government. It takes the Edmund Burke approach of working to conserve arrangements people have built their lives around—of not immediately disrupting current structures—when seeking to alter them for the better. The radicals are those who are committed to the centralized approach to cost control and a blank-check version of entitlement reform, even though this approach has manifestly failed. In fact, with the Affordable Care Act, they doubled down on this same doctrine, this same dogma.

This vision for our future, a vision that imagines we can just tinker at the margins of our entitlement programs and somehow avoid the coming collapse, would lead us into the kind of harsh austerity that would hit hardest those who most rely on the safety net. It’s a vision simply



incompatible with mine, and there is nothing to be gained by pretending to Americans that we do not face a stark choice between the two.

### **“Do It for the Kids” Is Not Just a Cliché**

Let’s focus on today, not “the day after tomorrow,” as Brooks puts it in his column. The consequences of this choice are just too important to pretend that it doesn’t exist. I don’t want to get into a “do it for the kids” cliché here, but I think it’s important to stress. What are we doing, and what are we doing to them?

If you simply look at what we are doing to the next generation, it is actually immoral. Thinking about my three kids motivated me to put this Roadmap out there in 2008 when deficits were going down during the Bush administration, before we were on the precipice of this debt and economic problem. The problem is this: the storm clouds were already growing; we could see that we needed a course correction, and that we would be giving our kids a lower standard of living and an impoverished and diminished country.

Well, now it’s right in front of us. You know, I see the greatness in my three kids—who are six, seven, and eight—as I’m sure every parent does. But as someone who spends all his time thinking about the budget (probably more than a healthy person should) I know that we are not building that prosperous opportunity society that our kids need in order to maximize their potential. Nothing is more dispiriting than to think that they cannot chase their dreams because they’ll have had them taken away by the decisions we make or fail to make right now. Nothing disturbs me more in this debate than to think of my kids coming into a country and a society where they are more likely to depend upon the government for

“This vision for our future, **a vision that imagines we can just tinker at the margins of our entitlement programs and somehow avoid the coming collapse, would** lead us into the kind of harsh austerity that would **hit hardest those who most rely on the safety.**”

their future than upon themselves. That is the most disturbing and demoralizing thought of all.

The situation is even worse today than when we first started talking about these ideas, to the point that I am increasingly convinced we might see a debt crisis in the near future. This is why it is so incredibly urgent to act, to make no bones about the choice before us, and to mobilize a citizenry that appears receptive to our message, as evidenced by the election in November 2010, when Tea Partiers and conservatives swept the midterm elections all across the country and at every level of government. We first have to make the choice of who we are, what we want to be, go forward with that, and then we can debate how we do this.

# The Case for Energetic Government

DAVID BROOKS

*Columnist, New York Times*

First, Arthur wanted me to remind everyone that we are not in fact related. He mentioned it, but he called me a few days ago, mentioned again that we're not related, called me every day, every fifteen minutes: "Remember to tell them that we have no DNA in common, nothing." It hurt my feelings a little because, in fact, we are brothers.

We are the illegitimate children of Ayn Rand and Russell Kirk; they put us up for adoption. Arthur was raised by the free-market Club for Growth, and I was raised by Rockefeller Republican Jacob Javits. We do spend the summers together arguing marginal tax rates. It is a great honor to discuss this with Paul, who is the most intellectually formidable member of the House.

**RYAN:** That ain't saying a whole lot.

**BROOKS:** Paul has young guns on his side. He has got the entire GOP caucus and the resources in the budget committee. I have the conservative wing of the *New York Times*. I liken

being a conservative at the *New York Times* to being chief rabbi at Mecca: not a lot of company. So this debate is just another example of a Republican strong person preying on the weak, but I'll do my best.

I think Paul and I agree that this debate is not primarily about policy. A lot of people have Farrah Fawcett pictures on their walls; I have the Ryan-Rivlin on the wall for Medicare, that's sort of my fantasy poster. It's a great plan.

