

VULNERABILITY SCENARIOS

Driver Forecasts #4: Government

July 2010

Background

Since before the founding of the Republic, government has had a role in combating American vulnerability, beginning with 17th century “poor laws.”¹ That role expanded massively over the 20th century, with minimum wage laws and programs to fight poverty and provide housing and medical care. That direct role may be overshadowed by the indirect ways in which government affects vulnerability, such as keeping the economy running well (including debt and inflation management and job programs) and overseeing housing policies, food and transportation subsidies, education, and the criminal justice system.

At times, government policies intended to combat vulnerability have had the opposite effect, for instance by tying welfare benefits for children to the absence of men in the home or reducing the social viability of neighborhoods with slum-clearance or highway construction programs.² Even as the overall government role in reducing vulnerability has grown, Americans have engaged in perennial, oscillating debates over the size and role of government.³

How these debates play out over the next two decades depends on several variables:

- Views of government’s role, and perceptions of its trustworthiness
- Resources available, based on the health of the economy, the state of government and private finances, and taxation levels
- Political processes and outcomes, and the policy choices that result
- Effectiveness of government at all levels

The debate is not static, however, as new drivers are emerging:

- Entitlement programs – especially Social Security and Medicare – will face mounting demands as the population ages and the Baby Boomers retire. Unfunded obligations of

¹ Charles N. Glaab and A. Theodore Brown, *A History of Urban America* (London: The Macmillan Company, 1967), 17; Kasia O’Neill Murray and Sarah Gesiriech, “A Brief Legislative History of the Child Welfare System,” The Pew Charitable Trusts, November 1, 2004, http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Foster_care_reform/LegislativeHistory2004.pdf.

² “Man-in-the-House Rule,” Thefreedictionary.com, viewed May 2010, <http://legal-dictionary.thefreedictionary.com/Man-in-the-House+Rule>.

³ David Brookes, “The Government War,” *New York Times*, April 22, 2010, <http://www.nytimes.com/2010/04/23/opinion/23brooks.html?th&emc=th>.

the Social Security and Medicare systems have been estimated at as much as \$104 trillion.⁴

- E-government programs are being expanded, and the transparency of government is increasing.
- The concept of “nudging” – non-coercive guidance toward desired behaviors – is being applied in government programs and initiatives.
- New concepts such as “budgeting for outcomes” are emerging.⁵

Forecasts

The Alpha forecasts represent expectable or “most likely” futures, the Beta forecasts envision challenging possibilities (e.g., what could go wrong), and the Delta forecasts represent visionary or surprisingly successful futures that would have a positive impact on reducing vulnerability.

Alpha Forecast – Government 2030

Over the decades to 2030, a lack of political and social consensus blocked meaningful change and impeded preparation for the challenges of the early 21st century. The problem of accumulating debt has not been vigorously addressed, and has been exacerbated by the fiscal strain of providing for an expanding senior population. As a result, aid to vulnerable populations, such as through housing programs and transportation subsidies, has suffered, while weakness in the economy has hurt employment. Specific forecasts for this future include:

- Sharp divides over the role of government delay consensus, with many issues still unresolved in 2030; this corrodes government effectiveness and preparation for oncoming challenges.
- Debates over taxes keep resource levels strained, further undermining effective government action. Taxation rises, but only barely keeps up with rising interest payments and ballooning entitlements.⁶
- Payments on high levels of government debt reduce both the ability and the willingness of policy makers to spend to alleviate problems.
- Low levels of social solidarity reduce people’s willingness to use government to aid vulnerable populations. This is exacerbated by ethnic and racial divides, and the shrinking majority status of the white population.
- Trust in government oscillates based on the party in power, but the average over time remains low.⁷

⁴ Niall Ferguson, “An Empire at Risk,” *Newsweek*, November 28, 2009.

⁵ David Osborne, *The Next California Budget: Buying Results Citizens Want at a Price They Are Willing to Pay*, Reason Foundation, March 2010.

⁶ Joe Klein, “Do the Right Thing,” *Time*, November 9, 2009, 23.

