

The Growth of Government

In the course of the past century government expenditures, including transfer payments, in developed democracies grew from at most a sixth to generally over two-fifths of national income. We believe the standard economic explanations for this growth are inadequate. That belief is shared by others such as Holsey and Borcharding (1997).

The standard explanation views public activity as income redistribution to the politically powerful. In this context the poor are regarded as politically powerful, in the sense that the rich do not have the votes to protect their dollars. Anything, then, that would increase the political power of the poor would increase the size of government's redistributive activity. Kristov, Lindert, and McClelland (1992) reason that some economic development frees lower-income classes to devote political effort for redistribution to themselves.

While this increased power of the poor could well be part of the story, we do not believe it is the whole story. We offer an alternative theory of the growth of government, one that leads to different testable implications than does the standard theory. Our theory passes those tests.

Our own explanation for the growth of government is simple. "Goodness" increases the role of government, and virtually all the variables that reduce goodness have declined over time, and those that increase goodness have increased over time. Community involvement has been on the decline, and on the decline in a way particularly conducive to the growth of political goodness. Increasing mobility reduces the cost of goodness, which is the cost of friendship lost by offending others who do not share this desire to be "good." Starting over, one can specialize in friends who also want to be good.

This process is important for college students, particularly those who live away from home, and there has been a huge increase in college education in the world. College students would tend to be "good" whether or not they were indoctrinated by their teachers. Chapter 8 showed college education making people more liberal on eleven issues

and more conservative on six. However, these conservative positions have a quite different intertemporal effect than the liberal positions. The conservative positions occur because those with college education associate with high-income groups. This association is a function of one's education relative to others rather than one's level of education per se. In contrast, the liberalizing tendencies of a college education are a function of that level of education. Therefore, an increase in the level of education will increase votes for greater government activity.

The growth in urbanization and the increase in commuting time for the general population increase the growth of government. It is harder to be an active member of the community as it becomes denser in population. Community involvement is also reduced by a significant difference between one's work and residential location. Both reduce the costs of being politically "good."

Indirect Democracy

In the United States the growth in goodness has generated a sea change in the effect of assorted institutions on government expenditures. Historically, indirect democracy was considered a bulwark against mobocracy. Hamilton reasoned that if we "[g]ive all the power to the many they will oppress the few" (in Madison 1989) and the few should be protected by an upper house chosen by special electors to serve for life. The U.S. Constitution was constructed in part to reduce the redistributive role of government by appointing, rather than electing, the Senate and the Supreme Court. It was the populists—those in favor of the poor—that were the driving force in the movement to convert appointed offices to elected offices.

Part of the rationale behind this belief in the conservatism of appointed offices is still correct. Appointed officials are less constrained by voter preferences than elected officials (Tabarrok and Helland 1999), especially where their terms of office are longer (Elder 1987). But it was also assumed that the preferences of appointed officials would be more conservative than voter preferences. Officials tend to come from higher-income classes than voters in general. Class loyalty would, then, generate more conservative preferences for officials compared to voters. But, this careful statecraft on the part of conservatives and liberals alike did not reckon with the growth of goodness. Many of those working as appointed government officials will be "do-gooders." In the last chapter we found evidence that, in part, lawyers choose their occupation to be "good." We found similar

evidence for of a subset of government officials: those not involved in teaching or the protective activities of defense, fire protection, and policing.¹

The reduction in the cost of goodness over time increases the proportion of people choosing goodness occupations in order to signal goodness. In consequence, lawyers and public servants become more liberal relative to the general population.

The Founding Fathers and the later populists were right in believing that there were processes that made more direct democracy more liberal. One cannot predict a priori whether their processes or goodness will be more important at a moment in time. One can predict, however, that the goodness effect will become more important over time as its price goes down. That we observe goodness in the occupational choice of lawyers and the relevant government employees is evidence that the goodness effect may be sufficiently strong to dominate over the Founding Fathers' effects.²

The behavior of the Supreme Court over time is subject to changes generated by fluctuations in the party of the president when Supreme Court appointments are made and the political makeup of Congress.³ The present, more conservative court compared to the more liberal court in the recent past can be so attributed. Over a longer time span that encompasses party-to-party fluctuations, however, there has been a decided increase in the liberalism of the Supreme Court. For example, one cannot envision the present court finding the income tax unconstitutional had there been no constitutional amendment to undo a previous Supreme Court decision. Currently, a judge is deemed a conservative if he advocates noninterference with legislative decisions. Before World War II a judge was called a liberal for the same position. The reason for the difference is not hard to find. In the period between the Civil War and World War II judges were declaring liberal legislation unconstitutional. Now, if legislation is declared unconstitutional, it is generally conservative legislation.

