

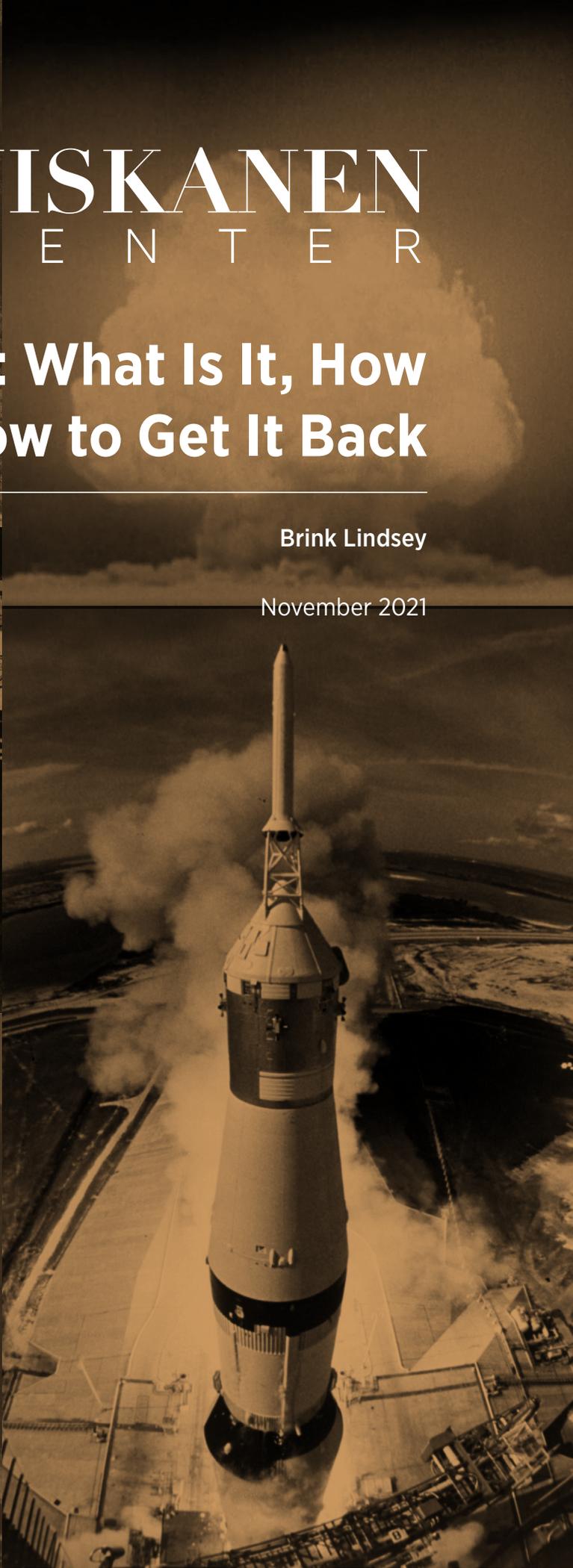


NISKANEN C E N T E R

State Capacity: What Is It, How We Lost It, And How to Get It Back

Brink Lindsey

November 2021



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Executive Summary

State capacity refers to the government's ability to do its job effectively: to raise taxes, maintain order, and provide public goods. A series of calamities during the 21st century—the Iraq War, Hurricane Katrina, the financial crisis, and most recently the COVID-19 pandemic—have made it painfully clear that American state capacity is not what it once was. This deficit not only undermines effective public policy in a wide variety of important domains; with our republic now so deeply polarized, it threatens the legitimacy and continued vitality of liberal democracy as well.

The decline in state capacity since the 1960s can be traced to two distinctive but mutually reinforcing intellectual movements. One occurred on the political right while the other is associated mainly with the left. Both represent dysfunctional responses to America's longstanding (and well-founded) fears of centralized power. On the right, healthy suspicion of rapid government expansion has given way to a toxic contempt for government and public service per se. On the left, efforts to expand "citizen voice" in government as a check on abusive power have produced a sclerotic "vetocracy" that makes effective governance all but impossible.

The Niskanen Center is launching its new Project on State Capacity to confront these challenges. Much of our existing work—on immigration, social policy, regulation, criminal justice reform, and climate—already demonstrates a commitment to a vibrant and dynamic public sector as a necessary complement to a vibrant and dynamic private sector. Now, we are reinforcing that commitment by taking on five new issues that we see as critical arenas for the struggle to rebuild state capacity: (1) expanding and upgrading the federal workforce, (2) improving tax collection and closing the tax gap, (3) overhauling how the federal government acquires and uses information technology, (4) streamlining environmental review to reduce delays and cost overruns in infrastructure projects, and (5) revitalizing the country's sclerotic public health institutions to better prepare for the next pandemic.

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Introduction

The concept of state capacity—“the ability of a state to collect taxes, enforce law and order, and provide public goods”¹—was developed by political scientists, economic historians, and development economists to illuminate the strong institutional contrast that parallels the economic contrast between rich and poor countries. Rich countries are all distinguished by having large, strong, and relatively capable states; poor countries, by contrast, are generally characterized by weak and frequently ineffective states, while those polities dysfunctional enough to be characterized as “failed states” are among the poorest and most miserable on Earth.

The experience of the COVID-19 pandemic, however, has challenged the easy association of rich countries with high state capacity. The United States and western Europe failed to contain, much less suppress, the SARS-CoV-2 virus with public health measures, while several poorer countries in East Asia performed much better. And here in the United States, the fumbling public health response was only the latest in a string of spectacular governing failures during the 21st century: Those failures included, most prominently, the intelligence breakdowns that led to the Iraq war, the ensuing bungled occupation of Iraq, the botched evacuation of New Orleans after Hurricane Katrina, and the meltdown of the highly but inappropriately regulated financial sector.

In light of these sobering experiences, it has become clear that high state capacity is not something we can take for granted. Like beached fish suddenly appreciating the existence of water, we have come to recognize the crucial importance of state capacity because of shocks caused by its absence.

Here at the Niskanen Center, we see growing deficits in state capacity over recent decades as a matter of fundamental importance.² At stake is not just the prospect of effective public policy in a wide variety of important domains; at this point, the legitimacy and continued vitality of liberal democracy have been endangered as well.³ The fact is, around the world, the fortunes of liberal democracy rise and fall with its perceived effectiveness in improving the lives of ordinary people. The economic catastrophe of the Great Depression was accompanied by the rise of fascism and democratic retreat; Allied victory in World War II and the ensuing postwar boom in the “free world” brought a wave of democratization; the collapse of the Soviet Union and its communist empire while the United States enjoyed another strong boom in the 1990s brought another, even stronger democratic wave; and, most recently, the global financial crisis and the years of economic stagnation that followed have catalyzed the rise of authoritarian populism and deepened doubts about liberal democracy’s future.

In the United States, we have seen this same dynamic play out as declining state capacity has led to declining trust in government—and a growing impatience with the often messy and muddled workings of democracy. During the middle decades of the 20th century, a time we now look back

1. Noel D. Johnson and Mark Koyama, “[States and Economic Growth: Capacity and Constraints](#),” *Explorations in Economic History* 64 (April 2017): 1-20.

2. For previous Niskanen Center analysis supporting the view that quality of government (i.e., high state capacity), not size of government, is the key variable in explaining freedom and prosperity, see, e.g., Ed Dolan, “[Quality of Government, Not Size, Is the Key to Freedom and Prosperity](#),” Niskanen Center, April 27, 2017.

3. For evidence that rising state capacity contributed to the birth of liberal democracy, see Noel D. Johnson and Mark Koyama, “[Legal Centralization and the Birth of the Secular State](#),” *Journal of Comparative Economics* 41, no. 4 (November 2013): 959-978.

on as a high-water mark for American state capacity (the period of World War II mobilization, the Manhattan Project, the Marshall Plan, the Berlin airlift, construction of the interstate highway system, Project Apollo), large majorities of the American public expressed trust that their government would generally do the right thing; beginning in the 1960s, public trust began to spiral downward and today has sunk to abysmal lows. Since the 1970s, after the disillusioning shocks of Vietnam and Watergate and the dispiriting end of the postwar boom years, almost every successful presidential candidate has adopted the pose of an outsider who will take on and clean up the growing dysfunction in Washington. In 2016, Americans got their monkey paw wish: A genuine outsider, with zero prior experience in government and zero attachment to the values, norms, and institutions of liberal democracy, squeaked into the White House with a decisive margin of support from people who disapproved of him but nonetheless voted for him “to shake things up.”⁴ Whether American liberal democracy will survive Donald Trump’s subsequent transformation of the Republican Party into its current nihilistic form remains an open question.

Motivated by this sobering assessment of the current situation, the Niskanen Center is launching a new Project on State Capacity to identify and analyze the key drivers of government dysfunction and propose institutional remedies. Our analysis implicates substantive issues of public policy, but our focus is even deeper: the underlying ability of American government to formulate and execute policy in a competent fashion.

Drivers of dysfunctional government

It’s worth noting at the outset that the American state was never intended to be a well-oiled machine—quite the contrary. Its distinctive constitutional design—a legislature divided into two separate houses, legislative and executive branches independent of one another, judicial review that can void both legislative and executive acts, and a federal structure that further divides power among federal, state, and local levels of government—reflects our founders’ deep suspicion of centralized power. With veto points purposefully distributed across the various levels and branches of government, the U.S. Constitution deliberately makes it difficult to get anything done in American government.

