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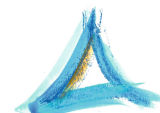
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A falling star? Origins of declining state capacity and democratic accountability in the United States

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Abstract

The United States—often hailed as the ‘oldest democracy in the world’ and the ‘leader of the free world’—has fallen on hard times. In addition to recent headline-grabbing political events that have highlighted its political dysfunction, data from the 2022 Berggruen Governance Index (BGI) reveal that overall state capacity and democratic accountability have been declining for years. Although public goods provision has remained on a steady course, the US still trails much of the developed world. We find this struggling performance is largely the result of neglecting three types of infrastructure: civic, physical and social. Specifically, we argue that the crisis became particularly pronounced due to an insufficient response to the 2008 global financial crisis. Although some recent political achievements could slow the decline, more drastic action will be required to reverse these troubling trends.

1 | CRUMBLING BRIDGES, CREAKING INSTITUTIONS

The United States—hailed as the ‘oldest democracy in the world’ and the ‘leader of the free world’—has fallen on hard times. To many observers around the world, this much is obvious. Jarring events like the ongoing opioid crisis, a chaotic COVID-19 response, and riots at the Capitol on January 6, 2021, have raised doubts about both the viability of the US domestic system and its standing in the rest of the world. While the most striking symptoms of democratic decline emerged only in the late 2010s and early 2020s, many of the root causes of US political dysfunction go back far further, emerging from economic and foreign policy decisions made during the late 1990s and early 2000s. Most notably, economic inequality has been rising for years (see [Figure 1](#)),¹ Congress has been consistently plagued by gridlock, quality of life indicators have been stagnant or even declining, and infrastructure is crumbling.

Do the data support the qualitative evidence that America has struggled to maintain a functioning democracy and effective state apparatus and provide a high quality of life? The Berggruen Governance Index (BGI)²—which measures democratic accountability, state capacity and

public goods provision across 134 countries—finds that in many cases, they do (see [Figure 2](#)). On a 0–100 scale, state capacity dropped from 79 to 65 between 2000 and 2019. Democratic accountability dropped from 90 to 83 over the same time period. Only public goods provision saw a modest increase from 81 to 86.

What explains the drops in US state capacity and democratic accountability between 2000 and 2019? We find that they result from neglecting three types of infrastructure: civic, physical and social. In this interaction of crises, the institutions of US democracy, the public administration system and the media have deteriorated. Furthermore, the material structures of the US economy have fallen behind those of similarly wealthy countries, as even a cursory glance at the country's roads and bridges suggests. And finally, indicators of well-being like life expectancy and infant mortality trail those of peer countries.³

Due to these declines, will public goods provision—which has risen slightly, but still trails many other advanced countries—eventually suffer as a result? So far, the United States' central role in the world economy and unique social model has shielded it from declines in public goods provision. On one hand, its ‘exorbitant privilege’ (Eichengreen, 2010) has consistently enabled large current account and budget deficits, while the largely

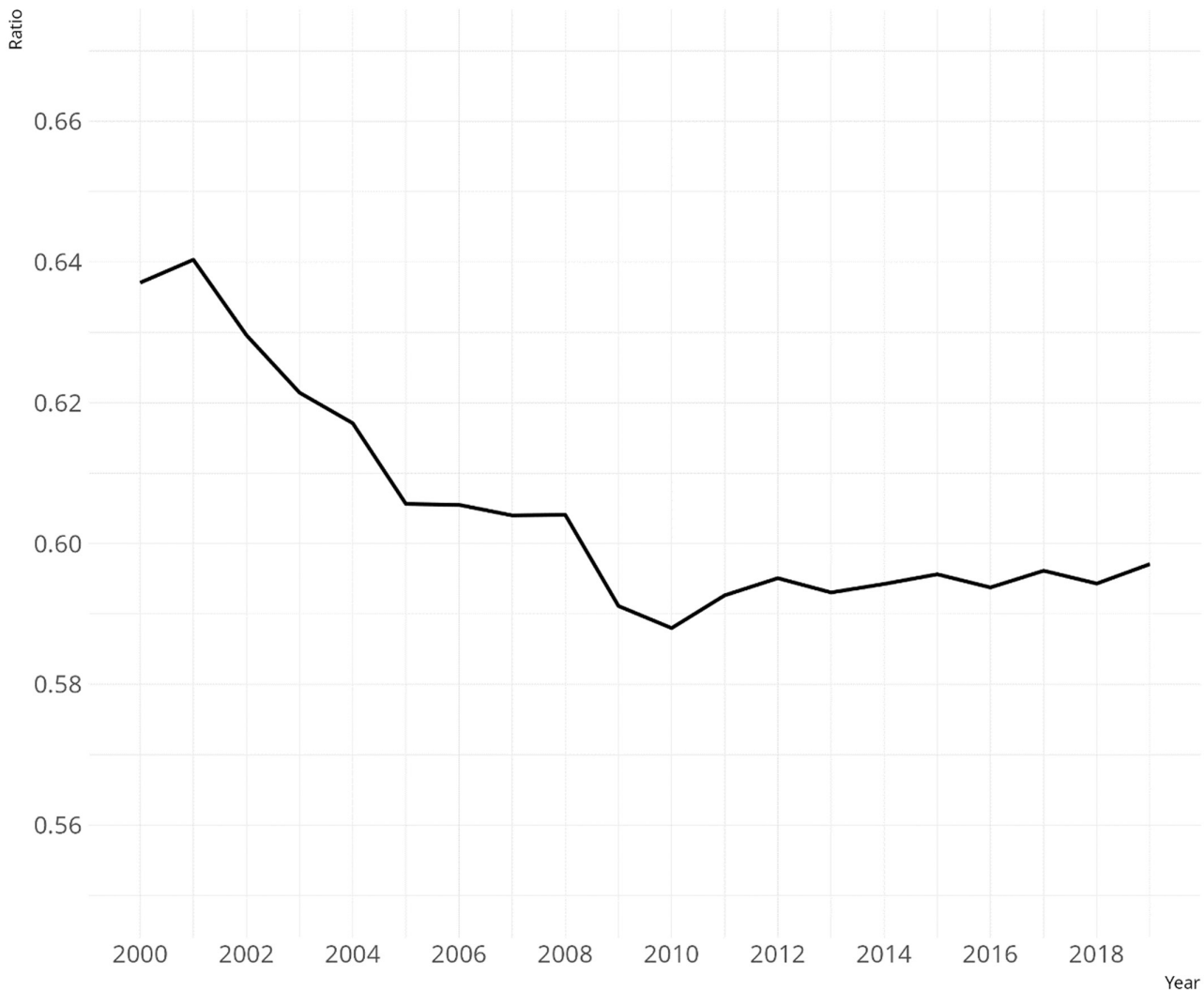


FIGURE 1 Increasing inequality: Declining labour share of income in the United States. *Source:* University of Groningen and University of California, Davis (2021).

