> **"Many US policymakers began the century believing that they had solved the age-old problem of governing well. . . . Reality provided a wake-up call."**

The Pandemic Exposes an Ailing US Governance Model

ALASDAIR ROBERTS

In the United States, the effects of the COVID-19 pandemic have been devastating. By the summer of 2020, more than 170,000 people had died, and more than 20 million were unemployed. This disaster marks the end of an era. It closes a troubled chapter in American political history that has spanned the past two decades.

In many ways, the story of the past 20 years is about a descent from hubris. America's political elites began this century filled with confidence about their capacity to govern well. Leaders of both parties thought they had discovered a formula for running the country that produced all of the essential goods: domestic peace, economic prosperity, and international influence. Some even thought they had permanently solved problems of governance that had confounded leaders throughout history.

Political leaders spent the next two decades being disabused of these grandiose ideas. In moments of crisis—the 9/11 terrorist attacks, the 2008 financial crisis, and the pandemic of 2020—policymakers abandoned the simple governing formula of the late 1990s. Time exposed other problems that their formula could not fix, and which it sometimes even aggravated: economic insecurity, racial injustice, and political polarization. By 2020, the credibility of this governing formula was completely shredded.

The United States will be governed differently in coming years. Precisely how is difficult to say. Today, Americans are deeply divided about the principles that should guide government action. And perhaps there is no simple set of principles that provides clear guidance on how to govern in a turbulent and dangerous world. That might be one of the big lessons of the last two decades. Whatever they may say, policymakers do not feel bound by a specific formula for running the country. Instead, they have proved deeply pragmatic as they have guided the country through repeated shocks and strains.

ALASDAIR ROBERTS *is a professor of public policy at the University of Massachusetts–Amherst and director of its School of Public Policy.*

THE REAGAN–CLINTON FORMULA

The twenty-first century began on a high note. The spirit of self-confidence was captured in January 2000 by President Bill Clinton. "The state of our union is the strongest it has ever been," Clinton told Congress. "Never before has our nation enjoyed, at once, so much prosperity and social progress with so little internal crises and so few external threats."

Clinton had reason to boast. The conditions of American life seemed very good in the late 1990s. Adjusting for inflation, the US economy grew by 40 percent between 1990 and 2000. The violent crime rate—an important measure of internal peace—declined by 40 percent in the same decade. With the collapse of the Soviet Union and the end of the Cold War, the United States enjoyed unprecedented influence in world affairs. Some said that it was no longer just a superpower, but a hyperpower.

With hindsight, Clinton's 2000 speech itself marked the end of a chapter in US history that had begun a quarter-century earlier. The United States had been mired in economic and social discontent in the 1970s. Many people talked about a national malaise. President Jimmy Carter worried about a "crisis of confidence" in American democracy. Economic growth had stalled, inflation was out of control, crime and domestic terrorism were rising, trust in government was slumping, and voters were angry.

The US political elite was deeply divided about how to address this crisis in governance. Ronald Reagan, elected president in November 1980, offered a clear but controversial path forward. Reagan campaigned on a commitment to "get government off the backs of the people." His administration pursued tax cuts, cutbacks in federal agencies, deregulation of the private sector, free trade agreements, tougher crime policies, and a stronger defense.

Many people disliked Reagan's program intensely. He had an approval rating of just 35 percent in early 1983, as an inflation-fighting monetary policy slowed the economy. (By comparison, Donald Trump's approval rating never sank that low during the pandemic and economic slowdown of 2020.) Reagan's approach gained traction only after his decisive victory in the 1984 election. By then it was known as Reaganism.

By the 1990s, after twelve years of a Republican-controlled White House, many prominent Democrats had accepted much of Reaganism. Clinton also vowed to balance the budget, cut the number of federal workers, reduce regulations, and give more power to the states. A task force led by his vice president, Al Gore, promised to eliminate "useless bureaucracy and senseless rules" in the federal government. Many restrictions on the financial sector were eliminated as part of this crusade against "senseless rules." Clinton also promoted free trade and signed laws to reduce welfare benefits and crack down on crime. Federal Reserve Chairman Alan Greenspan quipped that Clinton "was the best Republican president we've had in a while."