**“What matters is not reason. What matters is character and the nature of the social bonds that create character.”**

And so the Ryan-Rivlin plan would end the open-ended Medicare promise where government pays for every expenditure. It would give people personal responsibility for care and would improve their character. But the fight I want to pick is about mentalities.

It is not about policy, it is about narrative and how we think about policy. But I think this mentality has an effect on policy; it has a big effect on our effectiveness, and Paul's effectiveness in office. In my view, Paul's prose is sometimes at war with his policy. His rhetoric is going to undermine some of the great things he can achieve in the position he's lucky enough to have, and we're lucky to have him to have.

And I'm afraid some of his big ways of looking at the world will lead him to squander this moment, which is a precious moment. Now to explain what I mean by that, I want to talk a little about policies but really go back a couple of hundred years to the French Enlightenment.

### **Two Views of Reason and Human Nature**

Thinkers in the French Enlightenment defined man as primarily a reasoning creature. We use reason to pursue interest and respond in straightforward ways to incentives. Now, this view of human nature had two offshoots. The one we're familiar with is the technocratic offshoot. If

we can use reason, we can plan society through an ordered machine. If experts really do know better than the average Joe, then we have top-down bureaucratic planning and a controlled society. The second offshoot, which was more what we would call economic liberalism—in the traditional sense of the word, of freedom, not in its political sense today—held that individuals are the best judges of their own interests, and that we should maximize freedom so humans can make the best rational choices for themselves.

Now if you are caught between these two mindsets, the crucial question of this debate is: how much government should we have? Because the debate between these two sides is between the planners and the economic liberals, and the crucial continuum is, how big of a government? How much planning, how much freedom?

But there was another enlightenment, as Irving Kristol and Gertrude Himmelfarb have written, that happened a few hundred miles away. This was the British and Scottish Enlightenment led by David Hume, Adam Smith, and Edmund Burke.

And they didn't believe reason was the strongest faculty we have. They thought reason was weak, that we're primarily creatures of sentiments and passions. We train our sentiments and passions within society, relationships, and institutions, and within the things we have that precede choice—family, faith, region, country, and government.

**“It’s not creating a lone individualistic country; it’s creating a country of bourgeois heroism, creating community and order.”**

### **Questions about the Size of Government Are Meaningless**

What matters is not reason. What matters is character and the nature of the social bonds that create character. So from this perspective (which I will call the conservative perspective), questions of whether government should be big or small are basically meaningless questions. What matters is character. What matters is the character of a country and character of a nation. And whether government erodes it or builds it, it is possible to

imagine big government building character—it probably happened in World War II—and it is also possible to imagine small government eroding character.

So for some of us in this conservative tradition, the conservative obsession with the size of government is a distraction. It is politically damaging because it leads Republicans to abstract debates about the size

**“Ronald Reagan  
raised taxes twelve**

**times.** He did it because  
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of governments, so they pay less attention to concrete issues that Americans face around their kitchen tables.

And it leads most damagingly to a series of big promises to get power—we’re going to radically cut government, we’re the party of small government—and then complete stagnation in power. Republicans come in and have no idea governing their philosophy about how to use government. Rather, what priorities should be valued, and what priorities should not be valued? So to me the crucial conservative question is this: does government nurture or undermine good character?

Now this is an abstract question, and we can have abstract debates about it. But we don’t need to have an abstract debate because we have a conservative tradition in this country. And this conservative tradition has created a governing philosophy unique to America. I used to work trying to flog free-market ideas into the Germans and Dutch, and it’s hopeless. They have a style of government that fits their culture and just does not fit our culture. And America has a governing tradition which uses government to instill the virtues distinct to America.

### **The Tradition of Energetic American Government**

This tradition started at the beginning of the Washington administration with Alexander Hamilton, who used the power of government to upend what Thomas Jefferson wanted. Jefferson wanted an agricultural society with as small a government as possible, so oligarchs like him could keep

their economic dominance. Hamilton used the power of government to create a credit market to upend the oligarchs. He used industrial policy and trade policy, all with a vision of America which could create social mobility and thereby enhance national greatness. He increased the central government's scope and authority. This Hamiltonian tradition was picked by the Whig party, which created, under Henry Clay and Daniel Webster, the American system of roads and canals.