privatised system of healthcare and tertiary educational provision is not as sensitive to political factors as it is in other countries. Still, the long-run effects of austerity, which became particularly acute during Barack Obama's presidency (2009–2017), could eventually erode this as well. Recent legislative accomplishments—such as a bipartisan investment bill, the CHIPS Act and the Inflation Reduction Act—could finally restore some much-needed investment and are currently contributing to above-average economic growth (Khattar & Vela, 2023). Overall, however, the future health of the US democracy, state and populace remains very much in question.

2 | DEMOCRATIC ACCOUNTABILITY IN THE UNITED STATES

As part of the United States' overall decline in democratic accountability scores from 90 to 83, each of

the three subindices declined as well over the first two decades of the twenty-first century. As shown in Figure 3, societal accountability dropped from 97 to 88, institutional accountability from 83 to 76 and electoral accountability from 83 to 82. All three declines were particularly severe post-2015.

How can we identify the origins of this decline? Already in the late 1990s, scholars were warning of the breakdown of civic engagement and other forms of democratic accountability in the United States (Skocpol & Fiorina, 1999). Shrinking voter participation, decreasing membership in civil society organisations, and other trends were seen as evidence of 'bowling alone' (Putnam, 2000). Driven by consolidation, declining ad revenue and the rise of alternative internet-based news sources, many independent and local news outlets also disappeared during this time, hampering the ability of investigative journalism to check abuses of power. After 2015, as shown in Figure 4, the decline in US democratic accountability paralleled that of other

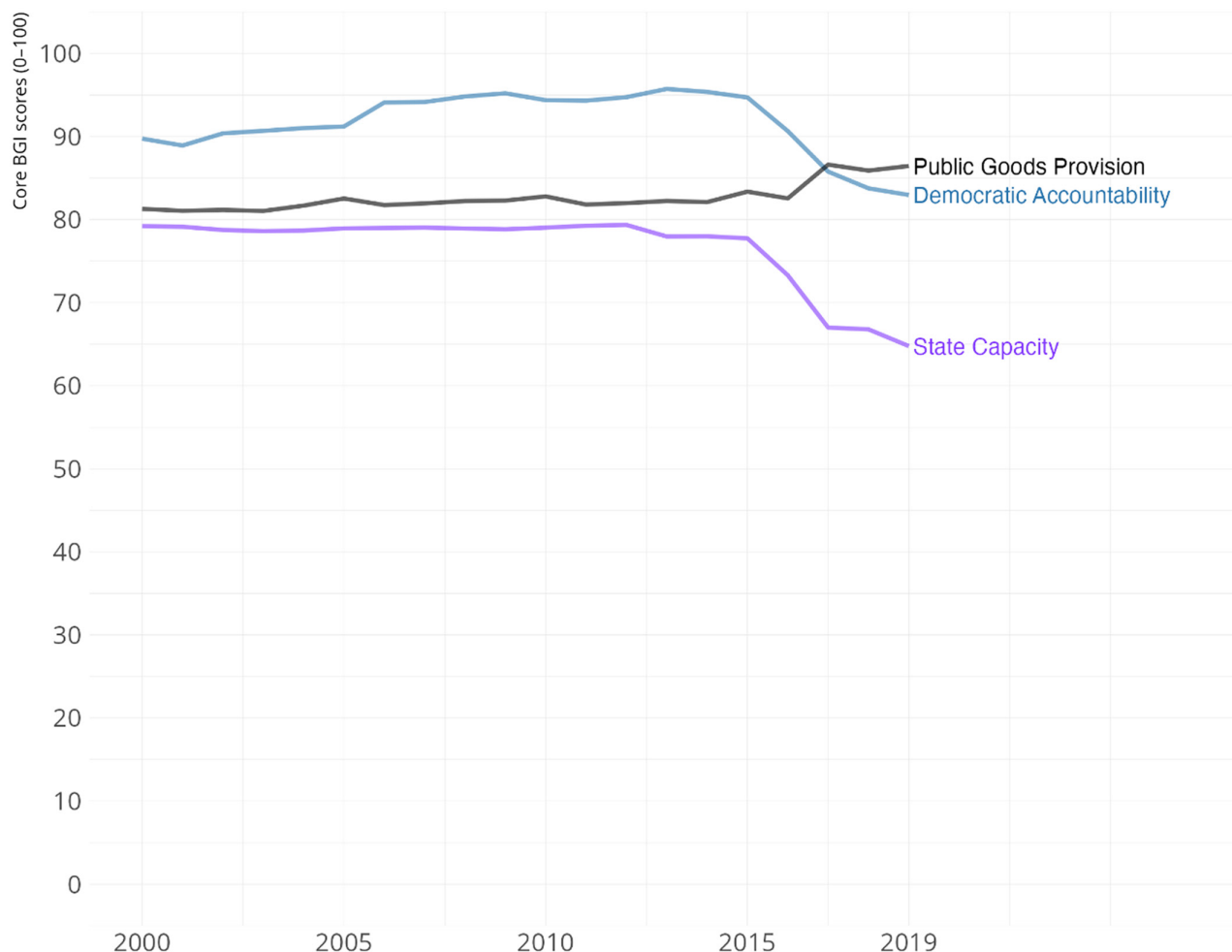


FIGURE 2 BGI indices in the United States. *Source:* Berggruen Governance Index 2022.

countries that are often said to be experiencing 'democratic backsliding,' such as Poland, Hungary and Turkey (Tharoor, 2022).