By 2000, the mix of policies being pursued by policymakers in Washington was really neither Republican nor Democratic. It constituted a formula for governing that transcended party labels. Some academics called it neoliberalism. In many countries, the formula was known as the Washington Consensus because it was endorsed by the World Bank and the International Monetary Fund, two international organizations headquartered in Washington and dominated by the United States.

The Reagan–Clinton formula envisaged a federal government that had fewer responsibilities and was more disciplined in its decision-making. Wherever possible, politicians were supposed to give power away—to the central bank, state governments, markets, and citizens. Political discretion in the realm of economic policy would also be checked by balanced budget laws and trade agreements. Because the formula put such emphasis on limiting political power, *New York Times* columnist Thomas Friedman called it "the Golden Straitjacket." Friedman meant that countries would get rich if politicians had less freedom of movement. He deemed this straitjacket "the defining politico-economic garment of the globalization era."

For some, no way of governing other than the Reagan–Clinton formula seemed imaginable at the start of the twenty-first century. As the political scientist Francis Fukuyama famously pointed out, all other models of governance that had been tried in the twentieth century—imperialism, fascism, communism, socialism—had proved to be failures. In 2002, President George W. Bush described the formula as the "single sustainable model for national success."

It takes a long time for a political consensus to break down. A generation of politicians and voters—tens of millions of Americans—grew up believing that the Reagan–Clinton formula was the right way to govern. However, the passage of years—and a succession of crises—have provided strong evidence of weaknesses in the model. The 2020 pandemic was the last and fatal blow to the credibility of the formula.

Deep divisions among Americans will make it hard for policymakers to pursue any program of reform.

THE FIRST CRISIS: 9/11

The first blow to this formula was struck by the terrorist attacks of September 11, 2001. Senior Bush administration officials were surprised by the al-Qaeda attacks: there had been warning signs, but they were ignored. (This would become a familiar pattern in crises of the next 20 years.) The public feared more attacks would follow, perhaps involving nuclear, biological, or chemical weapons.

The Bush administration faced a dilemma. The Reagan–Clinton formula emphasized small government and limited political discretion. But a large majority of the American public now wanted strong federal action to protect the homeland. Federal policymakers could not escape responsibility for responding to a threat of uncertain dimensions. How could these new realities be squared with the prevailing dogma about the right way to govern?

The Bush administration's immediate reaction was to abandon the straitjacket of the 1990s. "The gloves are off," an unnamed senior official told journalist Bob Woodward in October 2001. Declaring that the nation was at war, George W. Bush promised to do "whatever it takes to make sure that we're safe." Defense Secretary Donald Rumsfeld said that "all elements of national power" would be deployed in defense of the American people. This was not the vocabulary of small or constrained government. The nation's leaders made clear that they were in charge.

In many ways, the Reagan–Clinton formula was bent to accommodate the realities of the post–9/11 world. Talk about the virtues of small government faded as security bureaucracies were expanded: the federal civilian workforce increased by 100,000 people within three years. Federal agencies acquired sweeping new surveillance and investigative powers. Similarly, talk about the virtues of free markets gave way to bailouts for the distressed airline industry and tighter regulation of privately owned "critical infrastructure," such as power plants and refineries. Demands for budget discipline gave way to economic stimulus spending and the biggest federal deficit in 10 years.

Federal action in response to the terrorist attacks did have limits. Policies that deviated from the Reagan–Clinton formula were often justified as temporary arrangements that would be reversed once conditions returned to normal. And in some areas, the Bush administration declined to "do whatever it takes" to protect the homeland. Leaders made political calculations about where the old formula should be bent and where it should be respected. For example, the Bush administration pressed ahead with massive tax cuts that aggravated budget deficits, and continued to promote free trade despite concerns about the security of container traffic.

