The Third and Fatal Shock: How Pandemic Killed the Millennial Paradigm

Abstract: This millennium began with widespread acceptance of a governing paradigm emphasizing small government, free markets, and open borders. Three crises—the 9/11 attacks, the 2008 financial crisis, and the 2020 COVID-19 pandemic—forced American policy makers to diverge from this paradigm. At the time, these divergences were described as temporary departures from normalcy. In retrospect, it would be more accurate to regard the millennial paradigm itself as the abnormality: a model of governance designed for rare moments of calm. In the last two decades, a different paradigm has emerged. American government has become the ultimate bearer of societal risks. Repeatedly, it has adopted extraordinary measures to protect public safety and the economy. However, the American state lacks the capacity to anticipate and manage these massive risks competently. New capabilities are required, along with a new mentality about governing. Domestic politics will complicate the task of building these capabilities.

In the midst of crisis, we naturally focus first on questions about response and recovery. What can government do to reduce suffering? How can the country get back to business? These are immediate and practical matters. They relate to the meso- and micro-levels of public administration. But macro-level questions of public administration should be considered, too (Jilke et al. 2019; Roberts 2019, 17). How will the pandemic influence conventional wisdom about the role of government—that is, the governing paradigm—and will this ideational shift lead to an overhaul of government capabilities?

A long view of American administrative history reveals radical changes in paradigms and capabilities (Box 2018; Roberts 2017). For example, the federal government of 1900 was small and ramshackle by today’s standards. No one expected that it would do much in domestic or foreign affairs. By the 1960s, federal government had expanded dramatically, and policy makers were confident in its ability to fix major problems at home and abroad. Thirty years later, paradigms and capabilities had changed once again. Newfound skepticism about the effectiveness of federal policies fueled efforts to streamline programs and abolish agencies. These “tides of reform” flow over decades, but they have immediate importance for policy makers and administrators (Light 1997). At any point in time, the range of feasible actions is defined by the prevailing paradigm. Still, we do not know as much as we should about how paradigms rise and fall.

Conventional wisdom about the role of government will change substantially after the 2020 pandemic. The bundle of propositions about government that was widely accepted at the start of this millennium—what I call the “millennial paradigm”—will finally be renounced. The pandemic alone is not responsible for the collapse of this paradigm. The consensus of the late 1990s was only dislodged after three shocks—the 9/11 attacks, the global financial crisis, and the 2020 pandemic—drove policy makers to abandon key elements of that governing formula.

During each crisis, deviations from the millennial paradigm were described as temporary measures. In every instance, a “return to normal” was predicted. After 20 years of shock and recovery, however, we must reconsider what counts as normal. The millennial paradigm itself now seems like the anomaly. It was a way of governing designed for moments of calm, based on the mistaken assumption that calm was the usual state of affairs.

The last two decades have reminded us that turbulence is the norm. Moreover, American government has become the ultimate bearer of societal risks. In moments of crisis, it is expected to take extraordinary measures to preserve public safety and the economy. Although it bears massive risks, American government is not built to anticipate and manage them well. New government capabilities, and a new mentality of leadership, are required. Sharp divisions within the American polity will complicate the task of building these capabilities.
The Millennial Paradigm

People who were not there—and this now includes more than one-third of the American population—might find it hard to imagine the sunny worldview that prevailed among American policy makers in the late 1990s. It was generally accepted at that time that the role of government could be strictly limited, that markets were efficient and largely self-governing, that barriers to international trade and finance should be removed, and that democracy was the best form of rule. No other way of governing seemed feasible (Fukuyama 1992; Mandelbaum 2002). The millennial paradigm was regarded as the “single sustainable model for national success” (Executive Office of the President 2002, v).

It took a quarter century for American policy elites to reach this consensus. In the late 1970s, the idea that government should be restricted was deeply contested. Ronald Reagan was elected president in 1980 on a promise to “get government off the backs of the people,” and in his first term, he pursued tax cuts, government layoffs, regulatory rollbacks, and free trade (San Francisco Chronicle 1980; Wilentz 2008, 128). But these initiatives were widely resisted. In early 1983, Reagan had an approval rating of only 35 percent—lower than President Donald Trump’s rating at any time since 2017 (Newport, Jones, and Saad 2004). It was only after Reagan’s victory in the 1984 election that his credo, Reaganism, began to consolidate itself.