At the same time as some of the institutions of societal accountability declined, elections in the United States consistently came under attack. Following the controversial 2000 Bush v. Gore Supreme Court decision that prevented a recount of some ballots in a very close presidential race, the rest of the 2000s and 2010s saw increased barriers to voting rights and debates about election legitimacy, culminating in the 2020 presidential election's chaotic aftermath.⁴ Attempts to restrict voting and lay the groundwork for overturning future elections could exacerbate this trend, especially in right-leaning states that have taken drastic actions to restrict voting rights (Beckwith & Allison, 2022; The Economist, 2022).⁵

This trend towards democratic backsliding contradicts the long-held 'laboratories of democracy' thesis, a term coined by former Supreme Court Justice Louis Brandeis. He argued that 'a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without

risk to the rest of the country' (New State Ice co. vs Lieberman, 1932). He meant this in a positive sense: in the US federal system, states were able to try out new policies on their own, spurring a learning process that could improve governance in the country as a whole. More recently, however, scholars have identified the process moving in the opposite direction: states have been acting as 'laboratories against democracy,' as polarisation increases between states, voting rights are restricted in some states, and national-level campaign financing floods smaller races (Grumbach, 2022).

Perhaps most importantly, relatively high levels of inequality put democracy in the United States at risk. In addition to the social problems that high inequality causes, it can also undermine social trust and faith in democracy (Brown & Uslaner, 2003; Uslaner, 2003) and distort the political process itself. Indeed, researchers have found that in the United States, 'economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence' (Gilens, 2012; Gilens & Page, 2014). Addressing the

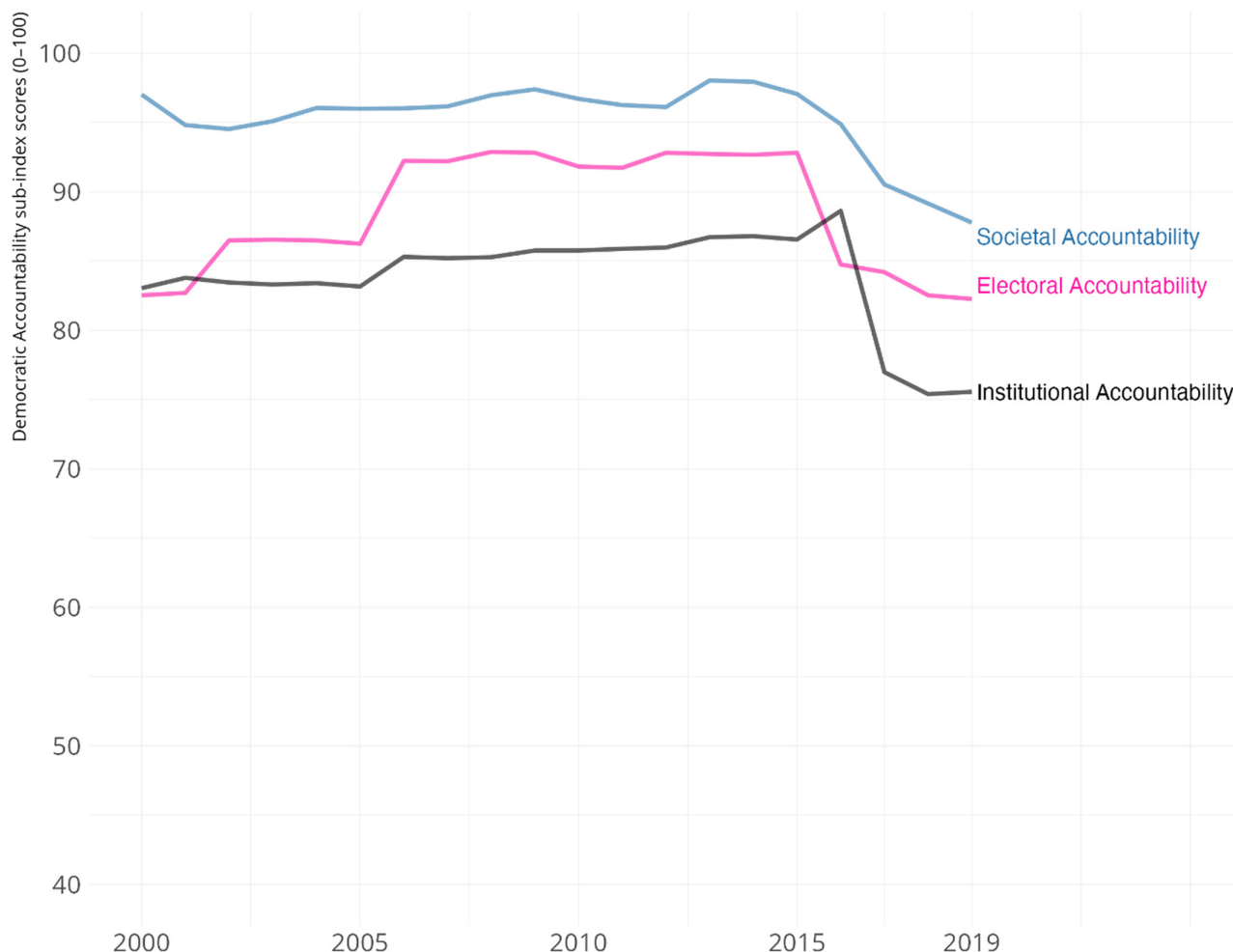


FIGURE 3 Development of democratic accountability in the United States, 2000–2019. *Source:* Berggruen Governance Index 2022.

issues of inequality will require more redistributive policies and measures like campaign finance reform to reduce the influence of money in politics. Given current levels of polarisation and gridlock, however, any substantive solution appears a distant possibility.

This trend towards declining democratic accountability sets the United States apart from other advanced democracies. While accountability had remained roughly stagnant in Western Europe, Australia and New Zealand, none have experienced a decline analogous to that of the United States (see [Figure 5](#)). This lends further support to the theory that the United States faces specific, policy-related headwinds, rather than structural problems affecting the entire democratic world.

3 | STATE CAPACITY IN THE UNITED STATES

Amid the overall decline in the US state capacity from 79 to 65 between 2000 and 2019, fiscal capacity dropped from 50 to 43, coordination capacity declined

from 84 to 70 and delivery capacity sank from 82 to 66 (see [Figure 6](#)). This across-the-board deterioration of the elements of US state capacity still leaves it relatively high by global standards, but they trail those of other advanced democracies like Germany, South Korea and Canada. Some of these declines likely predate the Index's coverage, as US fiscal policy in the early twenty-first century was geared towards balanced budgets, lower taxes and declining investment in a similar fashion to the late 1990s. This trend continued and accelerated in the post-2008 era, when the lack of fiscal stimulus during the Obama era became a major factor in the lagging recovery (Tooze, 2018, p. 502).