Still, the crisis of 9/11 suggested that there was something incomplete, and perhaps false, about the Reagan–Clinton formula. Bromides about small government and free markets clearly did not hold sway when a vital national interest was threatened. In moments of crisis, responsibility still fell squarely on the shoulders of policymakers at the center of the federal government. Any promises that had been made about limiting the discretion of top political leaders proved to be reversible under duress. The Bush administration also invaded Iraq, a rash and costly act that deviated radically from the late-1990s rhetoric about government restraint. Overall, US leaders reverted to a style of governing that was more pragmatic and less concerned with ideological consistency.

Bending the financial rules

These facts were underlined by the next national crisis. Markets panicked in 2008 when it became evident that several major financial institutions were insolvent. As in 2001, there had been warnings of a looming crisis, but again warnings were ignored. Deregulation of the financial sector in keeping with the Reagan–Clinton formula had prompted many institutions to go too far in lending and speculation. Experts feared a reprise of the Wall Street crash of 1929 and the Great Depression of the 1930s.

This time, bold federal actions averted disaster. But principles about limited government, free markets, and fiscal discipline were bent once again in the process of addressing the crisis. The federal government provided $700 billion in emergency aid to the financial sector, took direct control of several big financial institutions, and became the majority shareholder in General Motors and a minority owner of Chrysler. It also adopted a $787 billion economic stimulus program. In 2009, the federal deficit rose to 10 percent of GDP, the biggest since World War II.

The Federal Reserve also shifted dramatically during the crisis. Previously, experts had insisted that central banks like the Fed should guard their independence, focus on inflation-fighting while setting interest rates, and avoid buying government debt. In 2008, however, the Fed coordinated closely with the Treasury Department and cut interest rates deeply, putting aside concerns about inflation. It also bought massive amounts of government debt through a policy it called "quantitative easing."

Henry Paulson, who served as Treasury secretary under Bush at the start of the financial crisis, later said in his memoir that the administration's actions were "deeply distasteful . . . [but] absolutely necessary" to avoid an "economic catastrophe." Bush shared Paulson's distaste but agreed that intervention had been necessary. Measures to save auto manufacturers were especially troubling to Bush. "[I] believed strongly that government should stay out of the auto business," Bush wrote in his own memoir, but "I had to safeguard American workers and families from a widespread collapse." He acted despite the strong opposition of many Republicans in Congress.

Federal Reserve Chairman Ben Bernanke also promised to "do whatever was necessary" during the crisis. He later explained that "policymakers confronted with extraordinary circumstances must be prepared to think outside the box, defying orthodoxy if necessary."

The next administration, headed by President Barack Obama, thought about the financial crisis in the same way. Shortly after winning the November 2008 election, Obama told journalists that "we have to do whatever it takes to get this economy moving again. . . . [W]e shouldn't worry about the deficit next year or even the year after that. . . . [T]he most important thing is that we avoid a deepening recession."

In his 2014 book, Timothy Geithner, Obama's first Treasury secretary, compared the handling of the financial crisis to the challenges confronting a surgeon who must make "life-or-death decisions in a fog of uncertainty." Officials must act decisively, Geithner said, "even if it fuels perceptions of an out-of-control, money-spewing, bailout-crazed Big Government."

The response to the global financial crisis was justified as a temporary effort compelled by a national emergency, just as in 2001. The hope among policymakers was that the country would again return to normal, and to the governing principles of the late 1990s. Still, the crisis of 2008 had deepened the shadow over the Reagan–Clinton formula. For the second time in a decade, policymakers in Washington had put that formula aside and governed in a different style. America's leaders, it turned out, were deeply pragmatic. When vital interests were threatened, leaders of both parties did whatever seemed necessary to avoid catastrophe.