Some confirmation of these results comes from examining the behavior of lawyers over time relative to the population as a whole. There seems to be unanimous agreement that the current American Bar Association is a much more liberal institution than it used to be, though some would cavil at the exact language. For example, past president of the ABA D'Alemberte said, "We've clearly moved from a narrow definition of what is involved in justice issues, and to the extent that they are seen as liberal issues, then I suppose we're liberal, but not in a partisan sense" (Podgers 1992). The last clause probably refers to

the ABA's neither endorsing candidates nor making campaign contributions. Liberal former judge and congressman Abner Mikva (1996) said, "Where earlier criticisms had come from the liberals, who complained that the ABA was always looking backward to the status quo ante as its position of the day, now the criticisms came from conservatives, who complained that the ABA kept pushing all these new ideas."

As a result of the increasing relative goodness of both the judiciary and other appointed government officials, one of the important bulwarks against the tendency of democratic governments to redistribute and augment its size has been severely weakened. This helps explain the growth of government. This prediction of the goodness hypothesis is of particular interest because it is not a prediction of the standard explanation for the growth of government. There is no reason that we know why the increasing political power of the poor should produce more liberal appointed government officials relative to elected government officials.

The Media

There have been other dramatic changes in the character of institutions that have resulted in an increased role of government. Consider the media. Before we can analyze what has happened to media bias over time, we first must examine the forces generating media bias at any point in time. Much has been written about political bias in the media. There have been three main approaches: (1) determining the political position of journalists; (2) examining the political bias in stories; and (3) discussing the properties of ownership.

Our own study of the positions of journalists is of the first type, and finds them to be significantly liberal on four issues and significantly conservative on none. But though our study has a large sample size, the number of journalists in our sample is small. The studies specializing in a comparison of the position of journalists and others are likely to produce more reliable results. On the whole they tend to show that relative to the population as a whole, journalists are strongly Democratic, proenvironment, proabortion, pro-affirmative action, pro-homosexual rights, and mildly liberal on nearly all other issues. None of these studies provide any rationale for their results.

The studies about ownership conclude that the size of the firms owning newspapers has grown over time. They also conclude that advertisers try, and sometimes succeed, in influencing stories that affect their sales. These studies, as exemplified by Lee and Solomon (1990), assert

that these facts impart a probusiness bias to newspapers. Their evidence is that newspaper stories are less radical than their own interpretation of the truth.

The dominant motive for business firms is profit. Profit maximization encourages firms to give readers the kind of reporting they want. Given readers with diverse political views, that boils down to entertaining reporting that at least appears unbiased. But Demsetz and Lehn (1985) found that the corporate structure of newspapers suggests that there is a psychic income from owning and managing newspapers. One source of psychic income is just being important. But another source is the possible joys from influencing public opinion. For this latter joy goodness motives will conflict with class solidarity. This is similar to the lawyer case, but the average newspaper publisher is probably richer than the average lawyer, so that class solidarity has a bigger chance of winning out in the case of newspaper owners.

The bias in news coverage generated by advertising is unlikely to be significant on the big issues. Advertisers are interested dominantly in profits. To threaten to cut advertising from its optimal level is to threaten the advertiser's profits. She will do so only if a newspaper story also has a significant effect on the firm's profits. Those stories will be stories about the advertiser or the advertiser's industry. Such stories may only rarely have a significant effect on the big issues such as welfare expenditures or expenditures on health or the environment or defense. All of the examples we have seen of advertiser muscle have been about industry- or firm-specific stories. Occasionally, that might have some effect on a big issue, for example, if an advertiser tried to suppress a story on his particular polluting activities or to encourage favorable reporting on a particular defense system. But we would not expect an advertiser to suppress a story on pollution or against a defense initiative in general.