The drop since 2015 has been particularly pronounced in the delivery capacity and coordination capacity subindices. This suggests that—in addition to long-term drivers—the US policy course of fiscal tightening between the early-2010s and 2020 has accelerated its declining governance performance. Indeed, by historical standards, US government spending at the beginning of the 2010s was much lower than expected (Krugman, 2013), which made it increasingly difficult to

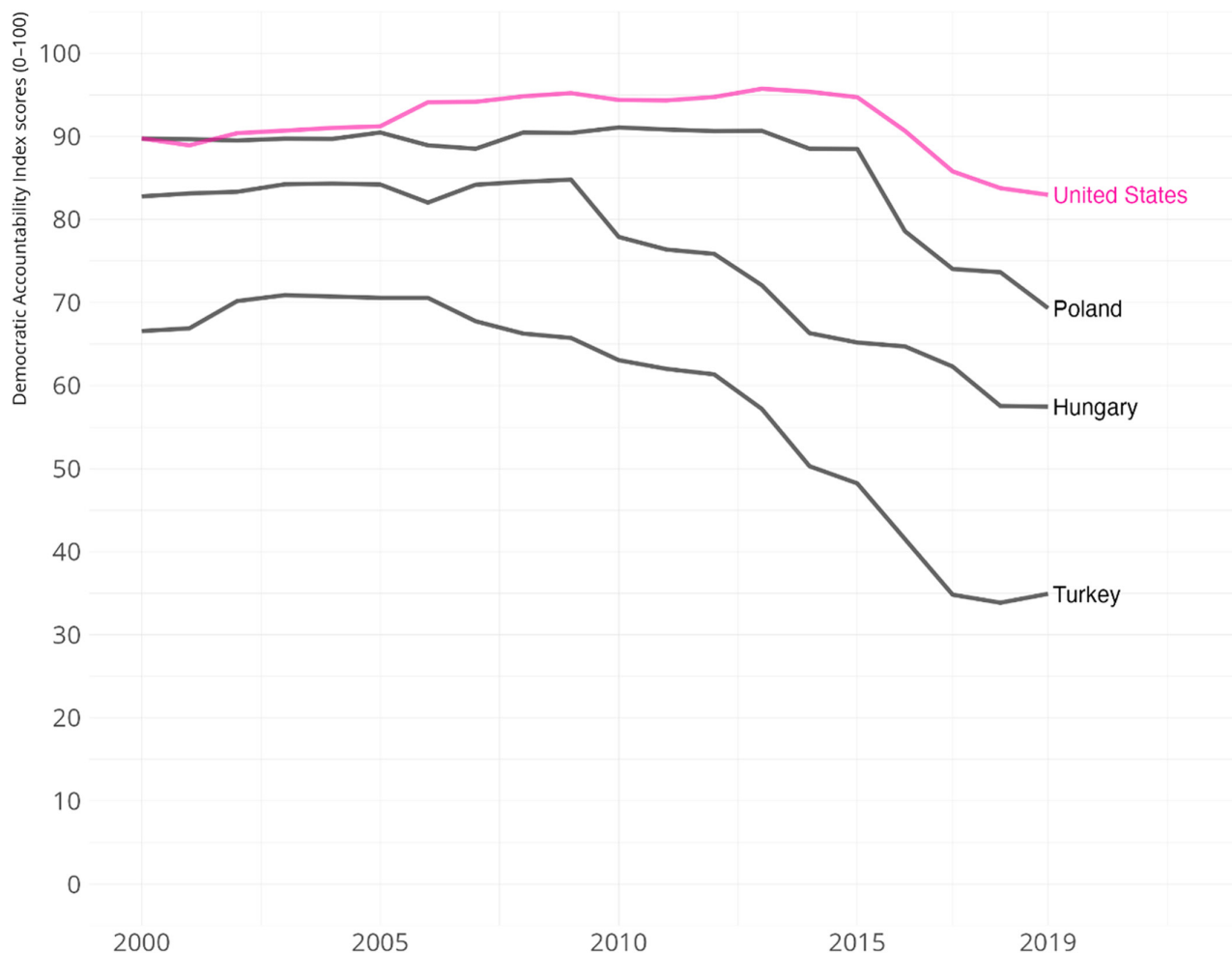


FIGURE 4 Troublesome trends in democratic accountability, 2000–2019. *Source:* Berggruen Governance Index 2022.

sustain high state capacity levels, especially in delivery capacity.

Specifically, in the decade following the 2008 global financial crisis (GFC), US federal employment was cut substantially, damaging the efficacy of the state at national level (Lindsey, 2021). Despite some efforts at fiscal stimulus in the early days of the first Obama administration, political considerations cut the amount spent to roughly half of what economic models predicted was necessary.⁶

The effects of the failure to adequately recover from the GFC compounded throughout Obama's second term, and the trend towards squeezing investment continued during the Trump administration (2017–2020), notably with presidential advisor Stephen Bannon's pledge to 'deconstruct the administrative state' (Rucker & Costa, 2017). Signs of these cuts could be seen in declining employment at the Internal Revenue Service, a strained response to COVID-19, low investment in infrastructure and overall lower GDP growth.

The Biden administration, which took office in 2021, has attempted to reverse some of these

declines through an infrastructure bill, a high-tech industrial policy bill and a climate and social policy bill (npr.org, 2022). While each was pared back during congressional negotiations, important increases in funding for physical infrastructure and tax collection could begin to repair some of the damage. Still, the long-term effects of low investment will take time to undo.

Although insufficient or declining investment in physical infrastructure is not a US-specific phenomenon (see Figure 7), its consistently low level over the last two decades means that the cumulative amount invested over that time is drastically lower. Additionally, while the US drop in state capacity is not unique, its severity is pronounced (see Figure 8). Considering struggling investment in many countries, perhaps a similarly sharp decline in state capacity will soon plague the rest of the developed world. Still, shared misery is cold comfort, and the data do not excuse the US' declining performance, but rather suggest many countries should invest more in their own state capacity.