By the mid-1990s, leading Democrats had accepted the main elements of Reaganism. Democratic president Bill Clinton declared in his 1996 State of the Union address that “the era of big government is over” (Clinton 1996). Clinton promised to balance the budget, reduce the federal workforce, cut regulations, and shift power back to states. A task force led by Vice President Al Gore envisaged a government “cleared of useless bureaucracy and waste and freed from red tape and senseless rules” (Gore 1993, 5). Controls on the financial sector were loosened as part of this campaign against “senseless rules” (Financial Crisis Inquiry Commission 2011, chap. 4; Sherman 2009). Clinton also signed the North American Free Trade Agreement, promoted multilateral trade liberalization through the new World Trade Organization, and normalized trade relations with China. Clinton, said former Federal Reserve chairman Alan Greenspan, “was the best Republican president we’ve had in a while” (Fox News 2007).

By the turn of the millennium, the paradigm that had been introduced by Reagan and ratified by Clinton was known by many names. It was sometimes called neoliberalism (Harvey 2005). In developing countries, it was called the Washington Consensus, because it was promoted by the International Monetary Fund and World Bank, which are based in Washington and heavily influenced by the United States (Williamson 2000). Aspects of the paradigm that were concerned mainly with administrative reform were sometimes known as the New Public Management (Hood 1991).

The vision was of a smaller, more disciplined state. Fiscal responsibility would be guaranteed by constitutional or statutory prohibitions against borrowing, monetary policy would be protected by autonomous central banks, and unhelpful interventions in the market would be prevented by independent regulators and free trade agreements (Kopits 2001; Roberts 2010, chap. 2, 6). In 1999, Thomas Friedman described this overall approach to governing as “the Golden Straitjacket.” He called it “the defining politico-economic garment of the globalization era” (104–105).

Scholars even speculated that states would become irrelevant in the new millennium. Kenichi Ohmae (1995, 11) declared that nation-states had “lost their role as meaningful units of participation in the global economy of today’s borderless world.” Jean-Marie Guéhenno (1995, 12–13) pronounced “the end of the nation-state,” dismissing it as an entity “too remote to manage the problems of our daily life … [and] too constrained to confront the global problems that affect us.” Susan Strange (1996, 3) said that leaders had “lost the authority over national societies and economies that they used to have.” Many leaders were not troubled by this, because the millennial paradigm seemed to work so well. As President Clinton observed in his 2000 State of the Union speech, “Never before has our nation enjoyed so much prosperity and social progress with so little internal crisis and so few external threats” (Clinton 2000).

The First Shock

This period of optimism and self-satisfaction was ended by the terrorist attacks of September 11, 2001. There had been warnings about imminent attacks that were ignored by senior officials within the administration of recently elected President George W. Bush (National Commission on Terrorist Attacks Upon the United States 2004, chap. 3). The country was shocked and fearful of bigger attacks, perhaps involving biological, chemical, or nuclear weapons. A large majority of Americans demanded vigorous federal action to protect the country:

The Bush administration faced a dilemma. On one hand, President Bush had declared a “war on terror” and promised to “direct every resource at our command … to the disruption and defeat of the global terror network” (Bush 2001). On the other hand, Bush was committed to the millennial paradigm, which in many ways constrained his ability to mobilize the nation as he had promised, and as presidents had done during earlier wars. How could Bush “protect the homeland” while pursuing a policy of small government, tax cuts, deregulation, and open borders? (Zelizer 2010).

Sometimes this tension was resolved in favor of the millennial paradigm. For example, the Bush administration promoted free trade, even though this caused a massive increase in container traffic and the government had little capacity to check whether terrorists or weapons were hidden within those containers (Roberts 2008, 101–105). The administration also hesitated to impose regulations that would protect chemical plants and the power grid against attacks (Roberts 2008, 92–100). Bush might also have been the first president to cut taxes while launching a major war (Zelizer 2010, chap. 6). His administration initially resisted the creation of a new Department of Homeland Security (Clarke 2004, 24).

The Bush administration also tried to sidestep the conflict between homeland security and the millennial paradigm. Early on, it resolved to “take the fight to the enemy” by invasions of Afghanistan and Iraq (Riehmann 2004). This reduced the need to take stronger measures to secure the homeland, for example by tightening border controls or imposing burdens on the private sector. Bush could
encourage Americans to “go about their business … [and] enjoy life, the way it’s meant to be enjoyed” (Roberts 2008, 89–91).

