Invisible Public Policies & Inequalities

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Focusing on the massive increase in socio-economic inequality of the last few decades, Mettler’s book shows that much activity financed by the American federal government have obscured its role, making the real actors appear to be private organizations. Instead of lessening inequality, she shows how the policies of the “submerged state” have promoted the upward distribution of riches.


Suzanne Mettler’s book makes an original and significant contribution to a sizeable and still growing body of work, chiefly by American authors, dealing with the political makings of two major, overlapping developments: the world-wide financial crisis which began in 2008 and on a number of counts does not yet seem to have run its course; and the massive increase in socio-economic inequality which took place in the decades preceding the crisis and has by and large continued since its onset.

The Neo-liberal Turn and the Vacant Role of Governments
Some early, rough understandings of these developments emphasized the impact of the neo-liberal turn on the public policies prevailing in the last few decades of the 20th century, and in the first following decades. On the face of it, the neo-liberal turn reduced governments to play what could be labelled a vacant role. That is: they were constrained to surrender much of their own authority and capacity to monitor, regulate, intervene in the economic process, and had to abandon it, willingly or unwillingly, to the overriding dynamics of the market. Such vacancy was a result also of the accelerated pace of globalization, for the market was imperiously asserting itself not only within single domestic economies, but also in their relations with one another. As a consequence, the possible impact of public policies on economic and financial developments had been much diminished, for those policies were produced mainly by individual governments, each within its own territorially limited jurisdiction. The so-called “financialization” of the planetary economic process was to an extent both cause and effect of the previous, massive

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1 Incidentally, we recommend to the reader the thoughtful treatment of this complex experience offered lately by Giuseppe Di Palma, in The Modern State Subverted: Risk and the Deconstruction of Solidarity (ECPR Press, 2013).
shunting off of governmental arrangements for maintaining a balance between the real and the financial economy.

This narrow interpretation of the political makings of the crisis (or, for that matter, of the developments preceding it) has been complemented, and to an extent displaced, by the body of work mentioned above. Its main contention is that in many regards governments did not in fact play that vacant a role in the developments in question, but forcefully and decisively assisted them. The title of a particularly successful volume of this nature, by Jacob S. Hacker of Yale University and Paul Pierson of the University of California (Berkeley), says it all: Winner-Take-All-Politics: How Washington Made the Rich Richer—and Turned its Back on the Middle Class (Simon & Schuster, 2010). See also C. Howard, The Welfare State Nobody knows: Debunking Myths About U.S. Social Policy (Princeton University Press, 2008).

Of course, some aspects of the whole story still evoke controversy as to their timing, their respective significance, their specific causes and effects: but most such disagreements are matters of emphasis. There is by now broad agreement on the extent to which the fiscal policies of governments, in particular, increased the socio-economic inequalities within the respective national populations, though authors differ in how to construe and compare the makings of those policies themselves. Some emphasize the extent to which the whole economic-financial process had come to be dominated by the interaction (resembling sometimes competition, sometimes collusion) between relatively few, huge corporate actors (including of course banks and other financial institutions). But accounts of how such dominance affected in turn the making and implementation of public policies vary somewhat. For instance, some accounts point up the significant increase in the volume and sophistication of the lobbying industry operating out of K Street, Washington DC. Others speak of a quiet coup in the course of which, from the 80’s on, much personnel deeply involved in the business of Wall Street and committed to advancing its interests descended on Washington and took over more and more numerous and significant positions in successive administrations (Republican and Democratic). Other accounts focus on the polarization between the two dominant parties, the increasing dominance of extremist right-wing ideology among the Republicans and the extent to which even sizeable social groups economically damaged by neo-liberal policies had maintained and intensified their support, at both the state and the federal level, for politicians promoting those very policies. More recently, some studies (one by Stieglitz is exemplary) have argued that the increase in inequality has not just been a byproduct of neo-liberal policies but has played a critical role in the genesis of the crisis.

Much of the literature considered so far, even when inscribed within or between established academic disciplines, has expressly addressed itself to broader audiences and articulated to a large extent a message of denunciation of past and present policies and of advocacy for alternative ones. Not for nothing lately such an authoritative economist as Paul Krugman seems to have assumed the posture and stature chiefly of an editorialist.

The Submerged State

Seen against the body of literature envisaged so far, Prof. Mettler’s book appears on some counts differently inspired and textured. It, too, carries a message of denunciation and advocacy; but
articulates it in a manner much more sober and more consonant, in my view, with a conventional understanding of the appropriate content and tone of political science scholarship. To begin with, it does not deal expressly with “the crisis”; its main focus is on the massive increase in socio-economic inequality of the last few decades, but does not expand at length on its manifestations. Rather, its intent is to bring to light one relatively narrow and specific political component of its causation which apparently many practitioners of policy-making studies have disregarded or downplayed, and to emphasize its significance.

The title itself, *The submerged State*, suggests that the book deals with relatively obscure phenomena. Furthermore, in its subtitle, the expression “invisible government” does not carry the connotations it has had in several previous studies, which emphasize the conspiracies by and between concealed ‘wire-pullers’, the occurrence of suspect wheeling-and-dealing by politicians and lobbyists, the role of concealed ‘wire-pullers’, the gross but covert violation of fundamental principles of democratic governance by certain state agencies, particularly in the name of security.

Nettler’s “submerged state” is something broader, which goes on within rather than under or behind the policy process. It is built into the official, routine practices of US governments, whether controlled by Democratic or Republican majorities. Over decades, especially but not exclusively conservative administrations have systematically “scaled back traditional forms of social provision”, entrusting them to “a conglomeration of federal policies that function by providing incentives, subsidies, or payments to private organizations and households to encourage or reimburse them for conducting activities deemed to serve a public purpose”. “Since 1980 these policies have proliferated in number, and the average size of their benefits has expanded dramatically” (p.4).