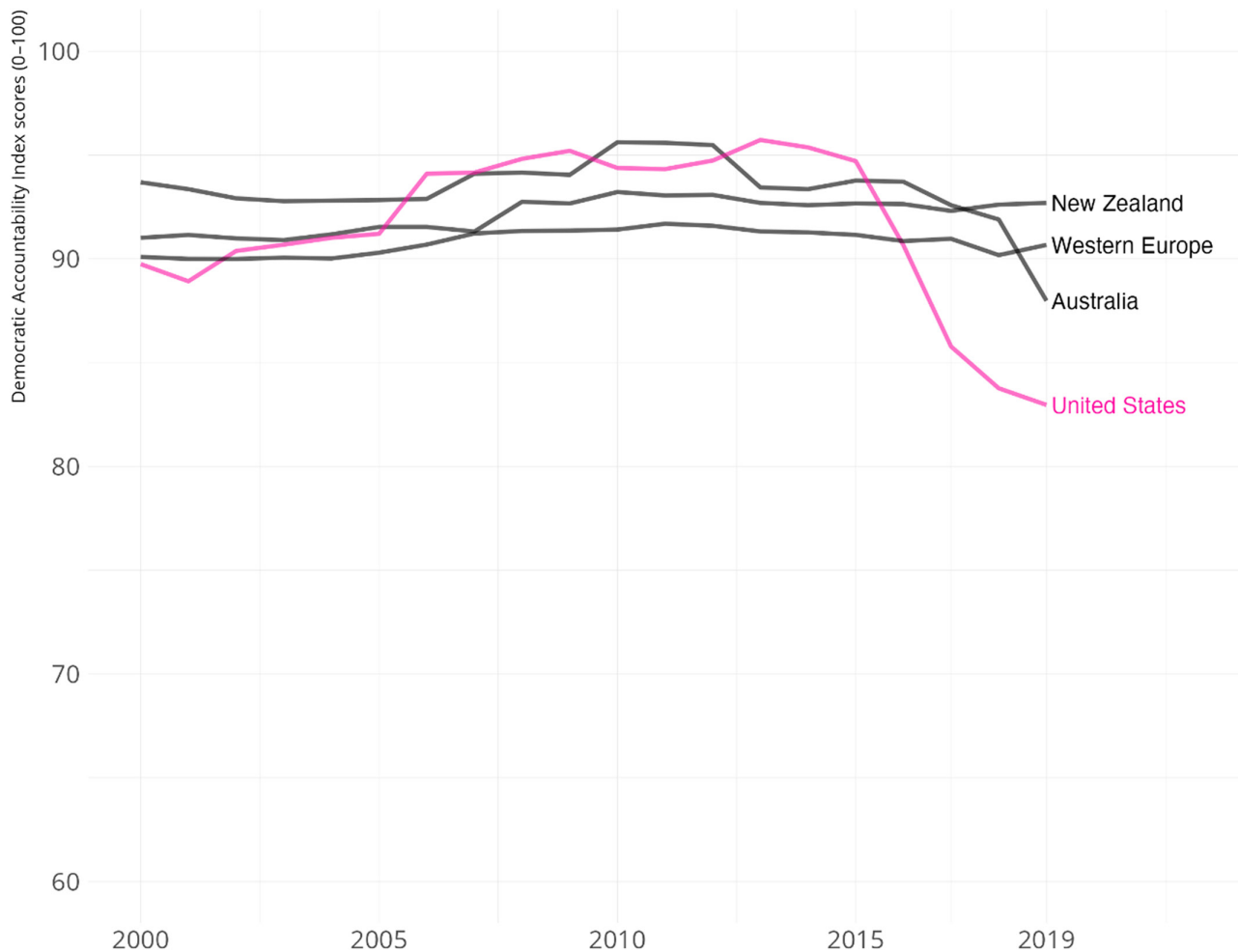


FIGURE 5 US democratic accountability in international comparison. *Source:* Berggruen Governance Index 2022.

4 | PUBLIC GOODS PROVISION IN THE UNITED STATES

Unlike its performance in the other two subindices, the United States has avoided a decline in public goods provision, rising from 81 to 86 between 2000 and 2019, although it still trails Western Europe (see [Figure 9](#)), as well as Japan and South Korea, despite their lower GDP per capita (Cohen, 2020). One factor in this difference is that private public goods provision in the United States is higher than in otherwise comparable countries, which matters particularly with respect to widely shared access to health and education. Despite this relatively low baseline, there were also some noticeable improvements in insurance eligibility and energy efficiency during the Obama years. The legislative and regulatory actions of the Affordable Care Act ('Obamacare') and the Clean Power Plan contributed to these modest overall gains.

Why has public goods provision in the United States outpaced its performance on the other BGI dimensions? This trend may be due to the US centrality in the world economy, which allows it consistently to

run both a budget and current account deficit, protecting it from constraints that other nations face. In particular, the US borrowing ability has recently been vital for boosting its performance relative to other G7 countries, with the industrial policy of 'Bidenomics' bolstering investment (Krahe, 2023). Indeed, the United States has seen some of the highest economic growth rates and lowest inflation in the G7, providing hope that a virtuous cycle of rising investment, improved state capacity, a more satisfied populace and ultimately a better functioning democracy could result.

On the other hand, declining democratic accountability and state capacity could eventually catch up with the US, causing public goods provision to fall along with the other indices. This is a trend observed by Anheier and Knudsen (2022), in which worsening socioeconomic indicators like inequality reduce trust and accountability, harming the institutions of governance, which in turn feeds back in deteriorating economic conditions. Avoiding this downward spiral will be the central mission of US politics in the years to come.