It was embraced by Abraham Lincoln. In 1828, Abraham Lincoln nearly drove the state of Illinois bankrupt with what we would call a stimulus package, trying to use government to create banks that would invest in companies, and build roads and canals. This was his vision, and he carried this vision. Even though he screwed up in 1828, he carried it to the White House. And during the Civil War, the Republican Party created the Land Grant College Act, the Homestead Act, and railroad legislation, using government to create the means, so poor boys like Lincoln and like Hamilton could rise and succeed.

This then went on through Teddy Roosevelt, who tried to bust up the trusts to create more open competition. It went on into California, where mid-twentieth-century governors like Earl Warren and Pat Brown created the best school system in the country. They also created big water projects and big highway projects.

Again, they did not pit the government against the market, but the government gave people the tools to compete in the market to encourage a sort of American individualism: an American individualism best expressed by John Ford's movie *My Darling Clementine*, which is not John Wayne riding off into the sunset. It's a movie with Henry Fonda, where the characters go and create a town. They move out west as

**“The conservative obsession with the size of government is a distraction. It is politically damaging because it leads Republicans to abstract debates about the size of governments, so they pay less attention to concrete issues that Americans face around their kitchen tables.”**

pioneers, and they're creating community. It's not creating a lone individualistic country; it's creating a country of bourgeois heroism, creating community and order. And that's what this style of government was designed to create: to give people the tools to do this.

**"If Republicans are flexible, it creates an opportunity to change things, even**

**in the near term before the fiscal crisis happens."**

And this style of government occasionally resurfaces. Paul mentioned Tommy Thompson's welfare reform as an example of big, expensive government, but it instilled the right values and values of work. Since we're at AEI, I should mention the COIN strategy, which David Petraeus and others are using in Iraq and Afghanistan, using government to create bourgeois towns in valleys in Iraq and Afghanistan.

tion the COIN strategy, which David Petraeus and others are using in Iraq and Afghanistan, using government to create bourgeois towns in valleys in Iraq and Afghanistan.

### **The Big Government Debate Has Created Stagnation**

My problem is that by and large this tradition has been lost. We've been trapped for thirty years in a big government versus small government debate, having this abstract argument, which is great for talk radio, but is not so great for Washington and for governance. Nothing actually gets done, and we've basically had a period of stagnation. The British have gone off, they've passed a budget, and the Germans made difficult labor-market reforms. We've done very little in the last thirty years to fix the fiscal situation Paul described.

So I guess my problem with Paul and the op-ed Paul and Arthur wrote was not the policies, and not the welfare reform, but the framing of the issue. I think you guys frame the issues in ways that hearken back to the stagnation-causing debate, frankly, of the French mindset, if I could accuse you of being pseudo-European. Because the basic formulation you've made here today and have made several times is that we face a stark choice. We face a stark choice between a free enterprise opportunity society or a European cradle-to-the-grave welfare state—as you said, between a fast-growing society and a managed-decline society.



And you said this is a stark and polarizing choice, and the lines have been drawn.

To me, the crucial sentence in the piece you and Arthur wrote together was this: “The road to serfdom in America does not involve a knock in the night or a jack-booted thug. It starts with smooth-talking politicians offering seemingly innocuous compromises, and an opportunistic leadership that chooses not to stand up for America’s enduring principles of freedom and entrepreneurship.” So this is what I call the Road to Serfdom frame: the stark choice, and that any compromise with the people on the other side takes us down the road to serfdom.