Recent years have seen mounting criticism of core elements of the American system. In particular, the Senate and Electoral College have come under fire for their counter-majoritarian tilts, which have become especially pronounced now as partisan divisions map so cleanly onto the divide between urban and rural. Beyond that, the tendency of the separation of powers to produce gridlock under conditions of extreme partisan polarization, as well as the unworkability of the impeachment remedy under those same conditions, have become painfully apparent.

Although we believe big changes are necessary to improve the quality of U.S. governance, we consider dwelling on these matters of constitutional structure to be a waste of time. The U.S. Constitution is absurdly difficult to amend, and, even if such a thing were possible, in the current political environment we have no confidence that wholesale constitutional change would move things in the right direction. At any rate, American state capacity has been in much better shape in the past

4. See, e.g., Tom McCarthy, “[Trump Voters See His Flaws But Stand by President Who ‘Shakes Things Up.’](#)” *The Guardian*, December 24, 2017.

under these same constitutional constraints. Staying within those constraints, then, still offers a great deal of room for improvement.

Putting aside the challenges to American state capacity that were baked in at the beginning of the republic, we focus on a cluster of interrelated ideological shifts and institutional developments that have occurred over approximately the past half century. Beginning in the 1960s and 70s, just as a massive expansion in the scope and complexity of American regulatory and social policy was putting unprecedented demands on the public sector, these changes in ideas and institutions worked to systematically degrade government's ability to meet those demands. The result is the often-hapless Leviathan we behold today: an American state whose vaulting ambitions are all too frequently mocked by its faltering follow-through.

What have been the primary drivers of dysfunction in American governance? We identify two major culprits, one occurring on the conservative right and one associated mainly with the progressive left. Both, however, share common roots in longstanding American fears of centralized power. On the right, the abiding worry has been that big government will throttle the dynamism of American business and foster sloth and dependency. For the left, meanwhile, the anxiety runs in the other direction—namely, that big business and the rich and powerful will subvert the state to do their bidding at others' expense. The fears of both sides are well grounded enough, but, ironically, each side has taken actions that have undermined effective governance—and, in the process, ended up helping to make its own darkest fears come true.

Conservative anti-statism

The neoliberal turn in public affairs that began in the late 1970s was a global phenomenon—and in its broad, initial thrust constituted a useful and necessary corrective. At a time when a third of the world's population lived under Marxist-Leninist regimes of state socialism, when most poor countries not in the Soviet orbit were still committed to state-dominated models of economic development, and when the advanced liberal democracies had all experienced decades of ceaseless expansion of government's role in the economy, there was a crying need for reappraisal—for heightened skepticism of the presumptions of government technocracy and renewed appreciation of private enterprise and competitive markets.⁵ Even if today we face markedly different conditions and challenges, and consequently look to a renewal of government's ambition and a revival of its competence, we should bear in mind the downsides and dangers of government overreach.

Here in the United States, unfortunately, the neoliberal turn changed gradually from useful corrective to toxic excess. The shift reflected the growing political influence of a radical libertarian ideology that went beyond mere skepticism about government expansion and instead condemned the entire public sector as inherently dysfunctional and morally illegitimate.⁶ Now, the full-strength version of this creed—according to which the entire welfare and regulatory state should be dismantled, perhaps as a prelude to the abolition of government altogether—attracted only a relative handful of faithful, principled adherents. But libertarianism's heated anti-statist rhetoric aligned nicely with the interests and predispositions of important and powerful constituencies—first,

5. See, e.g., Brink Lindsey, *Against the Dead Hand: The Uncertain Struggle for Global Capitalism* (New York: Wiley & Sons, 2002).

6. For a fuller discussion, see Brink Lindsey, "The Dead End of Small Government," Niskanen Center, June 16, 2020.

the business community, which had massively expanded its lobbying operations in response to the equally dramatic expansion of federal regulatory activity; next, the growing “donor class” of extremely wealthy and extremely tax-averse individuals, whose numbers expanded with rising income inequality and the increasing skew of incomes toward the top end; and finally, members of the white working class, whose growing cultural alienation from governing elites came to eclipse their awareness of their considerable economic reliance on government spending programs.

The modern conservative movement, beginning with the Goldwater candidacy, employed libertarian rhetoric and a highly selective application of libertarian principles to gather these constituencies under the banner of the Republican Party. On the strength of this mobilization, conservatives eventually took over the GOP and made libertarian anti-statism ideological orthodoxy within the party.⁷ As chronicled in the recent book *At War with Government*, by Amy Fried and Douglas B. Harris, the emotional core of this orthodoxy is a pervasive distrust of government whenever it tries to solve people’s problems and improve their lives (government’s raw coercive power, as deployed by the police and military, is a different story, though).⁸ That attitude was summed up perfectly in Ronald Reagan’s famous line: “The nine most terrifying words in the English language are: ‘I’m from the government, and I’m here to help.’”

Initially, sowing distrust for electoral advantage was combined with seriousness about governance. Conservative policy experts sincerely believed that a lighter touch on taxes, spending, and regulation would do more to solve people’s problems and improve their lives than any additional increment of government involvement—and conservative politicians believed, and argued convincingly, that they were the more responsible stewards of the nation’s finances and economic well-being. But by the end of the George W. Bush administration—with the failure of yet another round of tax cutting to fire up the economy, the collapse of plans to partially privatize Social Security, the bungling of Katrina, and finally a financial crisis that pushed the global economy to the brink of meltdown—conservative economic governance was in shambles. And since then, the Republican Party has all but given up on any kind of affirmative policy agenda other than more tax breaks for rich people—at its 2020 national convention, it couldn’t even be bothered to draft a platform. Instead, it has devoted its full energies to inflaming culture-war divisions and demonizing anything Democrats put forward as “radical socialism.”

It shouldn’t be surprising that the GOP’s descent into mindless, knee-jerk anti-statism has had serious negative consequences for American state capacity. The effect of sustained Republican hostility to government’s role in providing public goods is evident in the long downward trajectory of discretionary domestic spending: from around five percent of the GDP in the late 1970s to around three percent in 2019 on the eve of the COVID pandemic. In addition to putting the squeeze on federal investment in public goods, GOP anti-statism has also undercut investment in the federal workforce. Incessant denigration of public servants as parasitic, incompetent bureaucrats has made any attempt to boost payrolls and salaries politically risky. It is in this context that we should understand the hollowing out of the federal workforce through increasing reliance on outside contractors, as well as the failure to expand and upgrade congressional staff.

7. For a history of this takeover from the losers’ perspective, see Geoffrey Kabaservice, *Rule and Ruin: The Downfall of Moderation and the Destruction of the Republican Party, from Eisenhower to the Tea Party* (New York: Oxford University Press, 2012).

8. Amy Fried and Douglas B. Harris, *At War with Government: How Conservatives Weaponized Distrust from Goldwater to Trump* (New York: Columbia University Press, 2021).

The consequences of Republican anti-statism can also be seen in the rise of what my colleague Steven Teles calls “kludgeocracy,” or messy, cumbersome government by indirection: heavy reliance on tax preferences in lieu of spending programs, and the fracturing of government activity into large numbers of overlapping programs with responsibility divided up, and blurred, across multiple agencies and levels of government. To a significant extent, this tendency toward Rube Goldbergesque policy design is due to progressive attempts to work around Republican opposition by slicing the salami into politically digestible slivers. As Teles put it, “Because the current political environment nurtures suspicion of government action, liberal politicians have developed the sneaky habit of finding back doors through which to advance their goals.”⁹ The result is both reduced government effectiveness and reduced public awareness of the true role government plays in their lives.¹⁰

Most broadly, Republicans’ multi-decade campaign to foment distrust of government and social elites more generally has greatly complicated the tasks of governance by, in effect, poisoning the waters in which policymaking takes place. Our trust in government, and in each other, has plummeted since the 1960s, and while this phenomenon has many causes, Republican anti-statism and anti-elitism have surely played a major role. As Fried and Harris put it, in *At War with Government*, “The intentional cultivation and weaponization of distrust represent the fundamental strategy of conservative Republican politics from Barry Goldwater to Donald Trump.”¹¹ And low-trust societies, such as the United States has now become, are notorious for low state capacity.¹² It is extremely difficult to recognize and solve collective action problems—which is the main job of government—in an atmosphere of pervasive suspicion and antagonism.

Progressive procedure run amok

Conservatives have purposefully undermined state capacity through their ideological reaction to American state expansion in the 1960s and 70s. Progressives, meanwhile, have inadvertently undermined state capacity through the particular way they have gone about expanding the state.

The progressive reformers of the 1960s and 70s succeeded in broadening the state’s role to address a host of new concerns—notably, civil rights, environmental protection, health and safety regulation, and consumer protection. But as Paul Sabin argues, in his recent book *Public Citizens*, the leading voices in these efforts were far from uncritical cheerleaders for state power.¹³ “Question Authority” was the watchword of the era, and that included state authority. Jane Jacobs, for example, condemned the unaccountable power of city planner Robert Moses, while Rachel Carson lambasted agricultural agencies as well as private businesses for their use of pesticides, and Ralph Nader charged that regulatory bodies had been captured by the industries they were supposed to

9. Steven M. Teles, “[Kludgeocracy in America](#),” *National Affairs*, Fall 2013.

10. See Suzanne Mettler, [The Submerged State: How Invisible Government Policies Undermine American Democracy](#) (Chicago: University of Chicago Press, 2011).