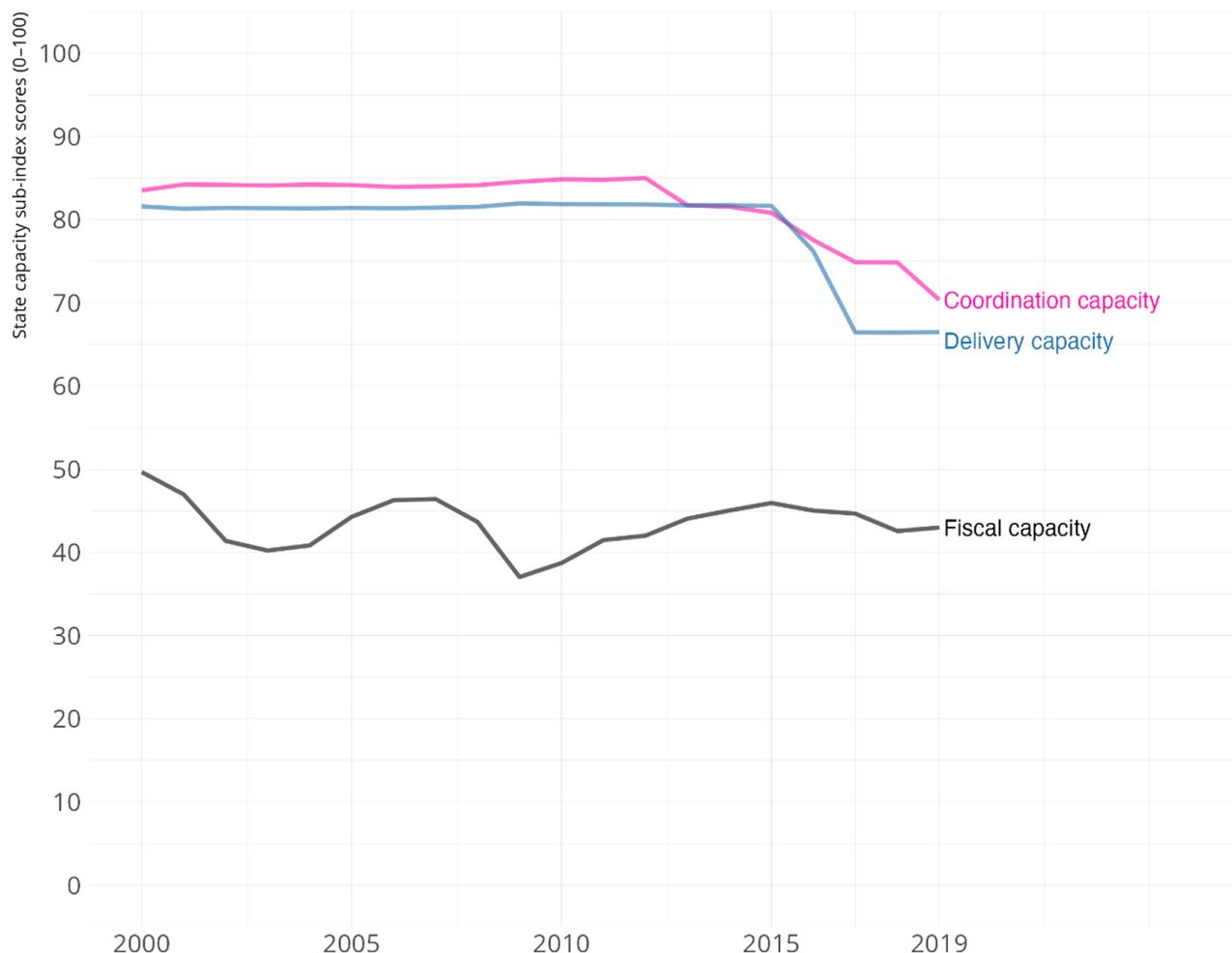


FIGURE 6 Development of US state capacity, 2000–2019. Source: Berggruen Governance Index 2022.

5 | ANOTHER AMERICAN REBOUND?

How should we conceive of the US' struggles, particularly in the fields of state capacity and democratic accountability? To start, it is important to identify a timeline when things started to deteriorate. Declarations of American decline are nothing new, after all. From Jimmy Carter's 1979 'crisis of confidence' speech to accusations of a 'new American malaise' running from the 1990s (Kanter & Mirvis, 1991) to the present (Blake, 2014; Kanter & Mirvis, 1991; Wilson, 2022), commentators frequently exhibit pessimism about the country, sometimes more justified than others (Beck, 2020). Time after time, it seems that the United States manages to 'defy gravity' (Tooze, 2019).⁷

Can it manage this feat again, or is the 'American century' (Bessner, 2022b) truly over? Nothing is certain, but the American predicament does not look insurmountable. Indeed, a close look at the BGI subindices

reveals that some of the US' severe troubles truly began only in the 2010s, after the political and economic after-shocks of the GFC—including rising inequality, political impasses and economic austerity—began to bite. This indicates that its decline is the result of *policy choices*, rather than secular trends. Indeed, the United States was on a persistently solid growth path before the global financial crisis and may be slowly returning to it now.⁸ This suggests that the impact of this external shock—and the failed response to it—was what mattered most, rather than an alteration to the core nature of US society. If bad policy is responsible for the crisis, good policy may allow it to escape.

Indeed, the United States still retains enormous strengths, such as the persistent centrality of the US dollar (Copelovitch, 2022), the world's largest military (Bessner, 2022a), and a dynamic and innovative private sector economy (Johnston, 2021). While the trends towards increasing polarisation, rising inequality, deteriorating infrastructure and political gridlock are alarming, if it can harness its strengths to invest more in civic,

