

Robert Higgs

The Sources of Big Government

WE MUST HAVE government. Only government can perform certain essential tasks successfully. Without government to defend us from external aggression, maintain domestic order, define and enforce private property rights, few of us could realize our individual objectives. In recognition of its immense potential for oppression and destruction, some have called government a necessary evil. But Ludwig von Mises, a devoted libertarian, disputed this characterization. "Government as such," he declared, "is not only not an evil, but the most necessary and beneficial institution, as without it no lasting social cooperation and no civilization could be developed and preserved."¹ Mises understood that a strong but limited government, far from suffocating its citizens, enables them to be productive and free.

For more than a century after its formation, the United States had such a government. It created a political and legal environment conducive to rapid economic progress, fostering what Willard Hurst, the eminent legal historian, has called a "release of energy."² Inventiveness, capital formation, and organizational innovation flourished as never before. Specialization and trade increased prodigiously. And during the nineteenth century the nation grew from an internationally insignificant outpost into the world's richest and freest society.

The twentieth century has witnessed a decline of American commitment to limited government and extensive private property rights. As the century began, our government still approximated a minimal state. We

did not practice pure *laissez faire*—no society ever did—but we still placed severely binding restraints on government and allowed few intrusions of its potentially awesome power into the economic affairs of individual citizens. That long-established restraint has largely dissolved during the past seventy years. Government now suffuses every aspect of economic and social life. Merely to list its numerous powers would require a large volume: our farms and factories, our homes and schools, our health care, even our recreation—all feel its impact. Virtually nothing remains untouched by the myriad influences of governmental regulation, taxation, and expenditure.³

Several explanations of the growth of Big Government have been advanced. Too often, however, the proponent of a particular hypothesis touts it as if no other wheel will roll. In fact, most of the proposed explanations contain valuable insights, and they are not necessarily mutually exclusive. Nothing is gained, and much is lost, by attempts to locate a single source of Big Government. Accepting this stricture against a monocausal approach, one must try to comprehend clearly what the various hypotheses can and cannot explain and employ them so that they provide maximum illumination of the historical record.

Unfortunately, some explanations of the growth of Big Government have an abstract

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quality that obscures essential attributes of the reality of government itself. Some speak of government as if it were One Big Nonhuman Thing, a gigantic man-eating machine. The Spanish philosopher Jose Ortega y Gasset, for example, said that

In our days the State has come to be a formidable machine...set up in the midst of society...anonymous...a machine whose existence and maintenance depend on the vital supports around it...sucking out the very marrow of society....⁴

But of course any government is, for better or worse, human; it is simply the collectivity of persons who exercise legal authority.

Treating government as One Big Nonhuman Thing, distinct and apart from the people, encourages misleading characterizations of governmental motives and behavior. Real governments cannot survive without the sustenance and support, or at least the tolerance, of nongovernmental people. Moreover, some people are always circulating between the ruling group and the ruled group. In part because the American government includes several levels—federal, state, local and hybrid—and several branches—legislative, executive, judicial and hybrid—it does not operate as if its component human actors were of one mind. Conflicts *within* government are as common and significant as conflicts *between* the rulers and the ruled. We would do well to bear constantly in mind that the American government is, and always has been, not One Big Nonhuman Thing, but rather many coexisting human institutions of varying function, scope, and authority.

Explanations of the Growth of Government

Modernization

Reading between the lines in many historical works, one encounters what I shall call the Modernization Hypothesis. This rather foggy notion suggests that a modern

urban-industrial economy simply *must* have an active and extensive government. Declamations about horse-and-buggy government in the Space Age or the impossibility of turning back the clock give rhetorical support to this idea. Exactly why a modern economy must have Big Government usually remains obscure.

Some supporters of the Modernization Hypothesis argue that a modern urban-industrial economy must have considerable governmental activity because it is so complex. "That the increased complexities and interrelationships of modern life necessitate this extension of the power of the state," insisted Calvin Hoover, "is no less true because it is such a well-worn cliché."⁵ No one denies that the economy has become more complicated over time. New products, technologies, and industries have proliferated. Population has grown and concentrated in urban areas. Interregional and international flows of goods and funds have multiplied. Greater specialization has made individuals less self-sufficient, more dependent on a vast network of exchange.