Sometimes, though, the 9/11 crisis drove the Bush administration to take steps that were at odds with the market-oriented millennial paradigm. The administration gave a $15 billion bailout to the airline industry and replaced the private contractors who had been responsible for airport screening with government employees (Zelizer 2010, 179–181). In all, 100,000 people were added to the federal civilian workforce between 2000 and 2004 (OPM 2020). President Bush also approved an economic stimulus package that was expected to cost $50 billion in 2002 (Congressional Budget Office 2002, 2). Fiscal discipline weakened and deficits returned to levels not seen in a decade (OMB 2020, table 1.1). Federal law enforcement agencies acquired expansive powers and enlarged their influence over state and local authorities (Cole 2004).

The Second Shock

By early 2007, public concern about terrorism had declined significantly. Polls showed that more people were worried about the economy instead.3 There was mounting evidence that the benefits of economic growth over the previous quarter century had not been shared evenly (Stiglitz 2012, chap. 1). Middle-class incomes stagnated, while the cost of education and health care increased substantially.

The financial crisis of 2008 intensified these economic worries. As in 2001, there had been warnings about a looming crisis, and again the warnings were ignored. Deregulation of the financial sector in the 1990s and early 2000s had encouraged many financial institutions to take excessive risks in lending and speculation. Panic seized financial markets in 2008 when it became clear that major institutions were insolvent. Dramatic interventions by the federal government prevented a major financial collapse (Khademian 2011, 841). Even so, the country plunged into deep recession (Financial Crisis Inquiry Commission 2011, xvi–xvii).

The federal response to the crisis had four elements, all of which deviated from the millennial paradigm. The conventional wisdom in 2000 had been that markets were self-policing and could be left to themselves. But the threat of collapse led the federal government to provide $700 billion in aid to financial institutions and major industries. This included loans, asset purchases, and equity investments. The federal government took control of three large financial institutions and became the majority shareholder in General Motors and a minority shareholder in Chrysler (Financial Crisis Inquiry Commission 2011, xvi–xvii).4

The federal government also launched a $787 billion economic stimulus program, consisting of tax cuts, support for state and local governments, and infrastructural investments (Liou 2013, 214). Because of the collapse in revenues and emergency expenditures, the federal deficit reached almost 10 percent of gross domestic product (GDP) in 2009 and remained unusually high for the next three years (OMB 2020, table 1.1).

The Federal Reserve changed course during the crisis as well. Conventional wisdom said that central banks should guard their autonomy, focus strictly on price stability while setting interest rates, and refrain from buying government debt. In the moment of crisis, however, the Federal Reserve worked closely with the Treasury and cut interest rates dramatically, setting aside its usual preoccupation with potential inflation. It also purchased large amounts of government debt through a practice it called quantitative easing (Roberts 2010, 42–43).

The crisis led to a reversal in regulatory policy, too. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 broadened the range of financial institutions that are subject to federal regulation, strengthened oversight of “systemically important” institutions, and introduced new protections for consumers of financial products (Khademian 2011, 842–843). Critics said that the law might have gone further. Even so, this was a sea change from the deregulatory ethos of the 1990s. The 2010 law has been described as “the most comprehensive reform of the American financial regulatory system since the Great Depression” (Liou 2013, 214). Efforts to tighten regulation were supported by a large majority of Americans.5

The financial crisis caused a breakdown in popular support for the millennial paradigm. Between 1996 and 2003, a solid majority of Americans had expressed satisfaction with the way things were going for the country, according to a Gallup Poll. By contrast, only a quarter expressed satisfaction in the decade after 2007.6 The splintering of public opinion was illustrated during the 2016 election. Fifty-eight million people voted in the Democratic and Republican primaries in 2016. Only 27 percent voted for Hillary Clinton, who was closely tied to the millennial paradigm. Twenty-two percent voted for Bernie Sanders, a self-declared socialist, and 24 percent voted for Donald Trump, an ethnonationalist. People in the near-majority who supported either Sanders or Trump were divided about what exactly government should do to protect them from dangers that had emerged in the new millennium. But they agreed that it was time to abandon the conventional wisdom of the late 1990s.

The Third Shock

The COVID-19 epidemic began in Wuhan, China, in December 2019. It soon became a pandemic. By May 2020, millions had been infected and 300,000 people had died; of the dead, 80,000 were American. Authorities in the United States struggled to stop the spread of disease and provide medical treatment. The International Monetary Fund predicted that the global economy would experience its deepest slump since the Great Depression of the 1930s (IMF 2020).

