



Government's Role in the Economy: Making the Case

As our country continues to reel from the effects of the Great Recession, it is more important than ever to foster a more pragmatic appreciation for the role that government can and should play in shaping an economy that benefits us all. Unfortunately, Americans have a hard time understanding how the economy works, and they have a very limited sense of what government's role is or could be.

But, there are openings in the public mind, especially in the wake of the recent and ongoing economic crisis. While experts may focus on statistics like the Gross Domestic Product or how the market is faring, average people tend to judge how the economy is doing by the wellbeing of those around them. Do people have jobs? Can they send their kids to college? Can they save for retirement?

This is the moment to connect the dots between these basic economic expectations and the public policy and fiscal decisions that shape the answers. Research¹ conducted for Dēmos has revealed a core idea that begins to connect those dots in helpful ways: *our public systems and structures are the foundation of our economy and they are essential for a strong and vibrant middle class. These public systems and structures – like our schools, highways, the FDIC, and our reliable court systems—have always been critical to our economic success.*

The Challenge: How the Public Understands the Economy

For most Americans, the economy is a difficult topic to understand—one that is better left to experts. Our research revealed two dominant and persistent ways that most people think about the economy.



- **A “Natural” Economy** – like the weather – beyond anyone’s control. We just need to cope with it, riding out the bad times, taking advantage when conditions are fair.
- **The “Individual Actor” Economy** – an economy that is shaped not by policy or government but by the hard work and moral decisions of individuals.

Implications:

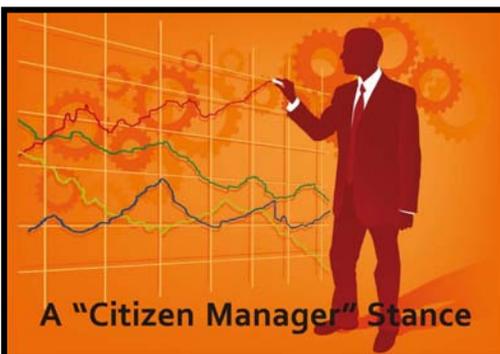
- Both these mindsets obscure any proactive role for government. They lead the public to ascribe very limited roles for government —policing the bad actors and protecting the deserving. All other roles for government are suspect and even detrimental, because government is seen as creating dependency or stifling business.
- Inequality is seen as natural. From the *Individual Actor* perspective economic success is determined largely by individual effort. In this way of thinking, if individuals put forth different levels of effort, they will wind up in very different economic places, and inequality is a natural (if sometimes unfortunate) outcome.
- In the public mind, our individual role in the economy is as a worker and consumer. The concept of ourselves as *citizen managers* —who can and should help shape economic policy – is rarely evoked.

Creating a New Understanding

For those seeking to engage the public more effectively in economic policy and build support for approaches that serve all Americans, we must foster and support a new understanding of how the economy works. We need to create a new story about the economy and government’s role.

Dominant Perspectives	A New Economy Story
<ul style="list-style-type: none">• The economy is “free” and “natural” – have to adapt.	<ul style="list-style-type: none">• The economy is man-made and intentional – policy matters.
<ul style="list-style-type: none">• Individual character and luck determine outcomes.	<ul style="list-style-type: none">• Systems and structures affect outcomes.
<ul style="list-style-type: none">• Everyone competes for their own interests.	<ul style="list-style-type: none">• Everyone’s interests are connected and interdependent.
<ul style="list-style-type: none">• The strength of the overall economy matters.	<ul style="list-style-type: none">• Broad-based prosperity and a strong middle class matters.
<ul style="list-style-type: none">• Government’s role is minimal and reactive.	<ul style="list-style-type: none">• Government’s role is fundamental and proactive.
<ul style="list-style-type: none">• Individuals are consumers and workers.	<ul style="list-style-type: none">• As citizens, we all have the ability to shape the economy we need.

At the core of a new economy story are three building blocks that need to be communicated more effectively if we are to create the “*citizen manager*” stance we need:



- **Interdependence:** Not only are all Americans *connected* economically, our economic fortunes are *dependent* upon each other.
- **Intentionality:** We can shape the economy to meet our common goals and use public policy decisions to do so.
- **Government has a Role:** Policies and structures – not just individual actors - create the kind of economy we have.

Making the Case for Government's Role in the Economy

Our research uncovered several compelling approaches to communicating these essential elements in ways that were readily grasped by the public and created a new kind of economic “common sense.”

- **Public Structures are the Foundation of our Economy.** *These public structures – like our community colleges and our Social Security system-- are created and maintained by government and are foundational to opportunity, prosperity, economic stability, and a strong middle class.*

Talking about the importance of maintaining our *public structures* in these tough economic times helps to:

- create a concrete image of **the foundational role government plays**. It helps audiences remember how government works, and it inoculates against default views of government as mere politics or an actual hindrance to the economy;
 - give a sense of **intentionality**. Systems and structures of government are designed, built and maintained purposefully to achieve specific outcomes; and
 - highlight the fact that we all benefit (**interdependence**) when these systems and structures work well and are supported adequately.
- **An Intentional Middle Class:** *A strong middle class, which is the engine of our economy, doesn't arise by accident, but is the result of deliberate and proactive choices.*

Importantly, this approach features the middle class as an objective that policy can help achieve—not one group of people competing for resources with other groups. It is useful both for promoting broad-based policies as well as policies that lift poor and working class families into the middle class. This idea conveys:

- **intentionality**, because it explains that through policy choices and initiatives, we can create a strong and vibrant middle class. We have in the past, and we can do so again;
- the middle class is something we work towards. It is a quality of life to which we aspire and the **foundation** of broadly shared prosperity; and
- a sense of **interdependence**. This is not about individuals—not a “how do I get mine” mindset, but rather a focus on shared well-being and holding together the fabric of our society.

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, *Dēmos* works with advocates, community leaders, and policymakers around the country in pursuit of four overarching goals: a vibrant and inclusive democracy; a more equitable economy; an empowered public sector that works for the common good; and responsible engagement in an interdependent world. www.demos.org

ⁱ Research conducted for Dēmos by the Topos Partnership investigated how Americans think about the role of Government and the Economy and how to create a more productive conversation about the ways that public policy choices can and do create the economy we have. The findings from that work have influenced this memo and you can learn more at: www.publicworkspartners.net.