**Fostering Inequalities**

Basically, at the point of delivery the provision of governmental services to individuals and groups has been expressly designed, and is viewed by the public, as the business of various organizations rather than of official agencies. One key effect of these arrangements – for instance, the Home Mortgage Interest Deduction – is that “they shower their largest benefits on the most affluent Americans”. But such policies “remain largely invisible to ordinary Americans. They obscure government’s role” (p. 4-5).”Whereas most Americans assume social policy exists in order to provide economic security to average people and to lessen inequality, the policies of the submerged state have aided and abetted the upward distribution of riches, with more and more of the largesse accrued to those at the very top” (p 26).

More broadly, much activity financed by the federal government “disguises or subverts government’s role, making the real actors appear to be those in the market or private sector” (p.9). Consider two examples. First, citizens receiving social security benefits do so expressly via checks from the government. But the decision taken in the mid-thirties to finance the social security system from payroll taxes “renders many recipients likely to think of their future benefits simply as their own personal entitlements, not as part of a government-run system of social insurance” (p.44). Mettler narrates an episode which took place in 2009. A citizen’s letter to a local newspaper objected to the government having “anything to do with our excellent...
health-care system”, in spite of the fact that such government programs as Medicare and Medicaid address the medical needs of about one citizen out of three. Also, so-called ‘private’ health insurance plans provided by employers are subsidized by the government via their tax-free status. (p. 8).

Second. Thanks to the so-called GI Bill of 1944, very numerous World War Two veterans were significantly assisted, among other things, in going to college. The rationale for such entitlement was clear, and gratefully acknowledged as a reward for their past involvement in a political cause. “Veterans who used the G.I. Bill to acquire education or training were plainly aware that government financed the policy” (p. 27) Later on, the federal government continued to sponsor the access to higher education of broad strata among the youths, but did so chiefly by funding loans autonomously (and profitably) administered by the finance industry, and by standing as the ultimate guarantor of their repayment. As a result, the author reports from her teaching experience the moment when one of her students objected having student loans listed as a government program, arguing “I’m paying for my tuition with student loans and I got them through a bank—not a government agency”. To which another student countered that loans were available to students through banks much more easily and at lower rates of interest than to other borrowers, solely because they originated from government policy. (p. 9-10).

In fact, when (as we shall see) the Obama government initiated new, public arrangements for funding access to higher education, the financial system put up a fierce (though ultimately unsuccessful) opposition, partly with the support of sectors of the federal education establishment. Quite generally, the implementation of governmental policies via the visible intervention of private entities and organizations that is the essence of submerged government, legitimizes and supports the formation of interest groups that have privileged access to official agencies and can sometimes, as one says, “capture” them and manipulate their activities.

Mettler’s book is remarkable in that, in spite of its brief size, it addresses numerous and diverse aspects of its theme. First, much of its discourse is structured by the reference to three different policy realms – respectively, the state support of access to higher education; the provision of health services; the structure and management of the so-called fiscal take and of the resulting expenditures.

Second, in each case Mettler does not only outline the current ordering of public activities within each realm, but tracks closely and attentively the policy initiatives of the Obama administrations, and fairly assesses their effectiveness so far. I would say that on the whole Obama attains a passing grade, but this constitutes, so to speak, an average between three different evaluations. He seems to have done best as concerns higher education funding, in the provision for which the banks now figure largely as the conduits, not - as in previous arrangements - as themselves the source (and in fact the prime beneficiaries) of the funds in question. Mettler acknowledges the historical significance of Obamacare, but cannot help remarking that it bears the mark of extensive compromises between the government and a range of vested interests (primarily the insurance companies, the pharmaceutical industry, and the hospital complex). As a result the massive engagement in it of public faculties and resources is still relatively hidden. As concerns the realm of tax policy, Mettler, while acknowledging some progress under Obama, regrets his “failing to scale back the submerged state” (p. 92), though of course such failure is due to a considerable
extent to the current composition of Congress and the policy preferences of its majorities. The passage from p. 26 quoted above still characterizes the existent state of affairs, and the iniquities resulting from, say, the fiscal treatment of charitable contributions, which disproportionately favours wealthy subjects.

Third. The book’s whole argument is expressly motivated by a fervent conviction of the author’s: the current extent and significance of the practices it presents and criticizes, amount to “governance unseen” (the title of the first chapter). Mettler argues eloquently that this fact, in turn, contradicts the nature itself of democracy, being incompatible with the principles of rule of the people, by the people, for the people.

Finally, Mettler’s openly value-laden argument is, somewhat surprisingly, complemented by a minor, but original and significant piece of research. The third chapter, co-written by Matt Guardino, presents the findings of a small-scale but sophisticated empirical project, conducted under laboratory conditions, and addressing the following question: “what difference would it make if the submerged state were revealed to citizens? What if they were informed about the existence of its specific policies and their redistributive effect?” (p. 53). The citizens’ exposure to such information (the data suggest) would significantly affect their judgment, thus increase their sense of political awareness and potential efficacy.

The scope of its thematic concerns, together with the depth of its scholarly apparatus (witness 20 pp of notes) and the clarity of the exposition, make of The Submerged State an exemplary work. To recap, its main burden is the following. In the future, many more aspects of the governmental management of society’s affairs should not only exist, but be seen to exist. The workings of proper democratic arrangements would prevent their being used as an instrument of manipulation of opinion. They would turn those aspects, instead, into themes of open controversy, into occasions for informed inputs into further governmental action by the citizenry.

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