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Two Great Books **by Sheldon Richman**

Libertarians love books. They hunger for reading material and are always eager to hear of new works dealing with the broad and deep subject of individual liberty and its social and economic implications.

In my opinion, two books in particular belong on every libertarian's shelf. I mean this literally because these are books that libertarians will want to consult often.

One, published back in 1987, has had time to qualify as a classic; the other, published in 2002, undoubtedly will achieve that status in due course.

They are Robert Higgs's *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (Oxford University Press) and Charlotte Twight's *Dependent on D.C.: The Rise of Federal Control over the Lives of Ordinary Americans* (Palgrave/St. Martin's Press).

Higgs is the editor of the *Independent Review*, today's best libertarian scholarly journal. Twight is a professor of economics at Boise State University.

As will become obvious, these books are closely related. Even their authors have a connection. Higgs chaired Twight's dissertation committee at the University of Washington, where she studied economics. The books' themes are so complementary that it would be a grave mistake to read one but not the other. Both are necessary to get the full picture of how and why governments grow. No libertarian education is complete without these books. Let's see why.

Crisis and Leviathan

Higgs begins by noting that for more than a century "the United States had a government that approximated, perhaps as well as any government ever did, the ideal envisioned by [classical-liberal thinker Ludwig von] Mises: strong but limited."

As a direct consequence (and despite some abominable exceptions regarding blacks and Indians), America prospered in an unprecedented way. But then something happened: "The nation's second century, however, witnessed a decline of the commitment to limited government and extensive private property rights."

Now the state touches —“manhandles” would be a better verb — everything and everyone. The turnaround has been dramatic, tragically so.

Thus, Higgs poses the question: “How did this momentous transformation of American political, legal, and economic institutions occur?” Then he sets out to answer it.

He is careful to avoid an error committed by others, that of treating government as though it were “one big nonhuman thing.”

He writes,

But for better or worse a government is itself human: it is simply the collectivity of persons who exercise legal authority.

This distinction is important. If one thinks of government as merely an abstraction, one is apt to neglect the motives, interests, and conflicts that move living and breathing people to strive to expand government power.

These people are influenced by beliefs and ideas about the world, which they may impart to the masses. Thus, ideology, broadly conceived, matters.

Higgs’s work focuses on only one of admittedly several factors that enable governments to grow: crisis. His “crisis hypothesis”

maintains that under certain conditions national emergencies call forth extensions of government control over or outright replacement of the market economy.

He notes that during crises people want the government to do more, and the politicians are happy to oblige. He quotes economist Calvin Hoover, who wrote,

At the time of economic crisis, when critical extensions of governmental power are likely to occur ... there is little opportunity for a meaningful vote on whether or not, as a matter of principle, the powers of the state should be extended. Instead, there is likely to be an insistent demand for emergency action of some sort and relatively little consideration of what the permanent effect will be.

The crises with the most consequential effects have come in two packages: war and economic emergencies.

In both kinds of crises, the federal government has, to varying degrees, supplanted the private exercise of property rights that constitutes the free market.

In short, government has grown. But what does that mean?

Economists have argued endlessly over how to determine whether government has grown or not. Usually it has come down to a number-slinging contest. Higgs, refreshingly, finds this unsatisfactory. He writes,

I have argued that high levels of government taxing, spending, and employment derive from but are not themselves the essence of Big Government; the essence is a wide scope of effective authority over economic decision-making. Authority comes first.... The spectacle of economists bringing their awesome mathematical and statistical techniques to bear on the analysis of irrelevant or misleading data can only disgust those for whom the desire to understand reality takes precedence over the desire to impress their colleagues with analytical pyrotechnics.

The final piece of the theoretical puzzle is the “ratchet effect”:

After each major crisis the size of government, though smaller than during the crisis, remained larger than it would have been had the precrisis rate of growth persisted during the interval occupied by the crisis.