The literature has also addressed the content of news reporting. The conclusion is that there seems little blatant bias. Newspapers have an incentive to provide at least an unbiased appearance because now they usually have a politically diverse audience. For the same reason journalistic ethics now emphasize fairness in reporting. There can, however, be unconscious bias. For example, a journalist can give more attention to candidates the journalist likes. Havick (1997) found that for both newspapers and television considered separately there is a lot more attention given per candidate for Democratic female candidates than for Republican female candidates even controlling for such variables as incumbency. Or journalists can seek sources that correspond

to their own point of view. Lichter, Rothman, and Lichter (1986) reported that journalists found more reliable sources that are liberal than conservative ones.⁴ Linsky (1986) documents that self-designated liberals among federal legislative and executive officials were far more likely to initiate stories about themselves and their activities, feel comfortable with the media, and spend more than five hours a week with them than self-designated moderates and conservatives.

Journalistic values, themselves, can create biases. One can sell papers more easily by writing about a potential environmental disaster than by writing about the low probability of its occurring. Lichter, Rothman, and Lichter (1986) found that journalists were far more convinced of a nuclear power disaster than were scientists. Dunlap, Gallup, and Gallup (1993) show an interesting consequence of disaster reporting of the media and education. In twenty-three out of twenty-four developed and underdeveloped countries, surveys of individuals throughout the country evaluated the environmental quality of their locality as better than the environmental quality of their nation. (Turkey was the exception by a narrow amount.) Important components of a person's assessment of the environmental quality of the locality are direct observations and word-of-mouth generated by the direct observation of others. These components also put constraints on what the media and educators can say about local environmental quality. In contrast, a person depends almost exclusively upon educators and media for their ultimate source of information about nonlocal environmental quality. Pollution makes for more interesting stories than nonpollution. More importantly, newspaper stories are more likely to focus on the direct consequences of a policy rather than the indirect consequences. These indirect consequences include the dead-weight loss of redistribution and the shifting of assorted costs and taxes to consumers. The latter information is more difficult to obtain and convey, and, hence more expensive.

The one place in a newspaper where owner interference is consistent with journalistic ethics is on the editorial page. Currently in the United States, the dominant editorial motif is determined by lack of political specialization in readers. Bosses make an effort to provide something for everybody, syndicated columnists with a diversity of political views. Few take offense from columnists, since we suspect that readers tend to read only those columnists with which they agree. The cost to owners of choosing a less-than-profit-maximizing mix of columnists will be less than the costs to them of interfering with the news depart-

ment. Because news is in the hand of journalists and the editorial page is more in the hand of owners, we would expect the first to be more liberal than the latter in the sense that there should be a higher proportion of liberals among journalists than among editorial writers.⁵ But any editorial bias is much less important in influencing readers than any news bias. Readers are aware of the former and adjust to the bias mainly by reading only the editorials with which they agree. Currently, it is not clear whether editorial writers are more liberal than the average reader. Our theory suggests that reporters are, and our evidence supports the contention that the sum of reporters and editorial writers are also more liberal.

It is generally believed that radio is more conservative than other media. The explanation may be the large number of radio stations in most markets. Radio stations can specialize in the political views of its audience. That such mirroring of the political views of its audience produces the most conservative media says a lot. It implies that the rest of the media must be more liberal than radio's audience. Unless radio audiences are markedly different politically from the audience for other media, that in turn implies that other media are more liberal than their audience.

The Media over Time

There has been a considerable change in the character of media bias over time. Virtually all of the changes have made the media more liberal now than in the past. These changes, then, have contributed to the growth of government.

First of all, the costs of a journalist's being "good" have fallen in part because the costs of anybody's being "good" have decreased.⁶ But there is a special reason for an increase in journalistic goodness: the vast increase in the proportion of journalists with college degrees. The importance of the college experience in generating goodness is strongly supported by data and by theory.