> *The 2020 pandemic was the last and fatal blow to the credibility of the formula.*

MOUNTING PRESSURES

It soon became clear that the United States would not return to normal after the financial crisis. Public faith in the old formula was collapsing. Americans on both ends of the political spectrum organized angry protests against the status quo. The conservative Tea Party movement spread across the country in 2009, and the left-of-center Occupy movement took off two years later.

Frustration with economic inequality and insecurity had been simmering in the United States for several years. Free trade accelerated the decline of American manufacturing, bringing wage cuts and job losses for the working class. Middle-class incomes had stagnated over the previous quarter-century, while the costs of education and health care spiraled. By contrast, upper-income Americans did very well. Economic inequality in the United States reached levels not seen since the early twentieth century.

At the same time came the reopening of fissures within American politics. Before World War II, deep political splits between different regions of the country—known as sections—had been viewed as a permanent feature of the political landscape. Politics in Washington was seen as a business of peacemaking between sections that had distinct ideas about the role of government generally, and the federal government in particular. Southern states notably resisted federal interventions in civil rights and social policy.

In the decades following World War II, many political scientists thought that sectional differences were fading away because of improvements in transportation and communications across the country. This made it possible to contemplate an expansion of the federal government's role in daily life. But deep splits in the American polity seemed to reemerge in the 2000s. People talked more often about differences between red states and blue states, and about polarization in Washington politics. It seemed that politicians had lost the knack for governing such a fractured country. One result was prolonged political warfare over major policies such as Obama's health care program. Another was gridlock—the inability of politicians in Washington to get anything done at all.

A third, long-simmering trend had to do with racial justice. Anticrime policies of the 1980s and 1990s led to a doubling of imprisonment rates for Black men, while those for white men grew incrementally. The wage gap between the races also widened. Deference to state governments meant weaker enforcement of federal civil rights laws, including protection of voting rights. Police brutality against Black Americans became more visible via smartphones and social media.

By the late 2010s, faith in the Reagan–Clinton formula was waning rapidly. Although politicians still paid homage to the old consensus in rhetoric, they abandoned it with alacrity in moments of crisis. Public confidence in the formula was also exhausted: as a practical matter, it no longer seemed to work. In the late 1990s and early 2000s, the Gallup Poll found that a large majority of Americans were satisfied with the way things were going for the country. Only a quarter were satisfied in the decade after 2007.

But there was no agreement on what should replace the old formula. During the 2016 presidential campaign, voters were divided between three distinct paths. Fifty-eight million people voted in the Democratic and Republican primaries during that campaign. Roughly equal numbers voted for Hillary Clinton, who was closely tied to the old formula; Bernie Sanders, a self-declared socialist; and Donald Trump, a conservative ethno-nationalist.

VIRAL BREAKDOWN

Americans who were already in poor health in 2020 were more likely to die from COVID-19. The disease was just the final and fatal blow. COVID-19 operated in the same way on the Reagan–Clinton formula. The pandemic revealed more evidence of vulnerabilities in American society, some of which had been magnified by the formula itself. Moreover, the pandemic demonstrated once again how leaders were prepared to throw the formula aside in moments of crisis. By the summer of 2020, no one could say that the paradigm inherited from the 1990s really described how the United States was governed in the twenty-first century.

The pandemic began in Wuhan, China, in late autumn 2019 and spread rapidly around the world. By the summer of 2020, millions had been infected worldwide and nearly 800,000 had died, including more than 170,000 Americans. Warnings that the United States might be hit by a disaster like this had been ignored yet again. States and cities struggled to limit contagion and aid the sick. In New York City, one of the first parts of the country to feel the brunt of the pandemic, hospitals were quickly overwhelmed. By midsummer, state and local governments across the country were being severely tested as well.

Government at all levels—federal, state, and local—took radical measures as the disease spread. A national emergency was declared on March 13. By the end of March, the federal government had banned nonessential crossings of land borders and prohibited entry by air or sea for foreign nationals from more than 30 countries. By April, more than forty states had ordered people to stay at home and businesses to close. Trump invoked the Defense Production Act, a relic of the early Cold War, to compel production of medical supplies by General Motors, General Electric, and other companies.

