Tea Parties, Whigs and Compromise
Midwest Public Finance Conference

Wichita State University
April 10, 2015
John R. Bartle
University of Nebraska at Omaha

Understanding the political divide

- Since 1978 (Proposition 13) fiscal issues have been a major political fissure
- "Tea Party" conservatives have strongly opposed increases in taxes, government spending, and debt
- Liberals have favored increases in social programs, ARRA spending, and some taxes
- Moderate Republicans hold the balance of power in some states

Historical Roots of Current Debate

- Federalists: Stronger federal government, power of taxation, and professional administration
- Anti-Federalists: Weak federal government, very limited federal taxes, and limited administrative power
- Wealth versus liberty
- Result was a compromise: the Constitution granted the federal government the power to tax, issue debt, coin money, and regulate commerce; but also specified limits on these powers. The Bill of Rights reserved other powers to the states.

Legacy of the Anti-Federalists

- Jeffersonian and Jacksonian Democrats emphasized weak federal government, laissez-faire economics, and limited central taxation
- “Rural rather than urban community, individualistic rather than cooperative society, a democratic rather than bureaucratic state” (White, 1933).
- “Government should be weak, cheap and close to home” (Sellers, 1991)
- Many state constitutions were written during this time and their government structure reflects these values

Emergence of the Whigs

- Henry Clay’s “American System” called for development of the economy by tariffs, a national bank, and internal transportation improvements
- Saw government's role to stimulate commerce to bring profits to capital, jobs to workers, and national expansion
- Not the dominant party, but sowed the seeds for the emergence of the Republican party

The “money issue” and the Federal Reserve

- Most Republicans favored the gold standard which implied a tight control of money supply and low inflation
- Populists and some Democrats called for free coinage of silver which would expand the money supply and raise prices of farm output
- Federal Reserve, created in 1913, was a compromise that established federal control of currency but with power decentralized in regional centers
- The Fed is the hallmark of modern liberal institutions: protects private profit and public interest at the same time (Greider, 1987)
**New Deal**
- Democrats: A coalition of Progressives, urban immigrants and South
- Extensive government intervention in the economy
- Shift of power to the federal level
- Federal Reserve Act was a precursor to the New Deal

**Reagan Era**
- A new coalition of business interests (latter day Whigs), rural interests (latter day Jeffersonian Democrats) and South
- Held together by common interest in limited government, lower taxes, and a reduced federal presence (except defense)
- Current day Democrats are composed of Progressives, urban interests, Blacks, and some other minority groups

**Durability of original positions**
- Original groupings still exist although coalitions have changed and new groups have entered
  - Federalists -> Whigs -> Main Street Republicans
  - Jefferson Democrats -> Populists -> Tea Party Patriots
- Tea Party uses symbols and words of Jeffersonian ancestors: “there exists an inherent benefit to our country when private property and prosperity are secured by natural law and the rights of individuals”
- Main Street Republicans advocate positions similar to Henry Clay’s American System

**Compromise**
- Compromises like the Constitution and the Federal Reserve are ingenious compromises
- The pragmatic approach to solving problems trumps ideological viewpoints in America
  - Recession
  - Credit for farmers, veterans, homeowners, students
  - Fair labor standards and child labor
  - Food safety
  - Pollution control

**Relevance of pragmatic compromise**
- Elected officials have to walk a tightrope between sticking to campaign promises and compromising to solve problems
- Appointed officials want to keep their jobs, so adapting to new elected officials is necessary. They need to be responsive to citizen demands for services.

**Emergency Economic Stabilization Act**
- September 29: In reaction to the 2008 economic crisis, the “Bailout bill” was initially defeated in the House 205-228 (D: 140-95 in favor, R: 65-133 against)
- September 30: The Dow experienced its largest single day drop, representing $1.2 trillion loss
- October 1: Senate bill passed 74-25 (D: 41-11, R: 34-14)
- October 3
  - House passed Senate bill 263-171 (D: 172-63 in favor, R: 91-108 against), 32 Democrats and 24 Republicans changed votes
  - President Bush signed bill
- In the face of economic crisis, a compromise that relied on significant government intervention in the economy was accepted despite ideological concerns of on both sides
Lessons

- Neither the Main Street Republican view or the Tea Party view currently supports an expanded public sector.
- Some issues may call for federal action. To be successful either the crisis needs to be extreme enough or there needs to be an “ingenious compromise.”
- To move out of the federal stalemate there would need to be a transformative compromise or a political realignment.

Conclusion

- Compromises can create policies and agencies with conflicting missions that can be disabling. Or it can create a positive ambiguity where both sides are supportive.
- Economic and financial policy is not necessarily consistent and rational because they are pragmatic solutions.
- Successful administrators embrace this ambiguity and seek pragmatic solutions.