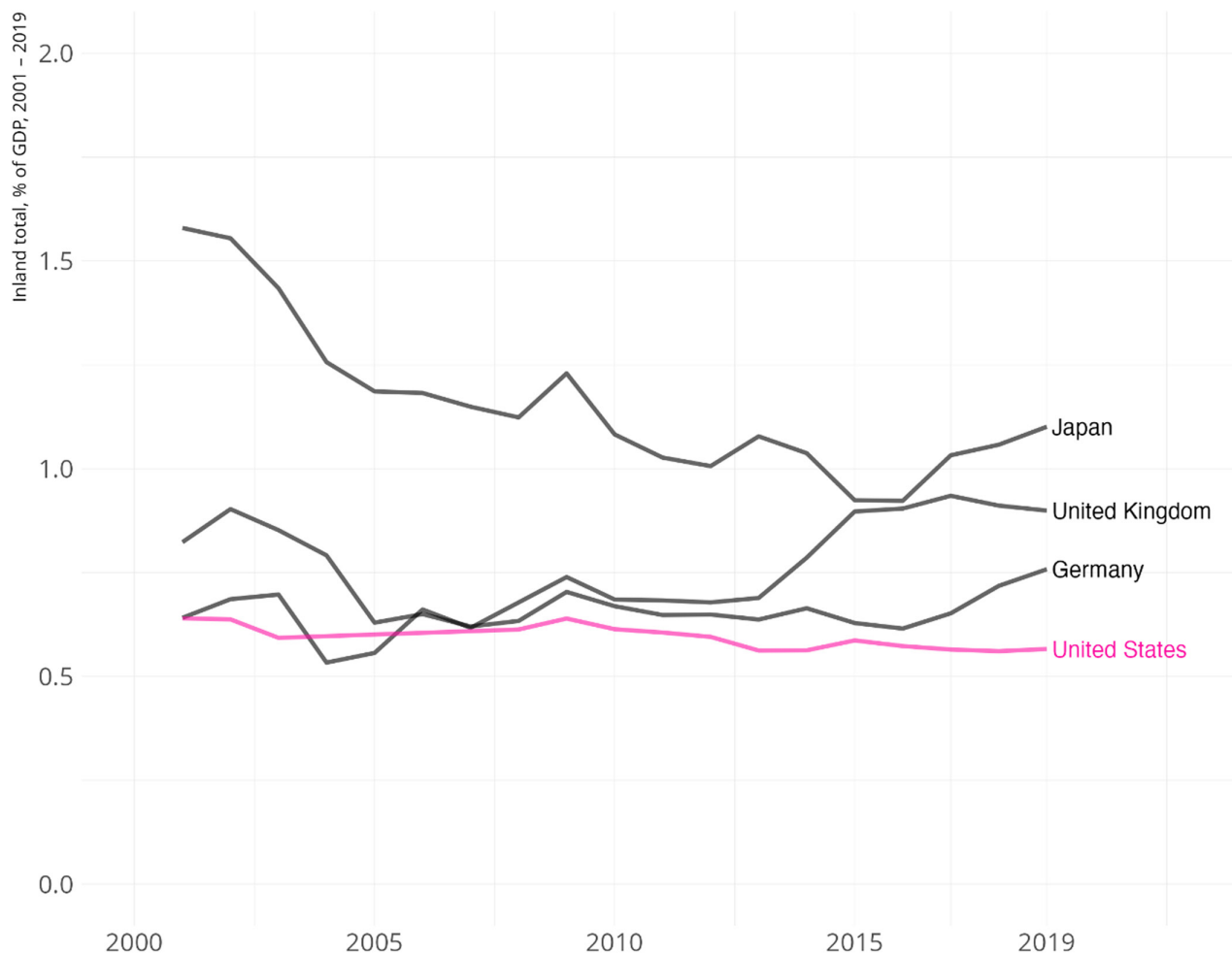


FIGURE 7 Infrastructure investment, United States, Japan, United Kingdom and Germany, 2001–2019. Source: OECD (2023).

social and physical infrastructure, the United States may be able to reverse these trends.

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CONFLICT OF INTEREST STATEMENT

No conflicts of interest.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are openly available at <https://governance.luskin.ucla.edu/datasets/>.

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ENDNOTES

¹ This trend is apparent according to many measures, including both the standard Gini coefficient, the income share of the 1% and labour's share of national income.

² The Berggruen Governance Index is a collaborative project led by Helmut K. Anheier between the UCLA Luskin School of Public Affairs and the Berggruen Institute examining, as of 2022, the performance of 134 countries in key areas over a 20-year period to advance understanding of why some countries are governed more effectively and enjoy a higher quality of life than others. See the article 'Introducing the Berggruen Governance Index: I. Conceptual and Methodological Framework' by Anheier, Lang, and Knudsen in this special issue. The full dataset is available for download in various formats at <https://governance.luskin.ucla.edu/datasets/>. A data exploration tool offers readers a variety of ways to examine the data; available at <https://governance.luskin.ucla.edu/index/>.

³ Notably, this phenomenon is relatively new. For example, the United States and Denmark had roughly the same life expectancy in 2000. By 2021, the gap had grown to 6 years for men and 4 years for women. See World Bank (2023).

⁴ Though the 2020 election and related events are not captured in our data, the other threats to US democracy that preceded it have contributed to the drop in the democratic accountability score. For exam-