Government at all levels in the United States took extraordinary measures during the pandemic. By mid-March, the federal government had prohibited entry into the United States by foreign nationals from more than 30 countries and reached agreement with Canada and Mexico to restrict nonessential crossings of land borders (CDC 2020). A national emergency was declared on March 13. By late April, 42 states had ordered businesses to close and people to stay at home (Mervosh, Lu, and Swales 2020). New York governor Andrew Cuomo instructed public and private hospitals to increase bed capacity by at least 50 percent to meet anticipated needs.7 Invoking the Korean War–era Defense Production Act, President Donald Trump directed General Motors and other companies to produce ventilators, face masks, and critical medical supplies.
produce ventilators and briefly barred 3M from exporting face masks (Wayland 2020).

At the same time, the federal government tried to forestall an economic collapse. In late March, it adopted a $2 trillion stimulus package that included direct payments to individuals, an expansion of family and medical leave and unemployment insurance, loans to small businesses and distressed industries, and aid for state and local governments. Meanwhile, the Federal Reserve promised to buy as much government debt as necessary to keep markets functioning (Board of Governors of the Federal Reserve System 2020). This was the third major economic recovery package since 2000, and by far the biggest. In April 2020, estimates suggested that the federal deficit might reach 20 percent of GDP in 2020—the largest since World War II (Committee for a Responsible Federal Budget 2020). It was universally expected that more economic assistance would be required in following months.

There was broad public support for all of these interventions. Indeed, most Americans complained that the federal government had done too little in response to the crisis. The Trump administration failed to take the risk of a pandemic seriously, dragged its heels in restricting travel, and took no significant role in coordinating responses by state governments (Lipton et al. 2020). President Trump egged on protests against governors who took firm steps to prevent spread of the disease (Shear and Mervosh 2020).

Beyond this, there were broader critiques of government policy. At all levels, there had been inadequate planning in anticipation of a pandemic (Diamond 2020). Pressure on hospitals and public health systems was intensified because years of efficiency-driven “lean management” had undermined the capacity to handle surges in demand (Interlandi 2020; Wiley 2020). The pandemic also exposed massive weaknesses in social policies that were supposed to provide a safety net for unemployed and poor Americans (Bush 2020; Sanders 2020). And the capacity of governments to provide bailouts and stimuli during the crisis was constrained because of the failure to maintain fiscal and monetary discipline during good times. “We built an economy with no shock absorbers,” the Nobel Prize–winning economist Joseph Stiglitz lamented in April 2020 (Cohen 2020).

The American State: The Ultimate Risk Bearer

There are two ways to write the history of the last 20 years. One version proceeds this way: There was business as usual, in which policy makers followed the millennial paradigm. Then there was the shock of 9/11. Policy makers deviated with reluctance from the millennial paradigm, but these deviations could be explained away as exceptional and temporary measures. We expected that the country would “return to normal” (Rockford Register Star 2001). Then there was a shock in 2008. Policy makers deviated from the millennial paradigm more quickly and radically, but these were also temporary measures that would be abandoned when the country “returned to normal” (Brooks 2020). And then there was a third shock in 2020, which required even bigger deviations from the millennial paradigm. Again, however, these were temporary measures that were adopted under duress and would be reversed when the country “returned to normal” (Watson 2020).

There is a second and more accurate way to write the history of the last two decades. It turns the first narrative upside down. In fact, it is the period around the late 1990s—the period of peace and prosperity celebrated by President Clinton in 2000—that should be regarded as exceptional, while the following years of turbulence should be counted as normal. In this narrative, the millennial paradigm was a formula for sailing in fair weather, designed on the misguided assumption that the weather is usually fair. The last two decades have reminded us that the weather is often stormy, and that in stormy weather, captains are mainly concerned with keeping the crew safe and the ship intact.

Forget the millennial paradigm and induce a theory of governance from the behavior of policy makers over the last 20 years. First, we can see that the state is very much alive. In moments of crisis, it acts decisively to protect vital interests. Second, policy makers do not wear a “straitjacket” that constrains their freedom of action (Friedman 1999, 104). Promises about self-restraint with regard to fiscal policy, monetary policy, trade policy, and regulation are discarded when necessary. This is because of a third key fact: policy makers are not interested in economic growth alone, or even primarily. Their fundamental concerns are security, safety, and public order. Only when these fundamentals are assured do policy makers have the luxury of focusing on economic growth and donning the so-called straitjacket.