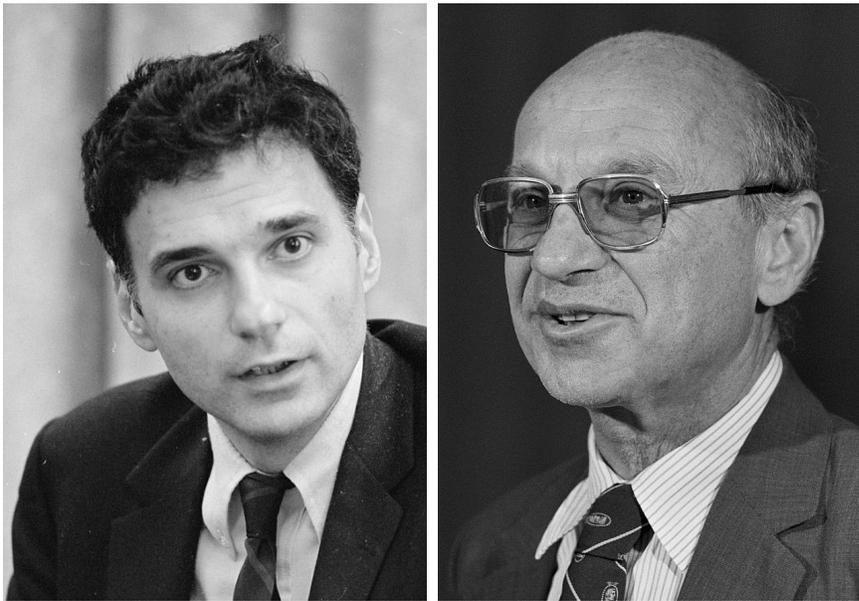
11. Fried and Harris, [At War with Government](#), *op cit*.

12. See Bo Rothstein, [The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective](#) (Chicago: University of Chicago Press, 2011).

13. Paul Sabin, [Public Citizens: The Attack on Big Government and the Remaking of American Liberalism](#) (New York: W.W. Norton, 2021).

oversee. And of course, the two great protest movements of the 60s—the civil rights and anti-war movements—pitted progressives against abuses of state power.

With their growing skepticism of and disillusionment with American government, progressives of the 60s and 70s sought to change the way government operates even as they worked to expand the scope of its responsibilities. Specifically, their leading strategy for guarding against abusive overreach by state officials, and capture of state power by corporate interests, was to subject government to the discipline of “citizen voice.” By expanding public participation in administrative rulemaking, making government decision-making more transparent, and broadening standing to challenge government officials in court, reformers hoped to create a new kind of “public interest liberalism” in which an energized and empowered public—or its elite representatives—would be able to hold government accountable.



Ralph Nader (l) and Milton Friedman (r) shared a fear of centralized power, but Friedman sought to devolve power to markets while Nader wanted to move power to the people.

Source: “Interview with Ralph Nader / TOH” by Thomas J. O’Halloran, retrieved from the Library of Congress.

Source: Milton_Friedman_1976,” Public domain, via Wikimedia Commons.

The parallels between libertarianism and public interest liberalism are striking. Both movements identify centralized and unaccountable power as a serious threat. Both offer, as a prescription, the devolution of power away from government—toward markets and private enterprise in the former case, and toward private activist groups that take on the self-appointed role of protecting the public interest in the latter.

Although the arbitrary and abusive exercise of power is an ever-present risk inherent in state action, the progressive prescription of procedure and yet more procedure as a cure-all was fundamentally misguided. As Nicholas Bagley, of the University of Michigan Law School, has argued persuasively, the primary justifications for what he calls the “procedure fetish”—that fidelity to procedure shores up the legitimacy of a constitutionally suspect administrative state, and that it upholds public accountability against the threat of factional capture of administrative action—don’t hold up under close inspection.¹⁴

Although the arbitrary and abusive exercise of power is an ever-present

14. Nicholas Bagley, “[The Procedure Fetish](#),” *Michigan Law Review* 118, no. 3: 345–401.

To secure the legitimacy of agency action, procedural punctiliousness is neither necessary (since administrative agencies have been an integral part of American government for the entire history of the republic) nor sufficient (contemporary conservative hostility to the regulatory state is in no way lessened by the web of procedural complexity in which it is enmeshed). The administrative state’s legitimacy, according to Bagley, is ultimately “measured not by the constraints under which it labors, but by how well it advances our collective goals.”¹⁵ And, therefore, the procedure fetish, by greatly hindering the ability of agencies to act effectively, pushes in precisely the wrong direction. With regard to safeguarding against capture, the basic idea of ensuring a deliberative policymaking process in which all affected interests are taken into account is a sound one. But, in practice, proceduralism’s grant of a formally equal opportunity to all members of the public to participate and be heard ends up advantaging the very interests that have the resources and organizational acumen to master subject matter complexity and wade through arcane technicalities—in particular, representatives of industry. Perversely, procedural complexity vastly increases the ability of narrow, well-organized groups to exert undue influence over policy.

More than a half-century of progressive procedure run amok has produced a distinctive species of dysfunctional government that Francis Fukuyama has dubbed “vetocracy”: a system so hobbled by the proliferation of veto points that timely, coherent, and efficacious policy becomes all but impossible to formulate and administer.¹⁶ For his sins of wreaking havoc on Lilliput with urban renewal and transecting highways, Gulliver has now been securely bound and immobilized. Alas, the cure may be worse than the disease.

Nowhere is the deleterious effect of vetocracy on state capacity more apparent than in the soaring construction costs that now make building infrastructure—and pretty much anything large-scale—so prohibitively expensive. There are many contributing factors behind this cost explosion, but the unintended effects of the procedure fetish loom large—in particular, the endless delays caused by environmental impact reviews under the National Environmental Policy Act and state-level equivalents like the California Environmental Quality Act.¹⁷ A detailed, depressing account in *Politico* of the decades-long effort to renovate Penn Station in New York City reaches this conclusion: “[T]he project to diffuse power to the people has succeeded. But the pendulum has swung too far in the other direction. The left’s zeal to hamstring government has helped to burnish the right’s argument that government would mess up a one-car parade.”¹⁸

Priorities for reform

How do we reverse these degenerative trends and begin rebuilding American state capacity? What are the most promising paths to more effective governance—and restoring the trust that good governance instills and on which it depends?

15. *Ibid.*, 350.

16. Francis Fukuyama, [Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy](#) (New York: Farrar, Straus and Giroux, 2014), 488.

17. See Brink Lindsey and Samuel Hammond, “[Faster Growth, Fairer Growth](#),” Niskanen Center, Fall 2020, 105; Eli Dourado, “[Why Are We So Slow Today?](#)” *The Benchmark*, March 12, 2020; M. Nolan Gray, “[How Californians Are Weaponizing Environmental Law](#),” *The Atlantic*, March 12, 2021.

18. Marc J. Dunkelman, “[This Is Why Your Holiday Travel Is Awful](#),” *Politico*, November 11, 2019.

What is needed most is a change in ideas: namely, a reversal of those intellectual trends of the past 50 years or so that have brought us to the current pass. On the right, this means abandoning the knee-jerk anti-statism of recent decades, embracing the legitimacy of a large, complex welfare and regulatory state, and recognizing the vital role played by the nation’s public servants (not just the police and military). On the left, it means reconsidering the decentralized, legalistic model of governance that has guided progressive-led state expansion since the 1960s, reducing the veto power that activist groups exercise in the courts, and shifting the focus of policy design from ensuring that power is subject to progressive checks to ensuring that power can actually be exercised effectively.

Given the state of American politics today, it’s easy to be pessimistic. Forget about improving state capacity—just preventing the American state from falling apart altogether seems like challenge enough at present. The Republican Party’s intellectual and moral collapse under Donald Trump’s malignant influence has put the basic norms and institutions of liberal democracy under severe stress. As long as the GOP persists in delusional conspiracy-mongering and refuses to accept the objective reality of certified election results, the current crisis will continue.

But if this crisis can be weathered and we can return to something like normal democratic politics, there are some encouraging signs that the needed shift in ideas may be occurring. Although it’s overshadowed by the carnival freak show that absorbs all the media’s attention, there is serious intellectual ferment nowadays on the right. As shown by organizations like American Compass and political figures like Mitt Romney and Marco Rubio, the old Reaganite “government is the problem” consensus is beginning to unravel.¹⁹ And among progressives, there is increasing recognition that there are serious obstacles to effective government besides Republican opposition—and that high ideals and wide moral horizons don’t amount to much until they are actually translated into workable, sustainable policy and institutions.²⁰

So there are grounds for, if not optimism, then at least hope. In that spirit, we identify here what we see as the most important arenas in the struggle to rebuild state capacity: (1) expanding and upgrading the federal workforce; (2) improving tax collection and closing the tax gap; (3) overhauling how the federal government acquires and uses information technology; (4) streamlining environmental review to reduce delays and cost overruns in infrastructure construction; and (5) revitalizing the country’s sclerotic public health institutions to better prepare for the next pandemic.

