

BOOK REVIEWS

Crisis and Leviathan: Critical Episodes in the Growth of American Government

Robert Higgs

New York: Oxford University Press, 1987, 350 pp.

There is an enormous literature devoted to trying to explain the growth of government. Robert Higgs provides a comprehensive, critical survey of these various competing theories. In addition, he outlines the history of federal government growth since World War I in some detail. Higgs argues that the most significant periods of governmental growth occurred in connection with "crises," events which included World War I, the Great Depression, and World War II. He recounts some amazing facts. For example, the Federal Food Administration promulgated regulations during World War I that stipulated (among other things) exactly which meals on which days of the week could legally include bread (p. 137). The discussion is interesting and entertaining, as well as carefully documented throughout.

Higgs argues that modern Big Government is an outgrowth of a major ideological shift, which in turn is related to perceptions about costs. During crises, the public demands that government "do something" to solve the problem, whatever it is. Government's comparative advantage is not in solving problems more efficiently than the market, but in hiding the true costs of its actions. The public is systematically misled about the actual cost of government action such as regulations, controls, and inflationary finance, so that voters falsely perceive government programs as much less costly than they really are. As a result, the general public has increasingly adopted a pro—Big Government ideology, which serves to generate voter support for even more government programs. After the crisis ends, government does not return to its original, pre-crisis level because the newly created bureaucracies fight tenaciously to prevent themselves from being eliminated. So, while government may decline somewhat in size after the crisis passes, it remains on a higher "growth path."

Higgs is not the first writer to tell this depressing story. Neither the "ratchet theory" nor the claim that government necessarily grows larger are new ideas. Many economists, and libertarians, have resigned themselves to the inevitable triumph of bigger and bigger government.

However, the facts tell a different story. Higgs arbitrarily restricts his study of spending data to the period beginning in 1900 (although he includes some limited discussion of the U.S. political scene in the 1890s). If he had been less selective in his choice of data for analysis, he would have confronted a surprising and important fact: Government sometimes actually shrinks for prolonged periods, at least relative to the size of the private economy. According to the U.S. Census, the total share in Gross Domestic Product for all levels of government fell fairly consistently from the end of the Civil War to the beginning of the 20th century, dropping from an average of 6 percent per annum for 1869–78 to about 3.8 percent per annum from 1902–06—a decline of about 36 percent.¹ Federal government receipts as a percentage of GDP fell by nearly 58 percent over the same period. Most historians argue that the Civil War was the preeminent crisis in American history. Yet following this particular crisis, government sank like a stone relative to the growth in the private economy.

A steady shrinkage in the relative size of the federal government appears to have been the pattern for around 40 years prior to the Civil War, as well. Although the U.S. Census does not report GNP or GDP numbers for the period before 1869, the National Industrial Conference Board calculated the figures for the slightly different concept of Realized National Income (RNI) for 10-year intervals beginning in 1799.² Federal revenues as a percentage of RNI fell from 1.11 percent in 1799 to .84 percent in 1809, rose to 2.80 percent in 1819, and then moved lower at each succeeding 10-year interval, reaching 1.24 percent in 1859.

In other words, for most of American history the growth of government has lagged behind the growth in the economy, and sometimes far behind. Awareness of this fact makes life a lot less depressing. Higgs and other students of the growth of government need to carefully examine the period before 1900 in the United States, and explain what caused the transition from government shrinkage then to government expansion in the present century.

The book has some other problems. Higgs sometimes takes the rhetoric of dead politicians at face value when greater skepticism would be appropriate. Take for example his account of the 1896 proposal by the Russian minister to the U.S. secretary of state, proposing that Russia, the United States, and the other major wheat-exporting countries form a cartel. The secretary of agriculture rejected the proposed cartel with a noble speech about the virtues of free trade. Higgs uses this as evidence for the “severely binding ideological constraints” affecting political decisionmakers. Now, maybe the secretary of agriculture was an ardent believer in free trade. But perhaps not. At the time, Russia was experiencing a reduction in its share of the Western European

¹U.S. Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1957* (Washington: Government Printing Office, 1960).

²Robert F. Martin, *National Income in the United States, 1799–1938* (New York: Arno Press, 1976), p. 6.

wheat market due to competition from low-cost American wheat exports,³ and might reasonably have been expected to gain from a price-stabilizing cartel. In contrast, U.S. wheat farmers, as low-cost producers, had little incentive to participate in an international cartel. Economics, rather than ideology, probably affected the secretary's response to the Russians. Similarly, Higgs attributes President Grover Cleveland's policy of making secret, below-market deals for the sale of government bonds to "the Titans of Wall Street" (p. 89) to the president's commitment to maintaining the gold standard, mentioning only in passing that the aforementioned "Titans" subsequently made huge profits on the deals. Yet he ignores the possibility that rent seeking, and not the ideology of sound money, may have influenced the policy.

Nevertheless, this is an excellent book. It presents a solid history which is fun to read. Hopefully, sometime soon Higgs will write what Hollywood might term a "prequel," addressing the interesting history of government prior to 1900.

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Searching for Safety

Aaron Wildavsky

New Brunswick, N.J.: Transaction Books, 1988, 356 pp.

When confronted with the choice between the familiar hazards of slavery and the unknown risks of entering the promised land, the Children of Israel chose safety. For this timidity they wandered 40 years in the wilderness. Then a less fearful generation arose. A latter-day Caleb, Aaron Wildavsky, exhorts the modern public to accept the risks of entering the land of milk and honey.

In an engaging, original, and thought-provoking polemic, Wildavsky attempts to reframe the public perception of societal risk management. By focusing upon the management of low probability/high severity (or catastrophic) risks, he makes three major points.

First, risky and wealth-increasing aspects of economic activity are not easily separable. One cannot often achieve greater wealth without greater risk. Second, wealthier is safer and healthier. In historical and comparative perspective, materially rich societies enjoy far longer life expectancies and suffer fewer occupational injuries than poor societies. Third, resilience from accidents should not be sold short when compared to anticipatory risk avoidance. An ounce of prevention is not always better than a pound of cure.

Wildavsky's monograph is useful because these propositions are not widely accepted. Indeed, this work can provide welcome balance in a classroom

³See Vladimir P. Timoshenko, *Agricultural Russia and the Wheat Problem* (Stanford, Calif.: Food Research Institute, 1932), p. 479.