Fundamental changes in the character of the media business have also contributed to an increase in the liberalism of newspapers (and the media in general, though at the moment we will focus simply on newspapers). Some of these changes are exactly the changes that leftists have complained about. There are fewer newspapers per city and newspaper firms have grown larger.

The first change has mixed effects. An increase in monopoly power

allows owners to pursue more nonprofit objectives. This by itself would lead newspapers to become more conservative, supposing that class solidarity is more important to newspaper owners than goodness.

But this effect seems swamped by another consequence of fewer newspapers in a city: less specialization. In the past, with several newspapers in a city, newspapers could specialize in readership. One newspaper could cater to Democrats, another to Republicans. Significantly, party identification was often part of newspaper titles. Prior to the latter half of the twentieth century reporting could be blatantly biased because that is what their specialized readers wanted. The important feature of that world is that the bias was dominantly owner determined. He could dictate and easily monitor the newspaper's content. Monitoring problems could arise, since the owners could not read what was *not* in the newspaper. But the newspaper's political bias would dominantly express that of the owner. To the extent that the owner wished to sacrifice profits, that bias was dominantly conservative.

Now we have moved to a world where, with rare exceptions, there are too few major newspapers per city for newspapers to specialize in the politics of their readers. Readers probably react more unfavorably to reporting the greater the distance between their views and the views represented in a story. In consequence, newspapers can maximize readership by reporting that is somewhere in the middle of the views of their potential audience. On issues where that potential audience has quite mixed positions, the newspaper tries to appear unbiased. This helps explain the current code of journalistic ethics that tries to do exactly that.

The peculiar aspect of this code is that it is more binding on owners than it is on journalists. A violation of this code by owners is more easily discovered than a violation by reporters. Owner's bias usually requires a censoring of a story for political reasons or explicit personnel policies. Either would become generally known if it occurred often. The reputation of the newspaper would suffer considerably as a result. In contrast, journalistic ethics cannot control for unconscious bias. As discussed earlier, we expect this unconscious bias to be a liberal bias. Hence, there is even a stronger reason to believe any bias would become more liberal through time.

The facts of the changes in the newspaper industry come largely from Lichter, Rothman, and Lichter (1986). They report that in their interviews no reporters complained of current interference from their bosses on political grounds, but old-timers reported frequent past interference.

The current hands-off policy of bosses is fortified by an increase in the size of the firms owning newspapers. This increase in size has led to a reduction in the importance of firms controlled by owner-managers, with a consequent increase in emphasis on profit maximization. A single-owner firm was freer to choose to lose profits by political preaching. But stockholders who are not management are almost exclusively interested in profits. They would object to money-losing preaching by their newspaper.

This analysis would not be affected by television prior to the recent growth in the number of cable channels. Now, there are enough television channels that one—Fox News—can specialize in a more conservative audience. One would expect that prior to this growth in the number of channels, television was somewhat more liberal than newspapers because the average income of its audience is lower. Its advent and partial displacement of newspapers strengthens the trend toward a more liberal bias.

The increase in radio stations and television channels and the development of the Internet are the only changes in the media that could produce a decrease in its liberal bias on average and through time. That would hardly counterbalance until quite recently the many forces increasing the media's liberal bias and the growth of government.

College

College has been one of the primary sources of political goodness training. Its importance stems from two institutional arrangements. Academic freedom provides a platform for goodness preaching with few constraints. Many college students live away from home. They do not have to pay a big price for goodness in terms of alienating past friends and family by a “good” political position. Changes in such an important source of goodness are likely to play a crucial role in the growth of government.

We have noted before the general reduction in the cost of goodness. This should increase the proportion of college teachers choosing that profession in order to signal goodness. There has also been an increase in the number of people going to college. This has reduced the relative average income of the parents of college students. Just as in the lawyer case college teachers are faced with a conflict of class versus goodness, though in the past, the class was more the class of the teachers' parents. The lowering of the income barrier to college has reduced the class bias of college teachers. The cost of signaling goodness by college teachers

has gone down. Moreover, there have been changes in the demographic composition of college teachers. There are now higher proportions of women, who are compassionate, and ethnic minorities, who identify with liberal positions. The census reports that the proportion of female teachers in colleges and universities rose from less than 22 percent in 1960 to over 42 percent in 1999. Similarly, the percentage that were black or Hispanic rose from 4.4 percent to 10.7 percent during the same period. Such changes should have increased the liberalism of the profession (U.S. Census 1960, 2000).