### Problems with Framing a Stark Choice

Now I have a couple of problems with this stark choice. First, I think it’s journalistically wrong. I do not think most Democrats want to create a European welfare state. Even when they had all the power in the 1930s and in the 1960s, we didn’t go there. I’d say when you talk to Democrats now, they want to maybe take government up to 25 percent of gross domestic product, and most Republicans would like it closer to 19 percent. This is not an absolutist difference between two sides. I spend a lot of time interviewing these guys. I’ve known them for years, and I don’t see any European welfare statist among them, or at least in the top echelons: Tim Geithner, Larry Summers, Ben Bernanke, Peter Orszag, Gene Sperling, Jason Furman. These guys don’t believe in a welfare state, and if they do they’ve hidden it in every single piece they’ve ever written and in every argument they’ve ever had.

“This is what I call **the Road to Serfdom frame**: the stark choice, and that **any compromise with the people on the other side takes us down the road to serfdom.**”

Even Barack Obama, if you look at the things he thinks are closest to his nature, it’s the [Georgetown University speech](#) he gave on the economy. It’s a liberal speech—he’s a liberal—but he’s an American liberal; he doesn’t believe in a European welfare state.

And from his perspective, he's gotten hit on the Left again and again and again, from Paul Krugman and others, for not having a single-payer program and for not having another stimulus package. I just don't think they're as extreme as you make them out to be. I think there's much more room for compromise than you make it out to be.

Second, the problem with this frame of the stark choice is that it begs a very important question. You're not a libertarian, as you believe, as you made clear today, in the idea that government has to play a positive role. But how, exactly? That is the crucial question. And exactly how and exactly how not should not be in the abstract but in specific cases: in the

**“Tommy Thompson’s welfare reform is an example of big, expensive government, but it instilled the right values and values of work.”**

case of Hurricane Katrina and in the case of when we did the Troubled Asset Relief Program. Exactly how do we define what government should and should not do? That's a question you elide, and you make it a polarized choice between the side of free opportunity and the side of socialism. It's all here, and that's where the debate is.

The third problem with the road to serfdom formulation is that it makes compromise impossible, it makes politics impossible. Ronald Reagan raised taxes twelve times. He did it because he felt he needed to do it to get things done. This formulation would have made much of American history impossible. If we said any compromise toward statism leads us on the road to serfdom, that really makes Alexander Hamilton impossible, it makes the Railroad Act impossible, it makes the New Deal impossible, and it makes the Federal Reserve impossible. These things are open to compromise.

Fourth, and most importantly, I think it squanders this moment. We're at a moment, as you said, where the consciousness of the debt is high, and consciousness of the implosion that's about to happen is high. The public is waking up to remake the welfare state. But the two parties at the moment have these absolutist dreams that they'll get their way to remake the welfare state.

The Republicans dream they're going to do it without tax increases, that some day they will dominate all branches of government, and they'll be able to pass through the Roadmap. At least some Republicans think that. The Democrats dream of eliminating the Republican Party, and passing it all by taxing the rich. This will never happen.

Even if it did happen and either party magically gained control of the entire government, they still would do nothing because they wouldn't want to take the onus of their difficult choices upon themselves.

### **Moment of Opportunity**

So we're at a precious moment where we have a divided government, but we have divided government of a specific sort. We have divided government with a series of proposals suddenly floating out there, the [Bowles-Simpson proposal](#), the bipartisan policy committee, the Ryan Roadmap, the [Wyden plan](#), some of the things Timothy Geithner is talking about, with a lot of overlap. And overlap should be somewhat friendly to conservatives. So I don't see polarized armies when I see all those plans floating out there. I see plans with a lot of overlap.

If Republicans are flexible, it creates an opportunity to change things, even in the near term before the fiscal crisis happens. So if I were you, I would hope if Barack Obama called you up, (and this probably won't happen), but I hope you would take this deal. If he would call you up and say, "I'll give you Ryan-Rivlin if you'll give me a top tax rate of 39 percent," I hope you would take that deal.

I suspect the president will some day put up a stack of papers and say, "This is the tax code; let's fix it," and that will open up the opportunity for a conversation. And we shouldn't be hindered in that conversation by the idea that we're two opposing armies.