- Baby Boomers enter their senior years and retire, diverting more resources to Social Security and Medicare, which in turn drives reductions in support to various vulnerable populations. This occurs even with an extension in the age for Social Security eligibility and reduction in payments, and a reduction in Medicare payments.
- Government employment rises from 14.9% of the workforce in 2008 to 16% in 2020, but then falls back to 15% in 2030.⁸

Beta Forecast – Government 2030

The federal government's debt rose rapidly from 60% of gross domestic product in 2010 to 90% in 2020 – some \$20.3 trillion – as the effects of the Great Recession lingered and politicians put off hard choices.⁹ Fiscal austerity hit U.S. cities and states hard and political deadlock hardened. Government's effectiveness in combating vulnerability fell as it lost resources and support and as generations and ethnic groups battled over shrinking government expenditures. Specific forecasts for this future include:

- Lingering effects of the Great Recession – prolonged further by European budget and debt problems and a Chinese downturn – reduce tax returns and limit some government expenditures for years.¹⁰
- Government debt and interest payments consume growing portions of government expenditures as voters and politicians prove unwilling to pursue fiscal discipline. Foreign investors lose confidence in American debt, driving up interest payments further.¹¹
- As available funds diminish, government effectiveness also declines broadly, especially at the state and national levels.
- Distrust of government and political divisions drive an ongoing decline in government effectiveness and reach, reducing its ability to accomplish goals or bring about change.¹² Low levels of trust are sustained by fragmented, partisan media and social networks, and acutely polarized political parties.¹³

⁷ "Distrust, Discontent, Anger and Partisan Rancor," The Pew Research Center for the People & the Press, April 18, 2010, <http://people-press.org/report/606/trust-in-government>; Christopher Hayes, "The Twilight of the Elites," *Time*, March 22, 2010, 56-58.

⁸ Extrapolation from: Bureau of Labor Statistics, "Employment by major industry sector," BLS.gov, December 10, 2009, http://www.bls.gov/emp/ep_table_201.htm.

⁹ Lori Montgomery, "Panel Will Tackle National Debt," *Washington Post*, April 27, 2010, A10; Joel Achenbach, "Will the Debt Break Washington?" *Washington Post*, April 25, 2010, B5.

¹⁰ Howard Schneider and Anthony Faiola, "Debt Is Ballooning into a Global Crisis," *Washington Post*, April 9, 2010, A1, A15; Robert J. Samuelson, "Why Greece Matters," *Washington Post*, May 10, 2010, A17.

¹¹ Joel Achenbach, "Will the Debt Break Washington?" *Washington Post*, April 25, 2010, B1; "Seeing red," *The Economist*, June 13, 2009, 34.

¹² Cullen Murphy, *Are We Rome?* (Boston: Houghton Mifflin Company, 2007), 203.

¹³ William A. Galston and Thomas E. Mann "Republicans Slide Right: The Parties Aren't Equally To Blame for Washington's Schism," Brookings Institution, May 16, 2010, http://www.brookings.edu/opinions/2010/0516_obstructionists_galston_mann.aspx.

- Ineffectiveness and declining career prospects decrease the recruiting draw of government jobs. As 90% of the federal Senior Executive Service retires between 2010 and 2020, the quality of its personnel declines.¹⁴
- Strained by interest payments, entitlements and deficits, budgets are slashed. This affects vulnerable populations the most. Falling government expenditures further undermine economic growth.¹⁵
- Privatization grows, but the cost of the privatized service is seldom reduced.
- Government employment falls from 14.9% of the workforce in 2008 to 14% in 2020 and 11% in 2030.¹⁶
- Worried about declining global influence, Americans are willing to spend to maintain military primacy. This “Fortress America” approach further diverts spending from domestic needs.¹⁷
- Racial, ethnic, and generational divides reduce social solidarity, driving splits on issues such as school funding and Social Security.¹⁸

Delta Forecast – Government 2030

As the economy recovered from crisis, growing prosperity provided a strong tax base, and entitlement reforms maintained the integrity of Social Security and universal access to affordable health care. New approaches and information tools increased government transparency and effectiveness. Specific forecasts for this future include:

- Generational shifts – particularly the declining weight of the Silent Generation and the rise of Millennials – softens some of the societal splits based on race, religion, and social issues such as homosexuality.¹⁹ Millennials in particular are more tolerant of others, reducing the political role of “us vs. them” thinking that often stigmatized vulnerable populations. Blurring racial boundaries also shift thinking; one in seven marriages was interracial as early as 2008.²⁰
- In part because of this generational shift, the political parties find a path to greater civility in politics and communications. Extremes are still common in the various forms of media but are less central to political discourse.

¹⁴ Ed O’Keefe, “Interest in top civilian government jobs waning,” *Washington Post*, April 21, 2010, B3.

¹⁵ Robert J. Samuelson, “Why Greece Matters,” *Washington Post*, May 10, 2010, A17.

¹⁶ Extrapolation from: Bureau of Labor Statistics, “Employment by major industry sector,” BLS.gov, December 10, 2009, http://www.bls.gov/emp/ep_table_201.htm.