Experts feared that the stay-at-home orders and restrictions on travel would trigger an economic collapse rivaling the Great Depression. Policymakers took dramatic steps to counter this risk as well. In March 2020, the federal government introduced a $2 trillion economic stimulus package, with even more aid expected. This prompted predictions that the federal budget deficit would reach 20 percent of GDP in 2020. Reprising its dramatic actions of 2008, the Federal Reserve promised to purchase as much government debt as needed to keep markets functioning.

All of these measures broke with the Reagan–Clinton formula, and state and federal policymakers justified them in the now-familiar way. They behaved and talked like pragmatists. In March 2020, New York Governor Andrew Cuomo promised to "do whatever is necessary to contain this virus." At the same time, Democratic leaders in Congress urged "a Marshall Plan . . . on a continental scale" to fight the pandemic. A few weeks later, Federal Reserve Chairman Jay Powell promised that the central bank would respond "forcefully, proactively, and aggressively." Powell advised Congress to act boldly too, warning that this was "not the time" to let deficit concerns "get in the way of winning this battle."

Trump's response was more complicated. He was already a harsh critic of key aspects of the Reagan–Clinton formula, such as its commitments to free trade and more open immigration. In fact, his administration exploited the crisis to impose new restrictions on immigration, including limits on the ability of foreign students to attend American universities. At times, Trump also echoed the rhetoric of pragmatism. In February 2020, he promised to "do whatever is necessary" to protect public health. In March, Trump reaffirmed that he would "never hesitate to take any necessary steps to protect the lives, health, and safety of the American people."

In practice, however, Trump often refused to "do whatever is necessary." At critical moments, his administration dragged its heels or declined to act at all. Trump repeatedly denied the seriousness of the pandemic and predicted that it would run its course quickly. The federal government used its powers, such as those granted under the Defense

Production Act, reluctantly. It declined to formulate a national response plan or help states with coordinating their activities. Trump disparaged experts within federal agencies and touted remedies for COVID-19 that were untested and dangerous. His administration persisted with a challenge to the Affordable Care Act, threatening access to health care for millions of Americans.

Why did the Trump administration react this way? Part of the answer lies with the character of the president himself: his self-absorption and indiscipline, incompetence in managing the complex operations of federal government, and unwillingness to take advice. But political calculations also played a role. Trump played on the country's political divisions. Republican-dominated states were less affected than Democratic states in the early months of the pandemic. And even as the pandemic spread more widely, conservatives protested against preventive measures such as lockdowns and mask orders. Trump refused to take steps that would alienate his political supporters. Instead, he reinforced their skepticism about the severity of the crisis. But many other voters were angered by the Trump administration's policies as the death toll increased.

The United States will be governed differently in coming years.

No other advanced nation managed the pandemic as badly as the United States. This was not entirely the fault of the Trump administration. The pandemic exposed weaknesses in the country that had been building up for decades. Essential governmental capabilities were eroded after years of antigovernment rhetoric, which had been an essential part of the Reagan–Clinton paradigm. Cutbacks made in the name of small and efficient government undermined the ability of public health agencies and public hospitals to handle the surge in demand for services. Efforts to shrink the social safety net over the preceding thirty years left low-income workers more vulnerable when the economy shut down.

Black Americans suffered disproportionately during the pandemic. Early evidence showed that Black deaths were double what would be expected based on population share. Disparities in wealth, physical well-being, and access to medical services likely contributed to the gap between white and Black death rates. Anger over racial injustice was stoked by more police killings in the spring of 2020, and massive protests erupted in more than 100 American cities.

These protests prodded politicians in both parties, and at all levels of government, to reconsider many of the harsh policing measures adopted during the Reagan–Clinton era. Again, Trump was an exception: he disparaged the Black Lives Matter movement and called for a return to law and order. But polling data still showed broad support for police reforms, and Trump's influence over action by state and local governments was limited.