Federal workforce

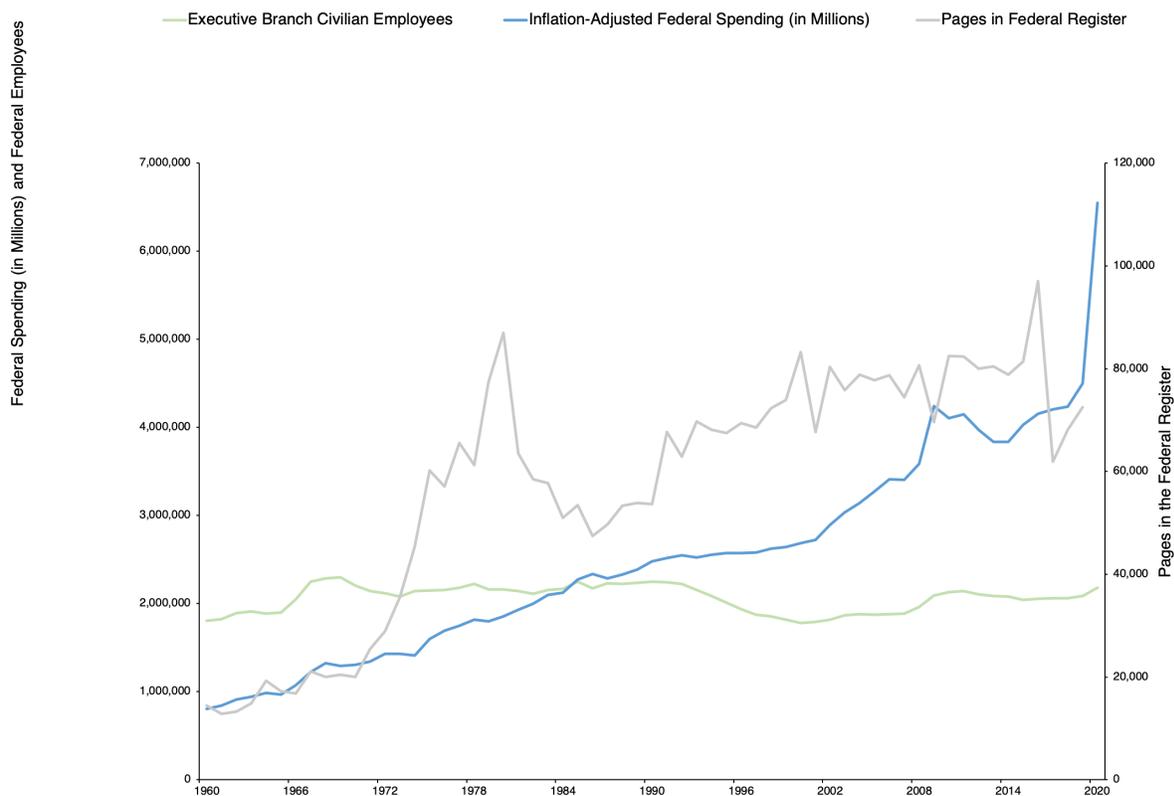
The most obvious and basic deficit in American state capacity is the fact that today’s federal workforce is not adequately staffed to accomplish the many tasks for which government is now responsible. The ability to translate words into action, to move from legislative and regulatory directives on paper to effective policy on the ground, hinges on having the right people in place to plan, direct, supervise, coordinate, and execute. And that is precisely what we lack at present. Since 1960, government spending has increased some fivefold after accounting for inflation. Over

19. See [American Compass](#); Marco Rubio, “[Catholic Social Doctrine and the Dignity of Work](#),” November 5, 2019.

20. See, e.g., Ezra Klein, “[California Is Making Liberals Squirm](#),” *The New York Times*, February 11, 2021; Rosa Brooks, “[Competence Is Critical for Democracy. Let’s Redefine It](#),” *The New York Times*, August 15, 2021.

this same period, the scope of federal responsibilities, the number of agencies, and the corpus of laws and regulations to be administered have all mushroomed as well. Yet the federal public service today consists of about 2.1 million civilian employees, only slightly more than in the closing year of the Eisenhower administration.²¹ To compensate for the growing gap between workforce and workload, the federal government has increasingly been forced to rely on intermediaries—state and local officials on the one hand, and an ever-expanding army of government contractors and nonprofit grant recipients on the other—to carry out the laws of the land. Today, the annual outlay for contractors is roughly equal to the total payroll costs for federal workers, and in a number of agencies contractors outnumber employees many times over.

Federal Workforce Stagnates While Spending and Regulatory Activity Soar



Sources: "Table 1.1—Summary of Receipts, Outlays, and Surpluses or Deficits (-): 1789–2026", Office of Management and Budget; FRED CPI for all urban consumers; "Historical Federal Workforce Tables - Executive Branch Civilian Employment Since 1940," Office of Personnel Management; "Federal Register & CFR Publication Statistics - Aggregated Charts," Federal Register, 2019.

Federal Employees

Sources: "Table 1.1—Summary of Receipts, Outlays, and Surpluses or Deficits (-): 1789–2026", Office of Management and Budget; FRED CPI for all urban consumers; "Historical Federal Workforce Tables - Executive Branch Civilian Employment Since 1940," Office of Personnel Management.

21. Julie Jennings and Jared C. Nagel, [Federal Workforce Statistics Sources: OPM and OMB](#), R43590 (Washington, DC: Congressional Research Service, June 21, 2021); Office of Personnel Management, ["Executive Branch Civilian Employment Since 1940."](#)

There is nothing wrong, in the abstract, with using government contractors—the practice dates back to the Revolutionary War. But the scale of outsourcing today is clearly excessive, as there is not enough in-house capacity to properly supervise contractors’ work and evaluate their results. Political scientist John DiIulio refers to the current state of affairs as “Leviathan by proxy.” “Today’s federal civil service is overloaded, not bloated,” he writes. “We have too few federal bureaucrats monitoring too many federal grants and contracts, and handling too many dollars.”²²

The hollowing out of the public service contributes to government dysfunction in various ways.²³ First, it raises the risk of “capture,” or the perversion of government programs to serve narrow insider interests. Among the interests in question are those of government contractors, who can be counted on to lobby vigorously for their gravy train to continue regardless of whether the programs in question actually serve the public interest. Furthermore, the lack of sufficient in-house supervision and coordination is a recipe for “kludgeocracy,” as there is nobody around with the needed experience and clear authority to cut through red tape and work around the inconsistencies among directives that accrete over time. It is unsurprising that the Government Accountability Office’s “high-risk list” of programs especially vulnerable to waste, fraud, and abuse is dominated by the operations of agencies heavily dependent on outsourcing.²⁴

Excessive reliance on contractors developed in part because of Republican small-government ideology. There is often a presumption, however baseless, that contractors are more efficient because they are private businesses; in addition, outsourcing creates the appearance of holding the line against big government by resisting the expansion of the permanent bureaucracy. But the hollowing out of public service has also been the path of least resistance for pragmatic reasons. Overly restrictive civil service rules on hiring, firing, and compensation now make it extremely difficult to attract and retain qualified professionals.

Accordingly, the outsourcing trend is a product, not just of libertarian anti-statism, but of the particular way in which anti-statism interacts with progressive proceduralism. To reverse the hollowing out of the federal government, it will be necessary, first, to recognize the vital importance of professional, well-trained, and properly compensated public servants to the operations of government. Beyond that, though, we will also need to reform the civil service system to improve flexibility, sharpen incentives for good performance, and provide better career tracks to retain top talent.²⁵

While the inadequacy of the federal workforce to shoulder the government’s wide-ranging responsibilities is a serious problem now, the outlook for the future is even more alarming. Of the full-

22. John J. DiIulio, Jr., “[Hiring More Full-time Federal Bureaucrats Will Result in Smaller and Better Government](#),” London School of Economics Phelan U.S. Centre, April 30, 2015.

23. See Paul R. Verkuil, [Valuing Bureaucracy: The Case for Professional Government](#), (Cambridge: Cambridge University Press, 2017); see also John J. DiIulio Jr., [Bring Back the Bureaucrats: Why More Federal Workers Will Lead to Better \(and Smaller!\) Government](#), (West Conshohocken: Templeton Press, 2014).

24. Government Accountability Office, “[High Risk List](#).”

25. See Verkuil, [Valuing Bureaucracy](#); Paul C. Light, [A Government Ill Executed: The Decline of Federal Service and How to Reverse It](#), (Cambridge: Harvard University Press, 2009); Kellie Lunney and Eric Katz, “[Can’t Hire, Can’t Fire](#),” Government Executive, January 21, 2015; Partnership for Public Service, “[Building the Enterprise: A New Civil Service Framework](#),” Booz Allen Hamilton, April 2014. On the need for better education and training for public service, see Philip Zelikow, “[To Regain Policy Competence: The Software of American Public Problem-Solving](#),” *Texas National Security Review* 2, no. 4 (September 2019): 110--127.

time federal workers who were employed as of 2019, 35.5 percent will qualify for retirement by the end of 2024. Only 6.8 percent of federal employees are younger than 30, compared to 20 percent of the overall U.S. labor force. And among IT workers, those over 50 outnumber those under 30 by an astonishing 19 to 1.²⁶ To rebuild state capacity, we need not only a larger federal service, but a younger and more diverse one as well.