In addition to these general trends, there have been changes within fields of study, not all of which have contributed to the growth of government. For instance, a major change producing more conservative political positions has occurred within economics. The field has become much more technical with the full flowering of mathematical economics and econometrics. One of the consequences of these changes is that there is less opportunity for preaching. The higher ratio of technical material to policy analysis requires teachers to devote most of their teaching to the former. Even the policy analysis has become more technical, with less and less time spent on issues of "social justice." As a result, economics has grown more conservative relative to other college disciplines. It does not appear, however, that economists have grown more conservative absolutely. Using the data of Alston, Kearl, and Vaughan (1992), we find that U.S. economists gave more liberal answers to six questions in 1990 compared to 1979, and more conservative answers to three questions. The more liberal answers were for questions regarding microeconomics, while two of the three more conservative answers had to do with macroeconomics. The consensus belief is that macroeconomic theorizing experienced much greater changes than microeconomic theorizing during this period. So one would expect the internal changes in the field to have a bigger effect on policy views about macroeconomics, and this may explain why on net they did not become more liberal.⁷

This trend in economics has been mirrored to a lesser degree in the other social sciences. Political science has been invaded by economists with a consequent reduction in preaching. Statistical analysis plays a bigger role in sociology than it used to do. Whatever the results of this development is in its own right, it would tend to reduce the emphasis on goodness for want of time.

But we believe that whatever has been happening in the social sciences has more than been made up by developments in the humanities. The increasing number of students and teachers seeking goodness had

to go somewhere. The humanities have been transformed. The focus has shifted from aesthetics to studying the class, race, or gender basis for literature and the arts. The theme has been that this is an unjust world that requires an enormous dose of goodness to set aright. Contrary to what is happening in the social sciences, we see no intellectual basis for this transformation in the humanities. It appears to be completely goodness driven. Moreover, new fields have been established whose *raison d'être* is goodness preaching: black and women's studies for example.

One would predict from the above that the political position of college teachers in the humanities has become more liberal over time relative to college teachers in the social sciences. Unfortunately, we do not know of any data available that would test this proposition.

No doubt, there have been historical events that influence the liberalism of colleges. Many ascribe a unique importance to the Vietnam War. College students' goodness combined with college students' self-interest to radicalize the campus in the late sixties and early seventies. But our data suggest that college students' liberalism dissipates significantly over their lives. So it would be hard to explain current goodness by even a substantial proportion of the faculty being students during the 1960s. Besides, the Vietnam War cannot explain the shift in the focus of goodness to the humanities.

There were two other events that had an impact on college liberalism: the Great Depression and the demise of Communism. The Great Depression was ascribed at the time to a failure of capitalism. The first of these events certainly encouraged the development of antimarket sentiment among economists. The second had the opposite effect. But any reduction in the number of Marxists in economics has been more than compensated for by the increase in Marxists in the humanities, where there has never been a concern with a relationship of evidence to notions of goodness.

Some evidence for the overall shift of goodness in college campuses can be seen by the nature of curriculum requirements. D'Souza (1991) documents the changes that took place at Stanford, Temple, Mankato State, and San Diego State. Sykes (1990) does the same for Dartmouth. Kors and Silvergate (1998) document the assorted costs paid by faculty who took positions contrary to goodness at the Universities of New Orleans, New Hampshire, Alaska, Delaware, and elsewhere. Experiences were similar at Binghamton University, our campus. Prior to 1993 there were no course requirements with a political cast. In that year students in Arts and Sciences were henceforth required to take

two diversity courses dealing with “ideas of race, ethnicity, culture, religion, gender, life styles, language and caste.” This year all undergraduates are required to take a course in “pluralism” and “global interdependencies.” While this is hardly a random sample of universities, we know of no university whose required courses have become less politically correct over time. On the whole, changes in colleges have contributed to the growth of government.