**"Exactly how do we define what government should and should not do?"**

That's a question you elide, **and you make it a polarized choice between the side of free opportunity and the side of socialism."**

In conclusion: we're going to have the entitlement fights where I think there's room for flexibility. But beyond that, we're going to have a series of intractable structural problems that we're going to have to address. The biggest and most near and dear to me is the human-capital problem, which will not simply be solved by getting government out of

the way. The fact is that we're wasting 30 to 40 percent of our human capital.

**"We're going to have the entitlement fights where I think there's room for flexibility.**

**But beyond that, we're going to have a series of intractable structural problems that we're going to have to address."**

Then there's the problem we have with widening inequality, the whole segmentation of society along educational grounds. All of these problems will take some sort of government action, whether it's [KIPP academies](#), [Harlem Children's Zones](#), training, or infrastructure projects. They will take active government. It's useful to have a philosophy that encourages the kind of government I think that all conservatives want. I agree with Irving Kristol, who

wanted the welfare state to create a ground for people. He wanted a state that would encourage energy, but he didn't want a paternalistic state, which would weaken character. I think that's where we fundamentally agree, and the question is how flexible we're going to be to get there.

## Ryan Responds to Brooks

Let me respond first on philosophy and then pragmatically on policy. Philosophically, I'd call myself in line with David Hume, Adam Smith, and Edmund Burke, no two ways about it. They were the champions of limited government, of the idea that humans needed government because we're imperfect, but to balance that with our ability to self-govern. But when we're talking about the size and role of the government in the nineteenth century, when we're talking about things Abraham Lincoln did, and things that were done by Jefferson and other founders and Hamilton, these were done in context where our national policy was still tethered to the founding principles, still tethered to the idea of America.

I grew up in Janesville, Wisconsin, right outside Madison. Progressivism basically came from the Germans to Madison and then to everyone else, so I'm very familiar with Max Weber, G. W. F. Hegel, and all this stuff. I think we changed that idea. We went in this country from universally accepting that our rights came, like the [Declaration of Independence](#) says, from nature and not from government, to believing that government gives and creates new rights for us, where it's government's job to distribute these rights. If government can give us rights like health care, then government can ration it. Government can redistribute it. It can determine how, why or when we get these new rights. So the view of government has changed.

### Leftists Do Want to Alter America

I do believe there are people in Washington on the Left who believe government should change. I invite you to come to the Ways and Means Committee and look at the top echelon of Democrats over there because I'll just give you a vignette.

**“If government can give us rights like health care, then government can ration it. Government can redistribute it.”**

When we were debating health care and the House version passed, public option and all that, it had been a long day. Everyone was tired and emotions were raw. Then speaker after speaker, whether it was Dave Obey (D-Wisconsin) or Nancy Pelosi (D-California) or Harry Reid (D-Nevada), came to the floor saying, “By golly, this is finally it. The third wave of progressivism is where we finally can transform America to what it needs to be.” So I do believe there is a strict adherence to that philosophy in leadership positions on the Left.

Not all Democrats are like that. There's a difference and a chasm developing between the Brookings/Alice Rivlin/Erskine Bowles types and the ones I've just mentioned, and so we do have to settle this question. What is the role of government? Is it equal opportunity or is it equal outcomes? Big difference. What is equality? And we have to settle that. Because if you take a look at the genesis behind the ideas on the Left it goes in a different direction, so yes I guess it is stark. So, philosophically, I do have an issue with that.

### The Numbers Problem with Debt and Entitlements

But pragmatically I have an issue with it because of the numbers. The numbers are vicious, and demographics are our destiny. Our debt situation is so bad, and it compounds so viciously, that we've got to settle this soon. How we respond to this debt crisis will really determine the outcome of this debate, whether we want it to or not.

What I mean when I say that is do we turn these entitlement programs, which are right now defined-benefit programs spiraling out of control, into defined-contribution systems, where we do bottom-up reforms empowering the individual? Or do we stick with the government-centric top-down reforms, where the government controls these markets of our economy? If we stick with that design, which is a European-based design, then we face austerity and managed decline.