The political appointments system that supplies the executive branch's top leadership is also badly in need of reform. There are far too many political appointees (some 4,000), and it is far too difficult and time-consuming to vet and confirm them. As a result, the quality of leadership at agencies often suffers as department heads are picked for partisan or ideological loyalty rather than skills and experience. And far too frequently, there is no leadership at all, as posts go vacant for months on end while replacements are hung up in the appointment and confirmation process.²⁷ Finally, the personnel problems that afflict the executive branch extend to Congress as well. Since the 1994 "Contract with America" election that brought unified GOP control of Congress for the first time in decades, Republicans have moved repeatedly to slash legislative and professional staff as well as congressional budgets, ostensibly to practice the small-government gospel that they preach. But the actual result of this brain drain has been to render government greatly more vulnerable to capture by insiders.²⁸ Without adequate staff to evaluate policy options and draft legislation, lawmakers have been forced to outsource these vital tasks—mainly to lobbyists with clients' axes to grind.²⁹

Tax collection

When historians and social scientists try to compare the overall state capacity of different countries, they often look to tax receipts as a useful proxy. After all, the ability to raise revenue is a precondition of everything else that government does. In particular, when a country faces external military threats, "fiscal capacity," or the ability to collect taxes, may mean the difference between victory and defeat, between the state's survival and its subordination or collapse.

Accordingly, the difference between taxes owed and taxes collected is one important measure of a country's state-capacity deficit. In the case of the United States, that deficit is considerable. According to the Internal Revenue Service, the "tax gap" has hovered around 15 percent over the past 30 years. According to the most recent official calculation, published in 2019 based on 2011–13 data, the net gap stood at \$381 billion, or just over 14 percent of taxes owed.³⁰ Just recently, an

26. Max Stier, "[Statement for the House Committee on Oversight and Reform Subcommittee on Government Operations Hearing Entitled, 'Revitalizing the Federal Workforce,'](#)" Partnership for Public Service, February 23, 2021.

27. See, e.g., Max Stier, "[The U.S. Has Too Many Political Appointees,](#)" Bloomberg, February 20, 2017.

28. The combination of low pay and high D.C. living expenses also contributes to underrepresentation of minorities on congressional staff. The lack of ethnic and viewpoint diversity undermines Congress's ability to be a truly representative body. See Aishvarya Kavi, "[As Some Black Staff Members Leave Congress, Those Who Remain Call for Change,](#)" The New York Times, October 17, 2021.

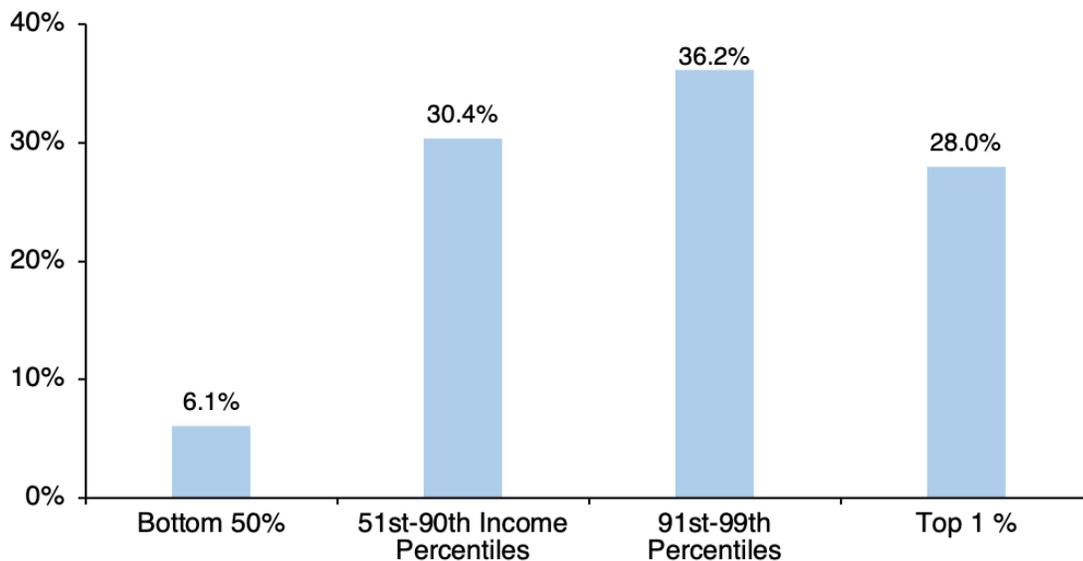
29. See Lee Drutman and Steven Teles, "[A New Agenda for Political Reform,](#)" Washington Monthly, Spring 2015; Paul Glastris and Haley Sweetland Edwards, "[The Big Lobotomy,](#)" Washington Monthly, Summer 2014.

30. Barry W. Johnson, et al., [Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2011–2013](#), Publication 1415 (Washington, DC: Internal Revenue Service, September 2019).

updated Treasury Department estimate put the current tax gap at \$600 billion, or three percent of the GDP.³¹

Underpayment of taxes due is concentrated overwhelmingly at the top of the income and wealth distribution. Salaried and wage workers are subject to tax withholding by their employers, and, as a result, declare and pay taxes on the overwhelming bulk of their income. By contrast, the wealthy have lots of income that comes from relatively opaque sources—such as proprietorships, partnerships, and S-corporations—that can be underreported with relatively little risk of detection, not to mention accountants and lawyers to ward off the auditors. It’s estimated that the top one percent of earners, by themselves, account for 28 percent of total unpaid taxes.³²

Estimated Share of Taxes Unpaid by Income



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Source: Natasha Sarin, “The Case for a Robust Attack on the Tax Gap,” U.S. Department of Treasury, September 7, 2021.

Cheating on their taxes has gotten easier and easier for the rich thanks to a funding crunch at the IRS.³³ The agency’s total budget declined almost 15 percent in real terms between 2011 and 2018, while its enforcement budget dropped 25 percent. The number of IRS auditors has sunk to the lowest point since World War II.³⁴ As a result, the share of individual tax returns audited has fallen from around 1.1 percent to 0.5 percent. And, making matters worse, the IRS’s dwindling enforcement activities now focus disproportionately on low earners: In 2017, Earned Income Tax Credit claimants accounted for 18 percent of individual tax returns but 43 percent of returns audited.³⁵

31. Natasha Sarin, “[The Case for a Robust Attack on the Tax Gap](#),” U.S. Department of the Treasury, September 7, 2021.

32. *Ibid.*, Table 1.

33. For broader analysis of the mounting problems at the IRS, see Samuel Hammond and David Koggan, “[The IRS: A Broken Home in Need of Repair](#),” Niskanen Center, June 4, 2021.

34. See Natasha Sarin and Lawrence H. Summers, “[Shrinking the Tax Gap: Approaches and Revenue Potential](#),” National Bureau of Economic Research Working Paper no. 26475, November 2019.

35. See Seth Hanlon, “[Unrigging the Economy Will Require Enforcing Tax Laws](#),” Center for American Progress, March 12, 2020.

The IRS's funding woes are yet another unfortunate legacy of GOP anti-statism. Going back to the Reagan years, tax cutting has been at the center of the Republican policy agenda; even as that agenda has shriveled in favor of concentrating on culture war theatrics, the commitment to "starve the beast" remains solid. When that strategy can't be pursued through formal rate cuts, the next best thing is to do is informal tax cutting through gutting enforcement. To build support for this corrupt giveaway to the rich, Republicans have worked tirelessly to demonize the IRS—most notoriously, concocting a bogus scandal that the agency was deliberately targeting conservative groups to challenge their tax-exempt status. A subsequent exhaustive review by the Treasury Department's Inspector General found that no such targeting occurred.³⁶

How much of the tax gap can realistically be closed? In a 2019 working paper for the National Bureau of Economic Research, Natasha Sarin and Lawrence Summers estimate that a feasible reform strategy of more funding for audits, a tightening of income-reporting requirements, and investments in information technology could reduce the tax gap by around 15 percent and over a decade bring in \$1.1 trillion that would otherwise be left on the table. In July 2021, the Biden administration proposed boosting the IRS's budget by \$80 billion over the next 10 years, estimating that this investment could bring in \$700 billion in additional tax revenue.³⁷ As of this writing, this added spending is still included in the Build Back Better legislation now pending in Congress.³⁸

Information technology

The disastrous rollout of the healthcare.gov website in 2013 is only the most notorious example of a serious and widespread problem: the inability of government to use information technology effectively.

It wasn't always like this. At the dawn of the computer age, the U.S. government was a pacesetter in the use of IT, from calculating artillery and missile trajectories to managing the massive databases of the Social Security Administration. But as the IT sector developed and the commercial market came to dwarf government procurement, federal and state governments went from sophisticated purchasers at the cutting edge of product development to hopeless laggards, trapped in obsolete systems and unable to take advantage of the dizzying pace of progress occurring in the private sector. During the early days of the pandemic, for example, we saw the effort to deliver financial support through state unemployment insurance programs stymied by balky computer systems still programmed in antediluvian languages like COBOL and Fortran.³⁹

One big problem is penny-wise, pound-foolish budget constraints that prevent agencies from incurring the upfront costs to invest in more modern systems.⁴⁰ It is always cheaper in the short