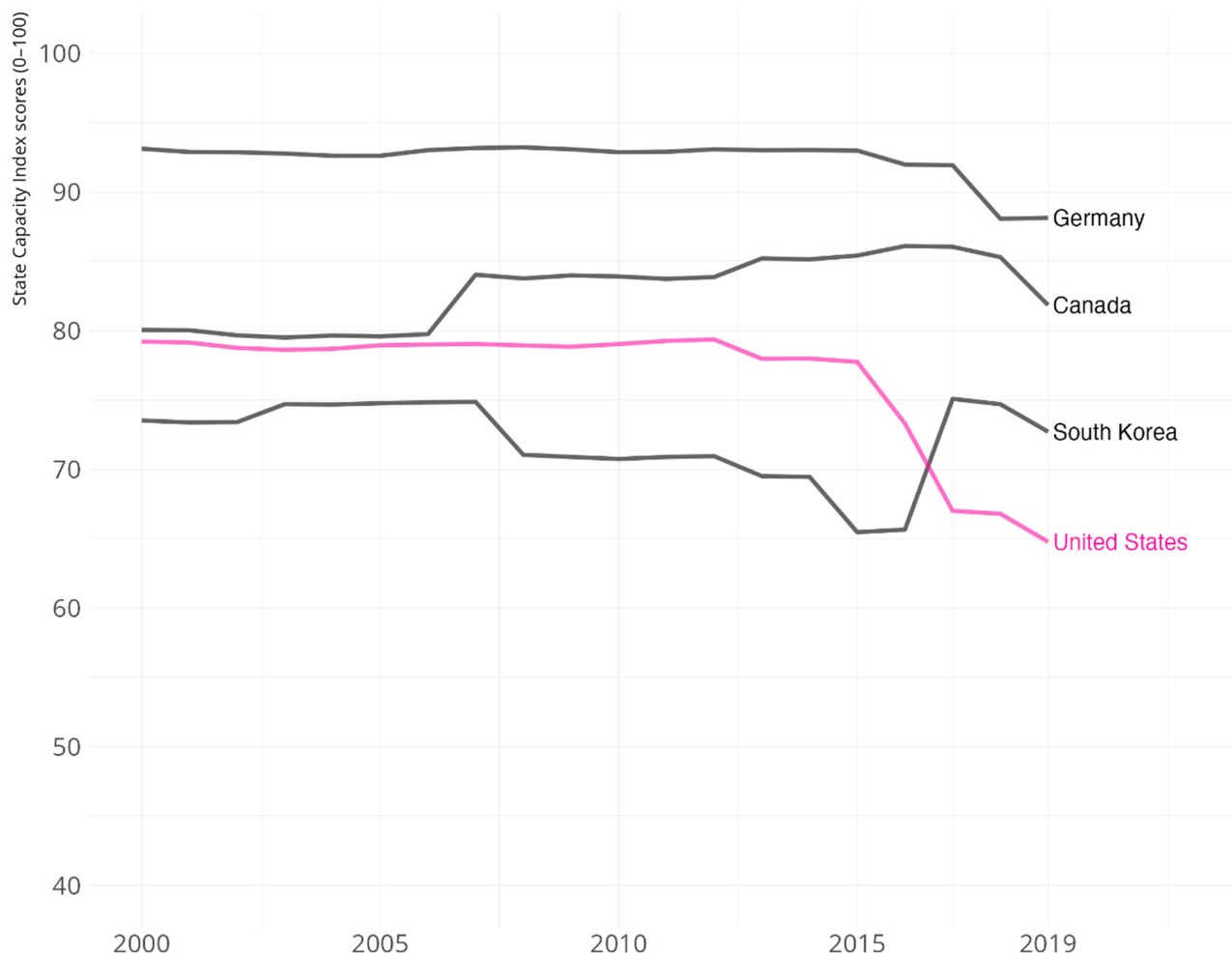


FIGURE 8 America's state capacity in decline. *Source:* Berggruen Governance Index 2022.

ple, categorical inequality is reflected in the democratic accountability index, which includes factors like low suffrage, weak voter turnout, and barriers in the voting system.

⁵ The US Supreme Court rejected the 'independent state legislature theory' in its June 2023 ruling in *Moore v. Harper*, dealing a blow to the extreme right-wing view that state legislatures have sole authority to set the rules for federal elections without judicial oversight.

⁶ Christina Romer argued for \$1.7 trillion in spending, but other economic officials such as Larry Summers argued that anything over \$1 trillion would be intolerable politically (Tooze, 2018, pp. 316–17).

⁷ Still, surface-level rebounds do not mean the damage from previous episodes—whether the divisions of the wars in the early 2000s, the 2008 financial crisis, or previous crises—do not continue to linger.

⁸ This is what economics reporter Matthew Klein (2021) refers to as the 'undershoot', identifying it as one of the core problems of the modern US and global political economy.

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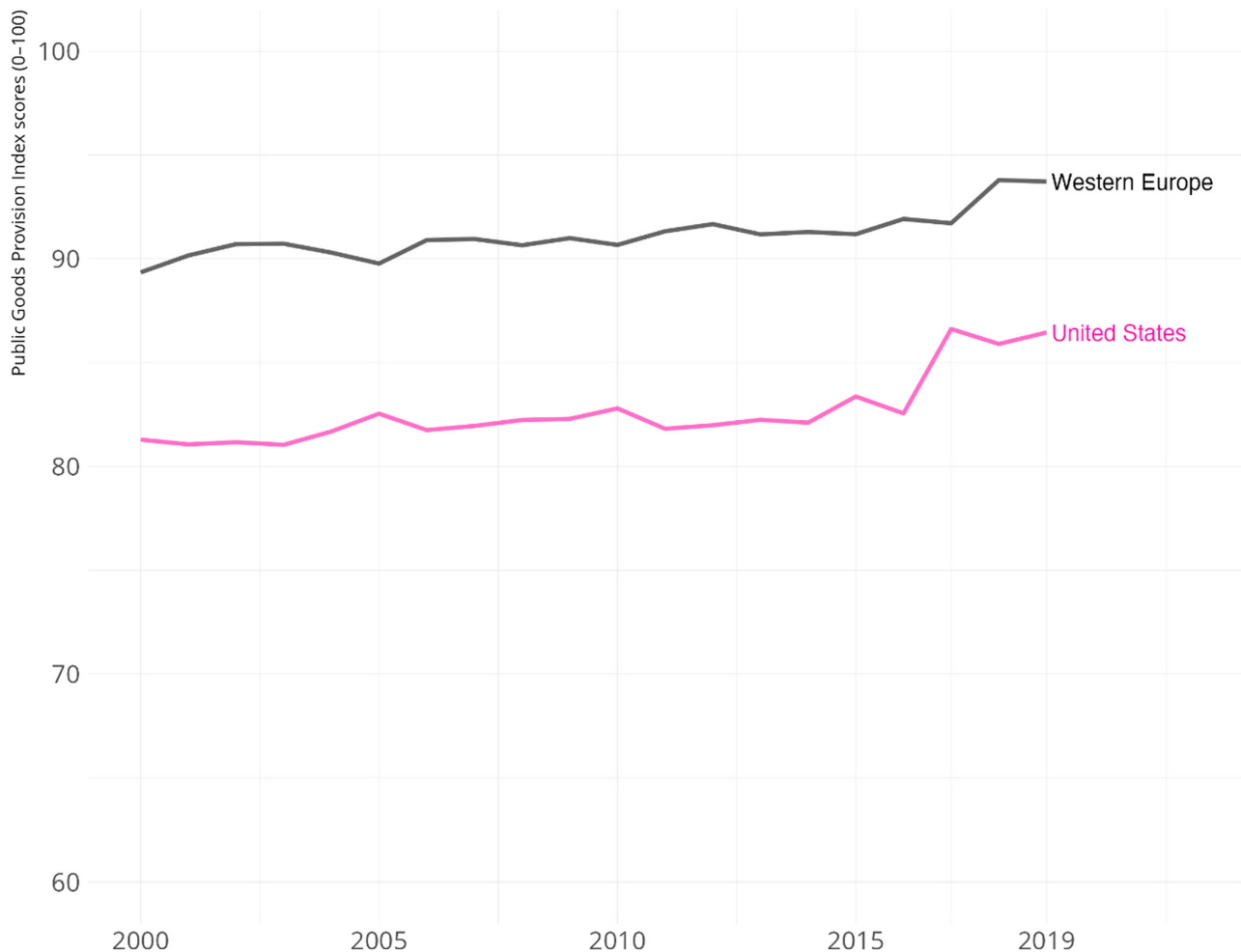


FIGURE 9 US public goods provision trails Western Europe. *Source:* Berggruen Governance Index 2022.

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