Take a look just at interest on the debt right now: \$200 billion is pretty low compared to what we're looking at for the future, and a trillion by the end of the budget window, if interest rates stay where they are. They're going to go up \$5.4 trillion more in interest payments within the first ten years if we just go back to the average of the 1980s. If we don't turn this thing around soon, interest on the debt catches us and puts us in a managed-decline situation. It's not unlike Japan where, even if our economy's growing and the interest rates go up, it's not enough to service our debt. It's not enough to give us a limited-government, free-enterprise, low-tax, and free-opportunity society.

**“What is the role of government? Is it equal opportunity or is it equal outcomes? Big difference.”**

### **This Debate Is Unavoidable**

Four basic foundations for economic growth need to be re-adhered to and are not:

- low interest rates;
- sound money;
- regulations that don't involve crony capitalism—big government and big business joining in common cause—but that are predictable, transparent, and reasonable;
- and spending control and spending discipline, so that we can show our countrymen and the world that we're getting this debt under control.

We need to show we're going to absorb the Baby Boomers, get it under control, and move on.

It's not as if people like Arthur and me *want* to have a stark debate right now. We have to because of the numbers, the demographics and, yes, because of the motivations from others who would like to have more of a defined benefits, collectivist society.

**“Compromise is a good word, as long as you’re compromising in the right direction,**

in line with fulfilling your principles.”

We just created two new health care entitlements in the last year on top of the other two that are bankrupting us. The Government Accounting Office told us three years ago that we have a \$62.9 trillion unfunded liability. Last year, this liability was \$76.4 trillion, and two weeks ago it was \$88.6 trillion. This thing is going out of control, so we have to win the idea

of what this country is and what it stands for if we're going to have a government in the twenty-first century that resembles anything like what Lincoln had or what we had in the twentieth century.

Compromise is a good word, as long as you're compromising in the right direction, in line with fulfilling your principles. I'll take an inch rather than a mile if I can take an inch in the right direction. But I don't want to take an inch backward because, looking at the storm on the horizon, it will indebt us to a very ugly future where we will not be able to make these choices. We won't be able to have an energetic government response to the problems of our day, and we'll be sucked down into this debt crisis. We'll be paying more and more to creditors overseas, and our tax rates will be so high that it will stifle growth and innovation.

### **We Owe the Country a Choice**

The way I see it, we owe the country a choice. And yes, it needs to be brought to a clear choice because if we don't, we'll muddle through this system, and we'll end up with this kind of managed-decline society. I do believe it's a choice: a prosperous, free, opportunity society



with a safety net, as opposed to the cradle-to-grave society where we turn the safety net into a hammock. That is just the economic consequence of what's in front of us and, yes, there is a philosophical difference of opinion. Lots of Democrats don't share that difference of opinion, but many do.

So I'm not trying to be partisan. I believe a centrist coalition is developing. Rivlin-Ryan is a perfect example; Erskine Bowles is a perfect example of a centrist coalition, a right-of-center coalition forming, where revenues and expenditures are coming together. But that means that the progressive Left will be separated from the centrist Democrats. They're going to have to make their minds up on that, and I believe this coalition is going forward.

## Brooks Responds to Ryan

Paul Ryan has to sit in the House of Representatives, and I don't. So I don't have to deal with Nancy Pelosi and David Obey, but the fact is that they no longer have the majority in the House, so Democrats don't have as much power. Republicans now control the House. Democrats have a nervous, fragile majority in the Senate, including eight to twelve Democrats who are in very red states and extremely nervous, on top of a series of Democrats who are pretty moderate and willing to compromise.

Then we have a liberal president who knows he needs to win back Congress, win back Independents, and is seriously within the administration talking about doing tax reform, so to me this is not a hopeless moment. It's not a great moment, but it's about as good a moment as we're likely to get in real life. The moment must be seized to head off the disaster Paul described. To me, the prospect of national bankruptcy is worse than the prospect of some tax increases.