The biggest lesson of the last two decades is that the American state has become the ultimate bearer of major societal risks. When the public welfare is profoundly threatened—by geopolitics, economic transformations, nature, or other large forces (Roberts 2013)—government is expected to adopt extraordinary measures—to do “whatever it takes”—in response. This is a complete inversion of the governing logic of the 1980s and 1990s, when the emphasis was on limiting state liabilities and increasing “personal responsibility” for life risks (Peeters 2019). Christopher Ansell (2019) has suggested that we are witnessing the emergence of a “protective state” whose most important role is defending citizens from harms. Ansell focused on the protection of individuals against everyday harms. The burden that is imposed on government in moments of overall societal crisis is much heavier.

Unfortunately, the American state is not designed to carry this burden well. Policy makers do a poor job of anticipating and managing crises. They routinely ignore warnings of disaster. They have not designed fiscal and monetary policies in good times to preserve “economic firepower” for moments of crisis. They have not tailored regulatory and trade policies to avoid dangerous interdependencies or designed a safety net that saves individuals from unexpected hardships. They have not preserved slack within administrative systems to accommodate surges or invested adequately in mechanisms for intergovernmental coordination during crises.

Pressure on the American state will not abate in the foreseeable future. Most voters are likely to continue insisting that government play the role of ultimate risk bearer. Moreover, major risks will not diminish. There is always the possibility of another financial crisis or pandemic. Climate change will cause economic and social dislocations and increase the number of extreme weather events.
(Intergovernmental Panel on Climate Change 2014). Geopolitical tensions will intensify (Allison 2017; National Intelligence Council 2017, 7). Advances in automation and artificial intelligence may cause economic and social disruption as well (de Cameron 2017; Ford 2015; National Intelligence Council 2017, 6).

What administrative capabilities are essential if government is to fulfill its role as the ultimate risk bearer? Clearly, the quality of decision-making at the apex of government is critically important. We want people at the top who are well qualified and approach their work with the right mentality—that is, people who are attentive to risks and nimble and pragmatic about responses. Decision makers must be supported by structures and processes that enhance their ability to anticipate dangers, make plans, and respond intelligently under duress (Boston 2014, part 3; Fuertes and Ronis 2020; Wu, Howlett, and Ramesh 2018). Skill in intergovernmental coordination, especially on nonroutine business, is also critical. So, too, is a capacity for large-scale executive reorganization—or "whole of government reform"—to ensure that public institutions are oriented to new threats and using the best available technologies (Arnold 1998; Christensen and Lægreid 2007). Channels for providing emergency support directly to individuals and businesses must be improved as well.

This is an administrative reform agenda that is quite distinct in its major emphases from the agenda of the 1990s, which was sometimes known as reinventing government or the New Public Management. However, there are similarities with the reform agenda that was promoted by specialists in public administration during the 1930s and 1940s. Those specialists were also concerned with the task of preserving order and safety in the face of multiple challenges—depression, war, climatic change, recurrent epidemics, and radical technological change (Roberts 2017, 93).

Whether this reform agenda can be pursued successfully is another question. Rising federal debt, combined with long-term commitments on entitlement programs, may compromise the ability to make investments in new government capabilities (Foroohar 2020). Action to expand federal capabilities may also be complicated by low public trust. In surveys taken in 2019, 60 percent of respondents told Gallup that they had little or no confidence in government’s ability to handle domestic problems.10 There are also deep regional, class and racial differences in beliefs about the severity of risks and the federal role in managing them (Hetherington and Rudolph 2015; Klein 2020; Lepore 2018, 656).

Indeed, we can envisage a world in which politics and administration becomes much more difficult, because governments cannot escape their role as ultimate risk bearer, are saddled with the costs of past crises and compromised in their ability to anticipate and manage future crises because of internal divisions. Failure to manage future crises competently might aggravate these internal divisions, to the point that political instability itself becomes a wellspring of crisis. Governing effectively in this environment will require alertness to dangers and political and administrative dexterity. It will require a mentality of rule—a way of thinking about governing (Lemke 2001, 191; Robinson and Gallagher 1961, 20; Tucker 1971, ix)—that is quite distinct from the blithe optimism of the millennial paradigm.

Notes
1. Torfing et al. (2020, 9) define a “public governance paradigm” as “a relatively coherent and comprehensive set of norms and ideas about how to govern, organize and lead the public sector.” Similarly, I have argued that leaders develop “strategies for governing” that define national priorities and the broad lines of policy, which are put into effect by reforms to public institutions (Roberts 2019, 43).
2. Several polls from the autumn of 2001 can be viewed at https://www.pollingreport.com/terror10.htm.
8. Through the CARES Act, the Coronavirus Preparedness and Response Supplemental Appropriations Act, and the Families First Coronavirus Response Act.

References