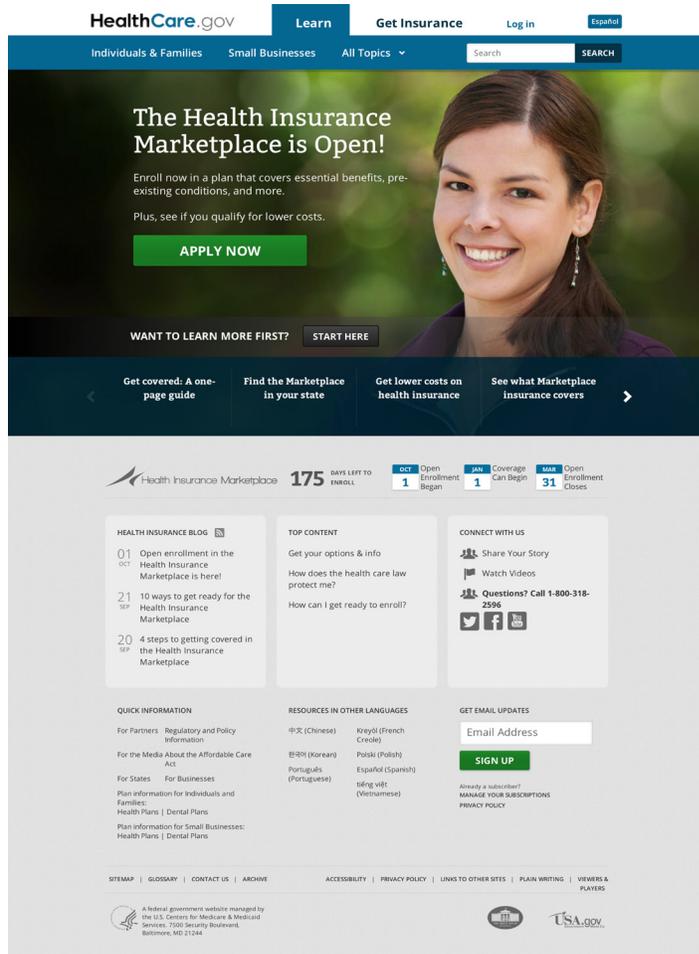
36. See Neil H. Buchanan, "[Remember the IRS Scandal? It Was Fake News All Along](#)," Newsweek, October 10, 2017; Mike DeBonis, "[Liberal Groups Got IRS Scrutiny, Too. Inspector General Suggests](#)," The Washington Post, October 4, 2017.

37. See Jim Tankersley and Alan Rappeport, "[Biden Seeks \\$80 Billion to Beef Up I.R.S. Audits of High-Earners](#)," The New York Times, April 27, 2021.

38. Chuck Marr and Samantha Jacoby, "[Build Back Better Requires Highest-Income People and Corporations to Pay Fairer Amount of Tax, Reduces Tax Gap](#)," Center on Budget and Policy Priorities, November 2, 2021.

39. Makena Kelly, "[Unemployment Checks Are Being Held Up by a Coding Language Almost Nobody Knows](#)," The Verge, April 14, 2020.

40. Joe Uchill, "[How Did the Government's Technology Get So Bad?](#)" The Hill, December 13, 2016.



The disastrous rollout of the healthcare.gov website exemplifies the government's problems with using information technology.

Source: "Healthcare Insurance Marketplace| Healthcare.gov" Chris Messina, CC BY-NC-SA 2.0

dependent on a handful of big contractors who are expert in navigating the intricacies of the procurement process.⁴¹

That process leads government to manage IT projects in a manner diametrically opposed to the way private-sector tech startups do business. The "agile" method favored by startups strives to get a basic product to market as quickly as possible and then iterate changes and improvements based on user feedback. By contrast, government procurement follows the "waterfall" method, in which the process is broken down into linear sequential phases and each phase depends on the successful completion of the previous one. "This 'big bang' approach typically means longer development time with little to no customer validation," explains Matthew McCall, a health technologist. "If requirements do change over time, it is usually driven by competing organizational interests rather than customer needs, which makes it very easy to get away from understanding if what is being built is actually useful or relevant anymore."⁴²

41. Farhad Manjoo, "[Why Government Tech Is So Poor](#)," The Wall Street Journal, October 16, 2013.

42. Michael Grothaus, "[Why Exactly Does the Government Suck So Badly at Software?](#)" Fast Company, May 27, 2014.

run to patch and add to legacy systems than to upgrade to new and improved technology, but in the long run, doing so is a false economy. Following that path of least resistance leads to kludgeocracy with a vengeance—antiquated technology updated and kept running by an ever-mounting pileup of quick fixes. Little wonder that government IT is plagued by poor performance and gaping security vulnerabilities.

Here we see an example of libertarian anti-statism as a self-fulfilling prophecy: Prevent needed investments in IT in the name of fiscal responsibility, then cite backward IT in the public sector as proof that government can't do anything right. The other major driver of state incapacity, the progressive procedure fetish, also contributes to the government's IT woes. Byzantine procurement regulations make it difficult for government to purchase readily available off-the-shelf technology from a wide variety of vendors, leaving government

Government IT management is further plagued by overreliance on outside contractors, a trend promoted jointly by libertarian anti-statism and progressive proceduralism. Consider the Center for Medicare and Medicaid Services, or CMS, the agency responsible for the healthcare.gov debacle. The ratio of contractors to employees at CMS runs at around three to one; in the case at hand, this meant that CMS lacked the professional capacity in-house to manage the development and rollout of a big, complicated new website.⁴³ According to a GAO inquiry into the early failures of the website, CMS operated “without effective planning or oversight practices” and issued orders to contractors “when key technical requirements were unknown.”⁴⁴ Further, CMS used cost-reimbursement contracts, which left the agency on the hook for overruns regardless of how well the system operated. “The use of cost-plus contracts by CMS was almost an admission that they were in the dark about the requirements needed to successfully complete the contract,” observed Paul Verkuil, former head of the Administrative Conference of the United States. “Lack of professional personnel at CMS undermined the competency of government.”⁴⁵

Environmental review

Back in 2009, President Obama famously touted the “shovel-ready” infrastructure projects in his stimulus plan that would help to revive employment and economic activity immediately. But as things turned out, only \$98.3 billion out of the nearly \$800 billion stimulus package was flagged for transportation and infrastructure. “The problem,” Obama later admitted, “is that spending it out takes a long time, because there’s really nothing—there’s no such thing as shovel-ready projects.”⁴⁶

What Obama was slow to realize is now widely understood: It’s virtually impossible to build big things fast in America anymore. Back in 1931, the Empire State Building went up in just a year and 45 days; meanwhile, despite the national pride at stake in building back after the September 11 terrorist attacks, it took 13 years to erect Freedom Tower on the site of the old World Trade Center. Horror stories abound of ambitious projects undermined by long delays and ruinous cost overruns, from Boston’s Big Dig, to the tortuous efforts to renovate Penn Station in New York, to the on-again, off-again high-speed rail project in California. America was once seen as the “can do” nation par excellence, the country that put a man on the moon in under a decade, but that America is a distant memory. Peter Thiel’s now-familiar lament speaks for all of us who grew up in that older America: “We wanted flying cars, instead we got 140 characters.”

The problem is one that goes beyond state capacity, with grim implications for the productive capacity of the American private sector as well.⁴⁷ But a government that cannot build things on time and on budget is a government incapable of providing the public goods the 21st century demands. In particular, decarbonizing the economy will require massive investments in renewable energy production and a new electric grid, while adapting to the climate change that is already

43. See Verkuil, [Valuing Bureaucracy](#), 55.

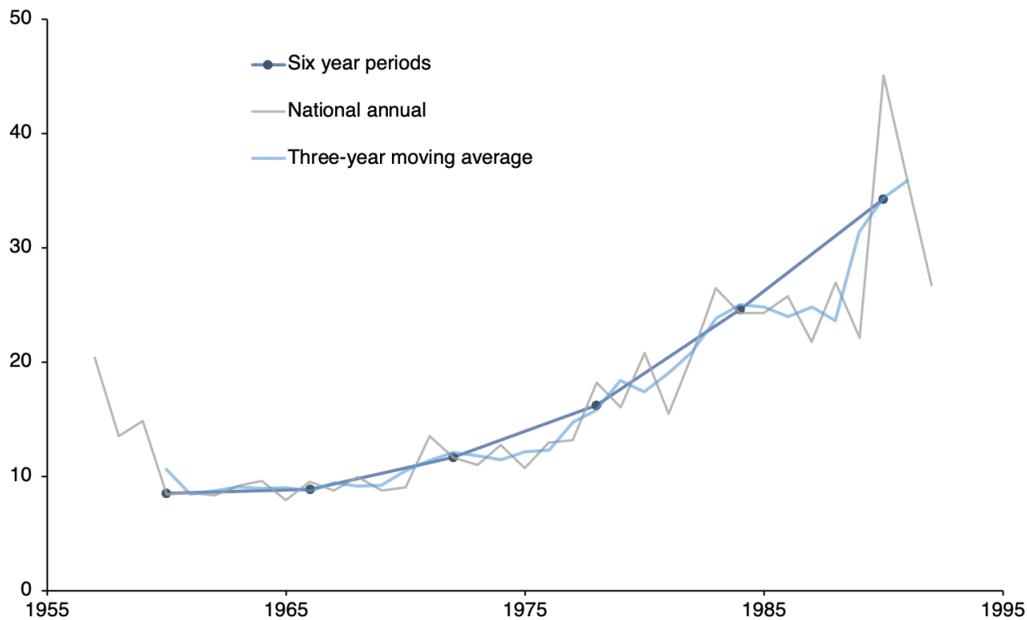
44. Government Accountability Office, [Healthcare.gov: Ineffective Planning and Oversight Practices Underscore the Need for Improved Contract Management](#), GAO-14-694 (Washington, DC: July 30, 2014).

45. See Verkuil, [Valuing Bureaucracy](#), 56.

46. See Wayne Duggan, “What Happened to All the ‘Shovel-Ready’ Infrastructure Projects from the 2009 Stimulus Bill?” Yahoo Finance, February 13, 2017.