Yet one cannot correctly infer that merely because of these growing complexities the people's economic affairs *required* more governmental involvement for their effective coordination. Indeed, as many economists—from Adam Smith in the eighteenth century to Friedrich Hayek in the twentieth—have argued, an open market is the most efficient system of socioeconomic coordination, the only one that systematically receives and responds to the ever-changing valuational signals transmitted by millions of individual consumers and producers.⁶ Anyone who witnessed the artificial shortages and gasoline lines of the 1970s will be skeptical that governmental directives can perform better than the market in coordinating economic activities in a complex world.

How well a market economy operates, of course, depends on the character of the competition that propels it. Some observers believe that the emergence of large corporate firms in the late nineteenth century substan-

tially altered the character of the economy's competitiveness and ushered in a new era. "This transformation of competition into monopoly," wrote V.I. Lenin in 1916, "is one of the most important—if not the most important—phenomena of modern capitalist economy...." Accepting this allegation as factual, one may interpret the growth of government during the late nineteenth and early twentieth centuries as a reaction, a development of "countervailing power," by which the public resisted the inefficiencies and distributional distortions that Big Business would have entailed under unregulated conditions. Representative events include the enactment of antitrust laws and the creation of the Federal Trade Commission and the various independent industrial regulatory commissions such as the Interstate Commerce Commission and the Federal Communications Commission. In short, according to this interpretation, economic modernization fostered the growth of private monopoly power, and government grew more powerful in order to resist, control, and neutralize this threat.⁷

The buttresses of this explanatory edifice are weak in both theory and fact. Though many large corporate enterprises developed after the Civil War, and the turn of the century certainly did witness a spate of mergers, crowned in 1901 by the creation of the giant United States Steel Corporation, no one has ever established that the *overall* economy became substantially less competitive. Neither huge firms nor high industrial concentration ratios necessarily imply an absence of effective competition. The decisive elements of the competitive process are dynamic—chiefly technological and organizational innovation—and under conditions of dynamic competition neither a firm's bigness nor an industry's high concentration poses a serious threat to the welfare of the public.⁸

Further, the government's efforts have tended more to preserve weak competitors than to assure strong competition. In this respect, the historical performances of the FTC and many of the independent industrial

regulatory commissions are notorious. As George Stigler has said,

Regulation and competition are rhetorical friends and deadly enemies: over the doorway of every regulatory agency save two should be carved: "Competition Not Admitted." The Federal Trade Commission's doorway should announce, "Competition Admitted in Rear," and that of the Antitrust Division, "Monopoly Only by Appointment."⁹

In fact, it would be more accurate to describe these governmental activities as creating or sustaining private monopoly power than precluding or reducing it. Of course, this result may have been exactly what some or even most interested parties desired from governmental regulation, though it would have been impolitic for them to have said so. But antitrust activities and the regulation of prices and services within industries, however one views their motivation and results, constitute only a minor element among the multifarious activities undertaken by modern government.

Sometimes arguments in support of the Modernization Hypothesis make much of the population's growing physical proximity. People living cheek by jowl inevitably cause spillover costs; economists call them "negative externalities." Where these occur, third parties unwillingly share the costs of others' transactions. Pollution of air or water is a familiar example. If the legal system fails to define and enforce a private property right over every valuable resource, including air and water, then negative externalities may entail a socially inefficient pattern of production and resource use in the free market. For example, smoke from your factory smokestack may dirty the laundry hanging on my clothesline, yet I cannot make you pay for the damages. From a social point of view, the activity of your factory is excessive because a portion of its true social cost of operation is shifted without consent onto third parties.

Government regulation conceivably can

ameliorate such situations. Whether historically it has done so depends on how the government has framed and enforced its regulations, which has partly determined the magnitudes of the costs and benefits of its interventions. Proponents of the Modernization Hypothesis seem to take for granted that negative externalities historically have been commonplace and significant, that much government activity has been motivated by a desire to rectify such conditions, and that these interventions routinely have succeeded in bringing about a socially more efficient pattern of resource use. Each of these suppositions may be questioned.

No doubt, some significant negative externalities have existed, and some governmental interventions have been motivated by a desire to rectify these situations. Public health regulations furnish the most compelling examples. Contagious diseases generate external costs in a most literal manner; historically they wreaked tremendous harm; and government's public health regulations were generally framed and enforced to bring about a socially more efficient condition.¹⁰ In recent decades, anti-pollution laws and enforcement bureaus such as the Environmental Protection Agency provide examples of the governmental attack on negative externalities, though the framing and enforcement of these environmental regulations raise many questions about their exact intent and the degree to which they have succeeded or failed from a comprehensive social point of view.