Higgs contends that the evidence confirms the existence of the ratchet effect. Readers will very likely find his rich historical brief highly persuasive.

The bulk of the book is that historical brief. Beginning in 1893, he discusses in depth the government’s response to economic panics, World War I, the Great Depression, World War II, and “that permanent emergency known as the Cold War” into the 1980s.

He shows that the result of it all was the end of capitalism. What replaced it? Not socialism, which entails state ownership of the means of production. For Higgs the successor is more like fascism, in its economic sense — a façade of private ownership with the terms of property use increasingly dictated by the state.

But since America’s political process is formally (if not actually) open, he invokes the term “participatory fascism,” which was used by Charlotte Twight in her excellent earlier book, *America’s Emerging Fascist Economy*.

Crisis and Leviathan is truly a tour de force. The amount of detail is staggering, and rightly so: These are things every libertarian — every American — should know. Yet it is written clearly and concisely. Higgs ends on a pessimistic note, but I suspect that his bleak conclusion will rally libertarian readers to redouble their efforts to promote liberty.

Dependent on D.C.

If Higgs’s book explains the “why” of government growth, Twight’s book may be said to explain the “how.” If I may be blunt, this is a subversive book — in the sense that if average

Americans were to read and grasp it, they would turn into libertarian revolutionaries. Why? Because Twight documents the ways that officials systematically mislead us about what government does. In many cases, she uses their own words to convict them of mass deception aforethought.

Her empirical chapters support the book's theoretical proposition: that governments gain power at the expense of liberty by raising taxpayers' political transaction costs. In economics, transaction costs are the costs of arranging and overseeing one's economic exchanges.

To use Twight's example, if you hire someone to plant a tree in your yard, transaction costs are any expenses that you would not have incurred had you planted the tree yourself — finding a planter, and negotiating and enforcing the contract. She writes,

Transaction costs also exist when people act collectively in a political context. These political transaction costs determine the costs to individuals of reaching and enforcing political agreements regarding the role and scope of government. They are the costs to each of us of perceiving, and acting upon our assessment of, the net costs of particular governmental actions and authority.

All our costs of learning the likely consequences of proposed government programs and of taking political action in response to such proposals are political transaction costs.

As to be expected, there are what Twight labels "natural" political transaction costs. But there are also "contrived" costs: "deliberately created by government officials to increase our costs of assessing and responding to government policies."

In other words, officials are able to manipulate costs to expand government power and create dependence — in defiance of what people would accept if they knew what was happening. This in turn insidiously plants an ideology of dependence on the state.

The most obvious way to accomplish all this is by lying. But an array of more subtle methods is at the politicians' and bureaucrats' disposal that raise the cost either of getting accurate information about government activities or of opposing those activities. Thus all these methods serve to shroud government from those who bear its burdens.

The subversive potential of the book should be clear: think of what Twight's thesis does to the claim that we live under a representative government and the rule of law.

How representative is the system if the "agents" can so easily manipulate their "clients" and then make it close to impossible to change things even if the clients should discover the truth?

The natural problems of collective action are bad enough (free riders, for example). When you add the conscious manipulation of political transaction costs, you have a formidable enemy of liberty indeed.

Unfortunately, there is no space for detail. Suffice it to say that the cost-manipulating devices range from misleading titles on legislation (the National Defense Education Act) to the hair-raising complexity of laws (the tax code), from incremental encroachment to the very inversion of the Constitution into a document that makes expanding power easy and preserving liberty difficult. And let's not forget "public education" and off-budget spending.

Twight proceeds to show your government in action with chapters on Social Security, income-tax withholding, education, health care, and federal surveillance and data collection. In each case, the public was bamboozled into dependence on government.

Caution: readers with high blood pressure should have some pleasant music playing in the background.

Given her thesis, Twight, like Higgs, is pessimistic about the future of freedom. But she leaves us with a ray of hope:

We need not fear a pessimistic prognosis: it is sometimes the only route to success, the only way to overcome the obstacles at hand.

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