47. See, e.g., Noah Smith, “What Happened to Construction Productivity? Part I: Measurement,” Noahpinion, September 30, 2021.

Highway Spending Per Mile



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Source: Leah Brooks and Zachary Liscow, *Infrastructure Costs*, Hutchins Center Working Paper #54, The Brookings Institution, August 2019.

occurring will require further huge investments in seawalls, relocating homes and businesses, and more. Restoring the state capacity to build is thus an essential precondition for addressing successfully what is probably our single most daunting public policy challenge.⁴⁸

What caused America to lose its ability to build big and fast? It is here that we see most vividly the enervating consequences of the progressive procedure fetish. Reacting against heavy-handed city planners and the failures and abuses of urban renewal, progressives sought to bind future policymakers with new procedures that allowed private citizens and organizations to challenge government construction projects in court. From that commendable motivation sprung the monstrous unintended consequences of contemporary environmental review under the National Environmental Policy Act and state-level equivalents like the California Environmental Quality Act.⁴⁹ American construction costs per road mile and track mile are now multiples of those in many other advanced countries, and the key inflection step in the runaway cost spiral that led to this point traces back to the 1960s and 70s—that is, to the time of the progressive procedural revolution.⁵⁰ It is ironic indeed that this revolution, launched in significant part out of a desire to protect the environment, now exacerbates the greatest environmental threat of our time.

The Biden administration has promised to “build back better,” but, alas, that promise hasn’t yet translated into a strong commitment to build faster and cheaper. The recently passed Bipartisan

48. See James Temple, “[Climate Change Means the US Must Start Building Big Things Again](#),” MIT Technology Review, January 15, 2020.

49. See Lindsey and Hammond, “[Faster Growth, Fairer Growth](#)”; Dourado, “[Why Are We So Slow Today?](#)”; Gray, “[How Californians Are Weakening Environmental Law](#).” See, e.g., Jerusalem Demsas, “[Why Does It Cost So Much to Build Things in America?](#)” Vox, June 28, 2021.

50. *Ibid.*; Leah Brooks and Zachary Liscow, “[Infrastructure Costs](#),” Hutchins Center Working Papers, #54 (Washington, DC: Brookings Institution, August 2019).

Infrastructure Deal does contain some modest reforms to environmental review and the permitting process, but they are marginal rather than central components of the legislation. Indeed, it's noteworthy that the White House fact sheet on the legislation doesn't even mention those provisions.⁵¹ Doling out large sums for infrastructure spending without first clearing away regulatory obstacles to construction is putting the cart before the horse, guaranteeing that all that money will buy much less than it should.⁵²

Pandemic response

All the other priorities for reform discussed above address deficits in state capacity that affect government performance across multiple policy domains. Whether we are talking about expanding and upgrading the federal workforce, closing revenue shortfalls caused by underenforcement, improving government information technology, or slashing red tape on infrastructure and other construction projects, in each case successful reform would strengthen the government's overall ability to enact effective policies and provide public goods. To anthropomorphize, a well-functioning state must have a healthy body (workforce), it must be able to feed itself (taxes), it needs to be able to think and process information (IT), and it has to be able to act in the physical world (construction).

In this final section, though, we address the state capacity that makes possible an effective response to one particular public policy challenge: namely, protecting public health in the face of a pandemic or similar emergency. We decided to include this specific policy focus within a project largely devoted to more generic institutional reform for a couple of reasons. First, more than any single development, it was the spectacular failure of the U.S. public health response to the COVID-19 pandemic that exposed and highlighted the larger breakdown in American state capacity. COVID-19 was the lightning bolt that revealed that what appeared to be a mighty oak tree was in fact a rotten shell. Second, the arena of public health management is where the stakes of robust versus feeble state capacity are at their highest: More Americans have died of COVID-19 than in all the wars since the Civil War, and at least a considerable fraction of that massive death toll can be blamed on government dysfunction. This pandemic is still raging, in the United States and around the world, and it is not too late to start applying lessons learned in order to end the current crisis as soon as possible. Furthermore, we have every reason to believe that further global pandemics are coming, and every reason to fear that some future virus will be dramatically more lethal than the novel coronavirus. Accordingly, we can think of no more important front in the larger battle to rebuild state capacity than bolstering the government's ability to protect its citizens from the deadliest enemy we now face.

Although his incompetence and demagoguery certainly made things worse, the fiasco of the U.S. response to the COVID-19 pandemic can't all be blamed on Donald Trump—not by a long shot. The two federal agencies with frontline responsibilities during the crisis, the Centers for Disease Control and the Food and Drug Administration, both blundered badly and repeatedly. Both, in particular, were implicated in what has been called the original sin of the U.S. pandemic response: the failure to do widespread testing. The CDC bungled the development of its own test, then actively

51. White House, "Fact Sheet: The Bipartisan Infrastructure Deal," November 6, 2021.

52. Eli Dourado, "Deregulation before subsidies: Order matters," Center for Growth and Opportunity at Utah State University, November 9, 2021.

prevented outside labs from developing their own by refusing to share samples of the virus. The FDA, for its part, slow-walked approval of tests. Because of the resulting delays, the United States never had a chance to suppress the virus in those critical early days before widespread community transmission.⁵³

The mishandling of testing has continued all the way to the present. Even after the virus outbreak had gone national, it was still possible to reopen economic activities safely and return to some kind of normalcy—with the massive use of rapid testing. Consider the NFL’s experience during the 2020-21 season: Following a daily testing protocol, it was able to hold its season through the worst months of the pandemic without resorting to an isolation “bubble” —and without any games missed or a single COVID-related fatality. In the spring of 2020, Harvard University and the Rockefeller Foundation teamed up to produce a “Road Map to Pandemic Resilience” that would have extended the NFL model to the country at large through a crash program to scale up to 20 million tests a day.

Donald Trump’s politicized hostility to testing, of course, ensured that nothing of the sort was ever tried. But the FDA effectively backstopped Trump to further hobble the use of rapid testing. Rapid antigen tests—which can be used at home and give results in 15 minutes—are less sensitive than the “gold standard” PCR tests, but precisely for that reason are much better at showing who is actively infectious at the time (the more sensitive PCR tests continue to show positive results long after patients are capable of transmitting the virus). Although these tests have been cheap and easily available throughout Europe for months now, they are still hard to find in the United States as of this writing—because of the FDA’s perversely cumbersome approval process.⁵⁴

Beyond its central role in the testing debacle, the CDC has stumbled repeatedly in issuing public health guidance. First, of course, it notoriously opposed the use of masks at the outset of the pandemic before then reversing itself—a flip-flop that undermined the agency’s credibility at a critical moment and surely contributed to the later politicization of mask wearing. Furthermore, despite early and compelling evidence to the contrary, the CDC doggedly denied the importance of airborne transmission of the virus through tiny aerosol particles, insisting that the coronavirus spreads primarily through saliva droplets that can travel only a couple of meters (and that render surfaces on which they fall infectious). The CDC did not relent on this point until the end of April 2021—and then only by quietly and subtly updating its guidance without any accompanying announcement. This persistence in error by the CDC (in which it was joined by the World Health Organization) led to a huge misdirection of effort into cleaning and disinfecting surfaces and away from a focus on ventilation and air filtration—as well as wrongheaded closures of public parks and bans on outdoor activities.⁵⁵

53. See Derek Thompson, [“The Pandemic Mistake America Can’t Repeat,”](#) The Atlantic, March 17, 2021; Michael D. Shear et al., [“The Lost Month: How a Failure to Test Blinded the U.S. to Covid-19,”](#) The New York Times, March 28, 2020; Scott Gottlieb, [Uncontrolled Spread: Why COVID-19 Crushed Us and How We Can Defeat the Next Pandemic](#) (New York: Harper, 2021).

54. David Leonhardt, [“Where Are the Tests?”](#) The New York Times, September 21, 2021; Mary Louise Kelly, [“An Epidemiologist Says At-Home Testing Is Key to Stopping COVID,”](#) National Public Radio, September 14, 2021; Brianna Abbott, [“Covid-19 Rapid Testing in the U.S. Lags Behind Other Countries in Delta Wave,”](#) The Wall Street Journal, September 17, 2021.

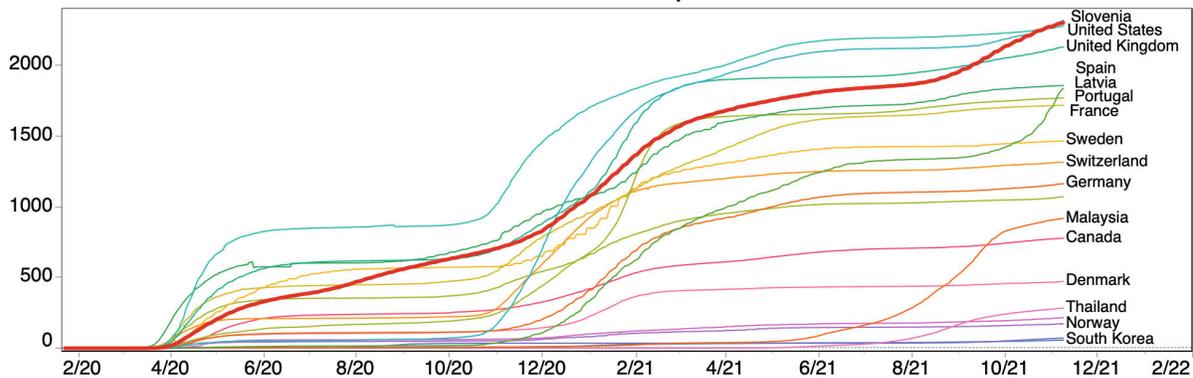
55. See Zeynep Tufekci, [“Why Did It Take So Long to Accept the Facts About Covid?”](#) The New York Times, May 7, 2021.