If I were him in power, I would make the deal. In the United Kingdom, Conservative leader David Cameron, the sainted David Cameron, has a budget that is 80 percent spending cuts and 20 percent tax increases. That's probably the right ratio because we do know that spending cuts lead to long-term deficit reduction much more than tax increases. Nonetheless it's probably the right ratio for policy grounds

and probably political grounds. And my problem with the Republican Party now is that if you offered them 80-20 they'd say no, if you offered them 90-10 they'd say no, if you offered them 99-1 they'd say no. That's because we've substituted governance for rigidity, for rigidity Ronald Reagan didn't have. This rigidity comes from the polarized worldview that they're a bunch of socialists over there.

Again, I've spent a lot of time with the president and I've spent a lot of time with the people around him. They're liberals. They have much greater faith in planning than I do, and the health care plan that came out reflected their faith in planning, that a bunch of guys sitting around in Washington could fix the health care system. But they're not idiots, they're not Europeans, and they don't want to be European lovers.

If you read what they've written for the last twenty years, they want an activist government that does a little more planned redistribution. But it's American liberalism and it's not inflexible. I recommend the [Georgetown speech](#) that Obama gave. It dovetails in some ways with Paul Ryan and Arthur Brooks's op-ed.

**“This is not a hopeless moment.** It's not a great moment, but it's about as good a moment as we're likely to get in real life.”

### **Time for Flexibility and Compromise**

I think it's a time for flexibility and some sort of compromise: compromise built on the principle that what matters is character. What matters is the character of the country, using government in ways that instill good character and not using the government to instill bad character. My problem is with the Great Society, and how it expanded government reach far beyond basic structural and safety-net programs; I'm fine with the New Deal. I'm fine with it because I don't think Social Security, or the Civilian Conservation Corps, weakened society.

I'm not fine with the Great Society because it undermined character. It undermined the bourgeois institutions of work, faith, and family.

You can ask conservatives about what year they'd like to go back to. Some in the Tea Party, I think, would like to go back to the Founding, and some at the Claremont Institute want to go back before the progressive era and the Federal Reserve Board. Some, like my friend Amity Shlaes,

**“My problem with the Republican Party now is that if you offered them an 80-20 ratio on cuts to taxes they’d say no, if you offered them 90-10 they’d say no, if you offered them 99-1 they’d say no.”**

may want to go back before the New Deal. I want to go back from 1965 and start from there, with a set of policies that instill initiative and bourgeois values.

I think Paul is on the right track with most of it. I think getting people involved with defined-contribution plans in health care would get people engaged in their health care spending and responsible decisions that no one has to make anymore. The policy is great. That’s why I’m in favor of charter schools.

They get people involved in responsible, bourgeois decision making. And so the policies are fine if we’re willing to do the politics to get there.

### **Many Americans Don’t Want More Choices**

There are, finally, two things that should trouble us and make life hard. Most of us in this room are college educated. We’re willing to take responsibility upon ourselves. We’re willing to have a riskier life because we feel we’ll be able to handle our choices. But as we saw in the Social Security debate, there are a lot of people, frankly in less-educated parts of the country, who do not want those choices. Republicans destroyed some of the Social Security reform in these areas because such citizens live in unstable and uncertain circumstances, and they didn’t want more risk and more choice put upon them. We have to be conscious of that if we want to create the opportunity and society that Paul and Arthur talk about. That’s just a fact because such people are fundamentally conservative. They have a tremendous faith in order and authority, which we should all respect.

I think it is a crucial debate; the reason that America got rich in the nineteenth century was because we were the most educated country on earth, and we could count on a certain level of social capital we no longer can.

We have a widening segmentation of education levels and people are getting poorer. Their families are breaking down, single parenthood is on the rise among all ethnic groups, and it's going to take some paternalistic government to fix this. Paternalistic in the sense of the KIPP charter school programs and Harlem Children's Zones, because you have families fundamentally breaking down. Unless you want to sit by and let that go, we're going to have to take some action that does not square with the hands-off, laissez-faire ideal.

We're at the moment where we've had this big government versus small government debate. My theme of my life is to return us to the Hamiltonian/Whig/Lincoln tradition, which is not small government to enhance freedom, and not big government to enhance equality. It's limited and energetic government to enhance social mobility.