THE NEXT CHAPTER

The first two decades of the twenty-first century provided a lesson about the dangers of overconfidence. Many US policymakers began the century believing that they had solved the age-old problem of governing well—that they had discovered a surefire formula for achieving domestic tranquility, prosperity, and national security. Reality provided a wake-up call. The Reagan–Clinton formula had dangerous side effects that took time to emerge. It turned out that the world was full of dangers the formula had not accounted for.

A longer view of history might have prevented overconfidence in the first place. Nothing that happened after the turn of the millennium was new: for every strain and shock experienced between 2000 and 2020, there was a parallel in the past. The United States had experienced earlier waves of terrorism, financial crises, populist upheavals, pandemics, and mass protests over inequality and racial injustice, but it seemed as though all of these historic vulnerabilities were forgotten. Some commentators in the 1990s suggested that the country was taking a "vacation from history." In the 2000s, policymakers were often surprised when history repeated itself.

The world is more dangerous in 2020 than many US leaders believed it was in 2000, but not more dangerous than in most years of the nation's past. Yet there is at least one factor that might be new: heightened public expectations about the role of the federal government in responding to crises. Since the 1930s, the federal government has become more clearly responsible for protecting people against major shocks. In the past, national leaders were not always expected to do "whatever it takes" to restore normalcy—but they are now. This responsibility puts an immense strain on the federal government's capabilities.

One response to the country's current circumstances might include a program of reforms that address the weaknesses of the Reagan–Clinton formula, such as federal policies to protect Americans more fully from economic downturns, increase access to health care and education, and fight racial discrimination. The federal government might also improve its capacity to deal with major shocks—for example, through improved contingency planning, more investment in emergency preparedness, and better mechanisms to distribute economic aid.

Certainly a strong case can be made for pursuing such reforms. There is always a risk of another terrorist attack, financial collapse, or pandemic. And there are new challenges, too. Climate change will bring immense social and economic disruption at home and abroad. Technological advances—such as automation and artificial intelligence—will threaten old industries and professions. The rise of China is stirring concerns about new threats to US influence and national security.

But there are many reasons why it will be difficult to pursue these reforms. One consideration is money. For the next 30 years, most of the federal budget will be consumed by spending on entitlements for the baby boom generation, such as Social Security, Medicare, and Medicaid. Even before the pandemic, experts were predicting that these obligations would drive federal indebtedness to an unprecedented level by 2040. Of course, taxes could be raised to offset increased spending, but that would be deeply controversial and divisive.

This leads to a more serious difficulty: political polarization, or what was once called sectionalism. Deep divisions among Americans about the proper role of the federal government are unlikely to disappear over the next few years. As Trump has demonstrated, these divisions are potentially dangerous. National leaders may be tempted to seek short-term political advantages by stoking tensions, at the price of long-term political instability.

In August 2020, the Democratic presidential candidate, former Vice President Joe Biden, proposed a different path, promising to govern for "all of us" rather than aggravating the "clashing interests of red states and blue states." But Biden's approach does not fully resolve the problem of polarization. Even if divisions are not actively exploited, they will make it hard for federal policymakers to pursue ambitious reforms. To maintain unity and avoid gridlock, policymakers might avoid controversial subjects. Or they might engage in intensive brokering—a slow and messy style of politics that was the norm for much of American history. This is another reason why we should expect pragmatism, rather than dogmatism, to be a valued commodity in coming years.

The real error of the 1990s might not have been the exact content of the Reagan–Clinton formula. The bigger mistake might have been thinking that any simple formula for governing—"a single sustainable model for national success," as George W. Bush put it—was attainable. The past two decades have reminded us that the world is too complicated for simple formulas. Principles have proved to be important but not inviolable. In reality, American policymakers have survived crises through pragmatism, improvisation, and bargaining. This is likely to continue as the dominant style of governance in the rocky years ahead. ■