Expectations vs. Reality

Global Health Security's Top 20 Pandemic Preparedness Ranking

1	United States	11	France
2	United Kingdom	12	Slovenia
3	Netherlands	13	Switzerland
4	Australia	14	Germany
5	Canada	15	Spain
6	Thailand	16	Norway
7	Sweden	17	Latvia
8	Denmark	18	Malaysia
9	South Korea	19	Belgium
10	Finland	20	Portugal

Cumulative COVID Deaths per Million



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Sources: Johns Hopkins University Center for Systems Science and Engineering; "Population, total (SP.POP.TOTL)," World Development Indicators, The World Bank; Elizabeth Cameron et al., "Global Health Security Index," October 2019.

Given Trump's abdication of responsibility for coordination and the CDC's messaging failures, it's unsurprising that state and local pandemic responses were so disjointed, inconsistent, and frequently arbitrary—ranging from excessive reticence about reopening outdoor spaces and schools in some places to outright denial of the pandemic's severity elsewhere. One thing should be clear by now: There is no invisible hand in public health. When authorities at the top make a mess of things, improvisations at lower levels of government are unlikely to be effective.

The one bright spot in this otherwise dismal story was the performance of Operation Warp Speed, which succeeded in delivering highly effective vaccines to market in record-shattering time.⁵⁶ Run by the Department of Health and Human Services and the Department of Defense, OWS used a combination of subsidies for research and development, assistance with clinical trials, guaranteed purchase agreements, and coordination of regulatory and supply chain issues to channel private sector technological and organizational expertise into rapid development, testing, manufacturing, and rollout of vaccines. In particular, the combination of research support and up-front purchase guarantees freed participating drug makers from financial risk—a crucial step in ensuring their participation and best efforts. Furthermore, OWS avoided the "picking winners" problem that often afflicts industrial policy schemes by targeting assistance at multiple producers across three

56. See Sharon LaFraniere et al., "Politics, Science and the Remarkable Race for a Coronavirus Vaccine," *The New York Times*, November 21, 2020; David Adler, "Inside Operation Warp Speed: A New Model for Industrial Policy," *American Affairs* 5, no. 2 (Summer 2021): 3-32.

different vaccine platforms—including the revolutionary mRNA platform that not only produced the most effective COVID vaccines but also holds out the promise of rapid vaccine development for many other diseases.

The biggest problem with Operation Warp Speed was that this highly successful model should have been applied more broadly.⁵⁷ First, we needed a similar initiative for rapid tests and masks and other personal protective equipment. Second, while an initial focus on vaccinating the United States was entirely appropriate, there should nonetheless have been better planning for vaccine rollout on a global scale. Beyond the high humanitarian stakes with millions of lives around the world at risk, the possibility of new and deadlier variants arising in countries with uncontrolled spread of the virus means that the United States has a strong national interest in global suppression of the disease. To that end, the federal government should have made additional payments up front to claim all relevant intellectual property for itself so that the new vaccines could be shared with foreign manufacturers. Furthermore, these additional payments should have included incentives for OWS producers to share manufacturing technology and know-how with drug makers in other countries.

Even with OWS's near-miraculous acceleration of the timeline for vaccine development, the FDA and CDC still figured out ways to slow things down. Pfizer, the first U.S. drug maker to seek an FDA Emergency Use Authorization, submitted its safety and effectiveness data to the agency on November 22, 2021; the agency responded by scheduling a review meeting on December 10, three weeks later, at a time when 2,000 Americans were dying every day of COVID.⁵⁸ The FDA never gave approval to the AstraZeneca vaccine, despite the fact that it has been used safely and effectively around the world; availability of an additional vaccine when supplies of approved vaccines were constrained could have saved thousands of lives. And in April 2021, the FDA and CDC jointly recommended a temporary pause in use of the Johnson & Johnson vaccine, based on concerns about the risk of side effects, even though that risk was dwarfed by the risks COVID-19 itself posed to the unvaccinated. Although the pause was reversed 10 days later, public confidence in the J&J vaccine never recovered.⁵⁹ Finally, the FDA only granted full formal approval for the Pfizer vaccine in August 2021, and still has not done so for Moderna—even though both have already been used successfully by millions of patients, and even though the absence of formal approval has frequently been cited as a reason to avoid getting the vaccine.⁶⁰

The throughline that connects all the CDC's and FDA's failures during the pandemic—the essential deficit in state capacity that was exposed—is the inability to adapt in the face of emergency conditions. As Niskanen Center senior fellow Matthew Yglesias observed in a recent column, public health institutions have, with good reason, been urging Americans to show incredible flexibility to save lives during the crisis—stay home as much as you can, wear a mask when you're out in public, shift all meetings to Zoom, try to supervise your kids' online schooling while keeping up with your own job, cancel travel plans and get-togethers with family and friends, and so on. And

57. For the applicability of the OWS model outside of public health, see Gregory Nemet, "[Clean Energy Innovation Has Much to Learn from Operation Warp Speed](#)," Niskanen Center, December 8, 2020.

58. See Marty Makary, "[FDA Career Staff Are Delaying the Vaccine As Thousands of Americans Die](#)," The Dispatch, December 4, 2020.

59. See Nate Rattner, "[Confidence in the Safety of the J&J Vaccine Is Low Following U.S. Pause, Kaiser Survey Shows](#)," CNBC.

60. David Leonhardt, "[F.D.A., Not F.D.R.](#)" The New York Times, August 24, 2021.

while there has been significant and noisy resistance on the part of some, by and large Americans have shown amazing willingness to upend their lives for the sake of the greater good. “But what’s been sticking in my craw for months,” Yglesias wrote, “is the extent to which America’s public health institutions themselves have shown so little flexibility during this crisis even as they see the virtue of flexibility in everyone else’s behavior.”⁶¹

Derek Thompson, a staff writer for *The Atlantic* who has chronicled in depressing detail the poor performance of America’s public health authorities, has come to similar conclusions. “Too many U.S. institutions throughout the pandemic have shown little interest in the act of learning while doing,” he wrote in a piece lamenting the foolish persistence of “hygiene theater.” “They etched the conventional wisdoms of March 2020 into stone and clutched their stone-tablet in the face of any evidence that would disprove them.... In the pandemic and beyond, this might be the fundamental crisis of American institutions: They specialize in the performance of bureaucratic competence rather than the act of actually being competent.”⁶²

Conclusion

State capacity is a capacious concept with relevance that extends far beyond the particular issue areas discussed in this paper. Indeed, much of the existing work of the Niskanen Center can be plausibly framed in terms of state capacity. In our work on social policy, we seek to upgrade and modernize the social insurance systems that are a core competence of the modern state; in our work on immigration, we seek both expanded immigration and more effective enforcement; in our project on criminal justice reform, we seek not only less punishment but also more effective policing and less crime. In all these cases, we see more effective governance institutions and better policy as inextricably connected.

But even as the concept illuminates many of the more important challenges confronting us, focusing on the evident deterioration in American state capacity and the powerful forces behind it can raise serious doubts about whether those challenges can be met. Bold policy changes on many fronts are needed to bring back dynamism and inclusive prosperity—but even if we think we know which policies are needed, how do we imagine that they will actually come to pass when our institutions for developing and executing public policy have grown so decrepit? How do we buck and reverse trends of more than a half-century when both libertarian anti-statism and progressive proceduralism remain so deeply embedded in our political culture?

The good news is that state capacity is not an all-or-nothing affair. Rather, it is a summary abstraction that aggregates specific degrees of competence or dysfunction in a multitude of different domains. Some agencies work better than others; within agencies, some divisions work better than others; and so on. Building up capacity in one area of government responsibility does not necessarily require prior or simultaneous success in other areas.

61. Matthew Yglesias, “[America’s Inflexible Public Health Institutions](#),” *Slow Boring*, August 27, 2021.

62. Derek Thompson, “[Deep Cleaning Isn’t a Victimless Crime](#),” *The Atlantic*, April 13, 2021.

Accordingly, the best path going forward is something analogous to the “clear and hold” strategy in counterinsurgency. To reassert government control over a country where guerrillas have gained power in much of the countryside, it is necessary to cobble together a series of small but durable victories: Root insurgents out of a particular village or province, create conditions that make their return unlikely, and use the momentum from that bit of progress to move on to the next part of the country. To rebuild state capacity in a polity where capture and kludgeocracy dominate, a similar piecemeal approach is in order: Reestablish government competence in one key area, put in institutional guardrails to protect against lapsing back, and then use the demonstration effect of that success to build momentum for the next campaign.

It’s an uphill battle, to be sure. Suspicion of state power is embedded in our Constitution and our political culture; accordingly, work to produce a stronger, more capable state will never be the path of least resistance. But it’s the only path that leads where we need to go, and there is growing recognition across the political spectrum that this is the direction we need to take. So let’s get moving.

About the author

Brink Lindsey is a vice president at the Niskanen Center, where he plays a leading role in developing and articulating the Center’s distinctive policy vision. He has written about a wide range of policy issues as well as American social, economic, and cultural history.

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