**“What matters is the character of the country—using government in ways that instill good character, and not using the government in ways to instill bad character.”**



## About the Authors

**Paul Ryan** is currently serving his sixth term representing Wisconsin's first congressional district in the House of Representatives. He is the chair of the House Budget Committee, working to bring fiscal discipline and accountability to the federal government. Ryan is also a senior member of the House Ways and Means Committee, which has jurisdiction over tax policy, Social Security, health care, and trade laws. Author of "The Path to Prosperity"—the House-passed Fiscal Year 2012 budget resolution—Ryan has focused his recent legislative efforts on spurring sustained job creation through pro-growth economic reforms and addressing the federal government's long-term fiscal imbalance through gradual entitlement reforms. Before entering Congress, Ryan worked at Ryan Incorporated Central, a family-owned construction firm based in Janesville, Wisconsin. He was previously an aide to former senator Bob Kasten (R-Wisconsin), an economic adviser and speechwriter for former vice presidential candidate Jack Kemp and former drug czar William Bennett, and a legislative director in the Senate.

**David Brooks** became an op-ed columnist for the *New York Times* in September 2003. He has been a senior editor at the *Weekly Standard*, a contributing editor at *Newsweek* and the *Atlantic Monthly*, and a commentator on *The NewsHour with Jim Lehrer*. He is the author of *Bobos in Paradise: The New Upper Class and How They Got There* (Simon & Schuster, 2000) and *On Paradise Drive: How We Live Now (And Always Have) in the Future Tense* (Simon & Schuster, 2004). Brooks joined the *Weekly Standard* at its inception in September 1995, having worked at the *Wall Street Journal* for the previous nine years. His last post at the *Journal* was op-ed editor. Before that, he was posted in Brussels, covering Russia, the Middle East, South Africa, and European affairs. His first post at the *Journal* was editor of the book-review section, and he filled in for five months as the *Journal's* movie critic. He has contributed to various publications, including the *New Yorker*, the *Washington Post*, *Forbes*, the *Public Interest*, the *Times Literary Supplement*, the *New Republic*, and *Commentary*. He is also a frequent commentator on National Public Radio, CNN's *Late Edition*, and the *Diane Rehm Show*. Brooks is the editor of the anthology *Backward and Upward: The New Conservative Writing* (Vintage, 1996).

**Arthur C. Brooks** is the president of AEI. Until January 1, 2009, he was the Louis A. Bantle Professor of Business and Government Policy at Syracuse University. He is the author of eight books and many articles on topics ranging from the economics of the arts to applied mathematics. His most recent books include *The Battle: How the Fight between Free Enterprise and Big Government Will Shape America's Future* (Basic Books, May 2010), *Gross National Happiness* (Basic Books, 2008), *Social Entrepreneurship* (Prentice Hall, 2008), and *Who Really Cares* (Basic Books, 2006). Before pursuing his work in public policy, Mr. Brooks spent twelve years as a professional French hornist with the City Orchestra of Barcelona and other ensembles.



## Further Reading

- “Adam Smith,” *Concise Encyclopedia of Economics*.
- [AEI Debates online, AEI.org](#). Watch all previous debates, preview upcoming debates, and sign up to attend (for free!).
- “A Roadmap for America’s Future,” Rep. Paul Ryan.
- “David Hume,” *Stanford Encyclopedia of Philosophy*.
- “The Day After Tomorrow,” David Brooks, *New York Times*, September 13, 2010. Brooks’s response to Ryan and Arthur Brooks.
- “Downcast Contenders a Serious Problem for GOP in 2012,” Chris Stirewalt, Fox News Politics, April 26, 2011. A background on how the debate on government size matters to America’s identity now.
- “Edmund Burke,” *Stanford Encyclopedia of Philosophy*.
- “The Size of Government and the Choice This Fall,” Arthur Brooks and Paul Ryan, *Wall Street Journal*, September 13, 2010. The op-ed that began this entire exchange.



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