

# The “Return” of Activist Government?

by Joseph Stromberg

**I**n the *New York Times* of December 13, 2001, John D. Donahue joins the crowd that is presently arguing—or hoping—that the events of September 11, 2001, have cleared a path for the “revival” of big, all-knowing government. I do not wish to argue, here, why that might be undesirable. I do contest Donahue’s historical construction of the question.

As I have pointed out elsewhere,\* the whole claim that “government is back, hooray, hooray” supposes that at some point in living memory government actually receded to a detectably appreciable degree. Let us see how Mr. Donahue has mapped the terrain.

He first sets up his straw man. Evidently, Americans have been infatuated with markets and “market solutions” and have developed a whole “mythology” around that infatuation. But now things are changing, and “[a]fter fifty years of market ascendancy,” government may be about to “reclaim its role as an integral and admirable part of American life.”

Before one can say “Not so fast!”—he’s off. Security at airports “has been wrenched from the market and entrusted to government.” Polls show greater “trust in the presidency, federal agencies, even Congress.” President Bush may be turning from budgetary cheese-paring and “massive tax cuts”

to big spending. (Parenthetically, the “liberal” notion of what a massive tax cut consists of never ceases to amaze.) Evidence even exists that young people are once again looking favorably on government “service.” This libel on the younger generation should not go unrebuked, but that is a matter for another time.

This happy “rebound” of government may overcome the negative politics of Reagan, Bush I, Clinton, and Dubya, all of whom indulged themselves, rhetorically, in taking potshots at omniscient government. Now we come to the heart of Mr. Donahue’s causal-historical viewpoint. During the years he is so keen to discredit, “markets seemed infallible” and went from success to success. At the same time, Americans’ “wariness toward authority” grew into “cynicism about the competence of our public institutions.” In other words, people came to see that markets gave them what they wanted, while the state did not. Donahue concedes that changing perceptions rested on “no capricious shift.” Yet he still laments people’s lack of belief that government could “define and pursue shared goals” for society.

But fortunately, Donahue says, government’s dry spell is (or may be) behind us.

It is odd that *there is no mention of the present “war”—or past mobilizations—as a causal factor for any of the trends that so uplift Mr. Donahue’s spirit.*

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\*See “Big Government, Having Never Gone Away, Is Now Said To Be ‘Back,’” [www.antiwar.com/stromberg/s092801.html](http://www.antiwar.com/stromberg/s092801.html).

Let us try to sort these things out. In the first decades of U.S. political history we see a fierce struggle between a program of American mercantilism and its opponents. No one disbelieved in markets as such, but there was plenty of room for conflict between those who argued that subsidies to industry, tariffs, and the like were the very essence of a properly organized market economy and those who held a laissez-faire view of the political economy.

It was the Secession War that first decisively ratcheted up the level of government activity. After the war the level receded until the next war, which coincided with Populist and Progressive demands for reform via a more powerful federal government. Progressive reform reached its high point during World War I. The Great Depression—never “cured” by the New Deal—gave way to World War II. In this period of state-building a much higher “normal” level of federal activity took hold.

In a real sense, the wars provided the key to state growth; the domestic reform programs were parasitic on the states’ role in wartime. The books of Bruce Porter, Robert Higgs, and Martin Van Creveld are revealing in this connection. Conservatives turn a blind eye to the war-reform linkage because they tend to take the wars at face value while objecting to the reforms. Modern liberals often glory in the connection. Hence all the Greatest Generation hype of late.

## Busy Government

It is easy for Donahue to say that government was “weak” for 50 years, if the benchmark is the capacity of government to tax, conscript, seize, and confiscate that it enjoyed during World War II. But since, as Professor Higgs has shown in various articles, Cold War levels of military spending were somewhere in between normal peacetime levels and the level of World War II, there was quite a lot that government was in fact doing during those 50 years that Donahue sees as a civil servant’s nightmare.

Further, in the Cold War atmosphere of sustained “emergency”—to which no end

was foreseen—all manner of interventions into economy and society gained a hearing, which otherwise might never have taken hold or would have been debated on their merits. Instead, they could be presented as essential to “winning” the Cold War. Among these might be numbered: the interstate highway system, coercive racial integration, state-subsidized nuclear power, and this is the barest beginning.

By the late 1940s there began a revival of classical-liberal ideas, symbolized by the wide readership found for F. A. Hayek’s *Road to Serfdom* (1944). Over those 50 years that seem “lost” to Donahue, much progress was made for classical liberalism in the war of ideas.

Knowledge of the workings of markets was, after all, abroad in the land in the days of Jimmy Carter, but such knowledge did not prevent, or even slow, creation of a whole useless cabinet-level bureaucracy. This was the Department of Energy, which is still with us despite the evaporation of its proximate cause or excuse, the international oil cartel, OPEC, whose evaporation was predicted by all sensible economists at the time of the department’s founding.

While Carter had only promised to preside over pragmatic reductions of government activity in some areas, Ronald Reagan came in breathing the rhetoric of so-called “neoliberalism,” that is, the standard rhetoric of American conservatism at that time. At this late date, I hope that no one actually believes that there was a Reagan Revolution that reduced the federal government to some shadow of its former self.

And so it went, down toward the present. The medical reform proposal (Hillary Care) went down, not because of wide respect for free-market ideas, but because the partisan politicians could not agree on the details of who would get what out of this huge potential barrel of pork.

As for Americans’ cynicism about government, this was well-earned, as each new reform worsened its services—public schools, for example. It is hard to think of government as “back.” It never went away. On the other hand, we should all fear a further upward turn of the ratchet. □

# Designing Dependence

by Charlotte A. Twight

**G**overnment now permeates American life, shaping and determining in countless ways the choices available to us. As Tocqueville feared, the U.S. government has largely succeeded in its efforts to spare us “all the care of thinking and all the trouble of living.” Through Social Security, Medicare, public education, and the rest, the sphere of autonomous individual action grows ever smaller, despite widespread understanding that personal responsibility is essential to self-respect and therefore necessary to individuals’ pursuit of happiness. In the modern redistributive state, we are no longer free to choose in many fundamental areas of our lives.

How has it happened? What are the specific mechanisms by which Americans have been induced to relinquish their patrimony of liberty—the ways in which they have been, in Tocqueville’s prescient words, “softened, bent, and guided” to government purposes? This book develops a new framework for understanding the political techniques and institutional mechanisms that have led us to embrace pervasive government controls and corresponding personal dependence. Deliberate manipulation of political transaction costs—meaning costs to

individuals of reaching and enforcing collective agreements regarding the role and scope of government—will be seen as central to this process of softening, bending, and guiding the populace to government purposes.\*

Conventional wisdom often views dependence on government in America as an inadvertent byproduct of benign legislative intent, codified in democratically adopted measures reflecting the will of the people. To the contrary, this book shows that manipulating costs of political decision making in order to achieve results initially *inconsistent* with actual public preferences has been a recurrent strategy in capturing and maintaining increased government authority over U.S. citizens. The key insight is that political transaction costs shape action and inaction in political contexts, and that those transaction costs routinely are manipulated by self-interested political actors. In contrast to some economists’ visions of a transaction-cost minimizing state, this book documents government officials’ characteristic willingness and ability to deliberately increase the political transaction costs facing others on issues that influence the scope of government authority.

How has the federal government been able to so greatly expand its powers, sometimes in ways initially contravening public sentiment, without provoking rebellion? My

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\*Editor’s Note: For more details on this process, see Charlotte Twight, “A Constitutional Counterrevolution,” *Ideas on Liberty*, October 2000, p. 21.