¹⁷ Cullen Murphy, *Are We Rome?* (Boston: Houghton Mifflin Company, 2007), 198.

¹⁸ Gregory Rodriguez, “The White Anxiety Crisis,” *Time*, March 22, 2010, 52.

¹⁹ “Millennials’ Judgments About Recent Trends Not So Different,” Pew Research Center for the People & the Press, January 7, 2010, <http://pewresearch.org/pubs/1455/millennial-generation-technological-communication-advances-societal-change>.

²⁰ Jeffrey S. Passel, Wendy Wang and Paul Taylor, “Marrying Out,” Pew Research Center, June 4, 2010, <http://pewresearch.org/pubs/1616/american-marriage-interracial-interethnic>.

- Trust levels begin to edge up with new transparency tools, bottom-up participation and input, and fading memories of events such as Vietnam, Watergate, and the Lewinsky scandal.²¹
- A growing economy, moderately higher taxes, entitlement reform, and controlled inflation combine to bring down debt,²² supported by high levels of public concern and effective public participation in solution-seeking. These include new tools that enabled people to easily visualize options and consequences of different debt policies.²³
- Entitlement restructuring and an expanding economy allow resources to aid vulnerable populations to rise, even as the size of government does not greatly change. Government employment rises from 14.9% of the workforce in 2008 to 16% in 2020, a level that is maintained through 2030.²⁴
- “Nudge” approaches²⁵ – which guide individuals but leave elements of choice – are used both by those who wish to use government to aid vulnerable populations and by those who see solutions to problems in private responsibility and initiative. For instance, parents in vulnerable communities are rewarded with gift cards for getting their children to checkups on a regular schedule.
- As global competition and automation change the job market, government intervention is based not on preserving jobs but in smoothing and speeding transitions on the workforce side, and on supporting new and rising industries that will create demand for workers. This includes infrastructure building or rebuilding, including an initial push on “green jobs” that laid the groundwork for energy sustainability. Tax codes and benefit law are also adjusted to better accommodate alternative economics, such as barter systems and local currencies.
- Budgeting for outcomes and similar new approaches increase government effectiveness and popular engagement with government policymaking and spending.
- Better cooperative processes between agencies and levels of government coupled with improved information technologies allow integrated approaches across government bodies and between private organizations, supporting efficient, thorough, client-centered approaches. Data enables evidence-based practices.
- Social networking tools and approaches are widely used to enhance public involvement in decision making and priority-setting. This includes “serious games” focused on the budget, energy and climate issues, and security. Greater citizen engagement drives

²¹ “Distrust, Discontent, Anger and Partisan Rancor,” The Pew Research Center for the People & the Press, April 18, 2010, <http://people-press.org/report/606/trust-in-government>; Christopher Hayes, “The Twilight of the Elites,” *Time*, March 22, 2010, 58.

²² Jeffrey D. Sachs, “How to Tame the Deficit,” *Time*, February 15, 2010, 36-39; Judy Shelton, “The Recovery Starts With Sound Money,” *Wall Street Journal*, May 27, 2010, http://online.wsj.com/article/SB10001424052748704026204575266251915530206.html?mod=WSJ_Opinion_LEFT_TopOpinion.

²³ “Deficit Concerns Rise, But Solutions Are Elusive,” Pew Research Center for the People & the Press, March 10, 2010, <http://pewresearch.org/pubs/1519/deficit-concerns-rise-little-support-for-spending-cuts>.

²⁴ Extrapolation from: Bureau of Labor Statistics, “Employment by major industry sector,” BLS.gov, December 10, 2009, http://www.bls.gov/emp/ep_table_201.htm.

²⁵ Benjamin Wallace-Wells, “Cass Sunstein Wants to Nudge Us,” *New York Times*, May 10, 2010, <http://www.nytimes.com/2010/05/16/magazine/16Sunstein-t.html?emc=eta1>.

rising trust levels and enables more nuanced political and policy approaches. Government effectiveness increases based on access to new levels of data, as the real world becomes increasingly “readable” via everything from mapping based on mobile phone movements to crowd-sourced reports of potholes.²⁶

- Intensive, two-way information flows offer new levels of effective assistance from governments to various kinds of vulnerable populations. For instance, cell phone-based tracking provides real-time monitoring of isolated patients with chronic conditions, supported by “avatars” that can give advice or notify a live person of a problem.²⁷

²⁶ “Google,” *Time*, December 7, 2009, 58.

²⁷ Gary Wolf, “Know Thyself,” *Wired*, July 2009, 94-95.