In sum, the Modernization Hypothesis has some merit as an explanation of the emergence of Big Government, but its explanatory power is quite limited. Regulation of industrial competition, public health, and environmental externalities account for only a small part of what modern governments actually do. Most of their activities have no plausible connection with the increased complexity of the economy, maintenance of competition, or the spillover costs that attend population concentration.¹¹ Especially in application to the federal level, where governmental expansion has been most pro-

digious in the twentieth century, the Modernization Hypothesis has little to offer.

Public Goods

A somewhat related idea—related because it also may involve nonexclusivity or spillover effects—has to do with public goods. A "public good," in the language of economists, is not simply or necessarily one supplied by a government. Rather, it has the peculiar property that its enjoyment by one consumer does not diminish its enjoyment by another. As economists put it, once the public good has been produced, it has a zero marginal cost of additional use. National defense is the most familiar example. If more protection from external aggression is provided, all citizens share the benefit of enhanced protection equally. My enlarged security does not entail diminished security for any other citizen.

Public goods create an economic problem because, as all consumers share their benefits fully, each consumer has an incentive to avoid paying for them. Each wishes to be the "free rider." Normally, of course, consumers who will not pay for a good cannot enjoy it, because those who do pay can exclude others from sharing in its benefits. For some public goods, however, exclusion is either impossible or prohibitively costly. One cannot defend a nation without defending every citizen in it. Left to provide such nonexclusive public goods in the market, people would provide little or nothing. As everyone held back, hoping to become the unexcludable free rider, no provision at all would be made.

Government can break the stalemate created by the free rider problem. By taxing all—or at least many—of the beneficiaries of a public good, it can obtain the funds to pay for the good. Some thorny issues remain even after government intervenes, because the appropriate level of provision and the apportionment of the tax burden cannot be determined by any straightforward procedure. In practice, the political process determines how much is provided and how

the costs are shared by the citizens.

The Public Goods Hypothesis asserts that during the twentieth century the demand for nonexclusive public goods—chiefly national defense and the technology associated with warfare—has grown and, as only government can meet this demand effectively, government has grown correspondingly. The argument has considerable merit, particularly in relation to the federal level of government, where the provision of national defense is concentrated. Certainly, the twentieth century has witnessed extraordinary international instability and hostility. Two world wars, a host of smaller international conflicts, and the Cold War have elevated the demand for national security far above its nineteenth-century levels. The development of modern military technology has made this enlarged demand enormously more costly to satisfy. Indeed, since World War II an ongoing arms race has meant that the demand for national security can never be satisfied once and for all, as each round of action and reaction alters the requirements for effective deterrence.

Still, notwithstanding its obvious cogency, the Public Goods Hypothesis provides only a partial explanation of the growth of Big Government. Even at the federal level, most expenditures have no direct relation to national defense. The massive outlays for old age pensions, unemployment benefits, medical care, agricultural subsidies, school lunches, and so on and on—not to mention the hydra-headed regulation of everything from children's pajama fabrics to commodity futures contracts—have no connection with national defense or other nonexclusive public goods.

The Welfare State

The counterexamples just mentioned remind us that the United States has developed not simply a Big Government but a welfare state. One may employ still another variant of the Modernization Hypothesis to account for this aspect of the rise of Big Government. Economic growth and the concomitant

socioeconomic transformation have tended in various ways, many of them subtle and indirect, to diminish the social service roles formerly played by such private institutions as families, churches, and voluntary associations. Victor Fuchs has hypothesized that

The fruits of the market system—science, technology, urbanization, affluence—are undermining these institutions, which were the foundation of the social order. . . . With the decline of the family and of religion, the inability of the market system to meet such needs becomes obvious, and the state rushes in to fill the vacuum. [Hence] . . . the growth of government can also be viewed as a substitute for family or church as the principal institution assisting individuals in time of economic or social misfortune.¹²

No doubt the substitution of governmental for private social services has occurred on a wide scale. But Fuchs's remarks leave one wondering about the exact workings of the process by which this vast substitution has been effected, including such critical matters as who benefits, how much and in what forms, and who pays.

Wilhelm Röpke, like Fuchs and many others, viewed the modern welfare state as "without any doubt, an answer to the disintegration of genuine communities during the last one hundred years." But he also recognized that "Today's welfare state is not simply an improved version of the old institutions of social insurance and public assistance." Rather, it has evolved into "the tool of a social revolution" where "taking has become at least as important as giving," and "it degenerates into an absurd two-way pumping of money when the state robs nearly everybody and pays nearly everybody, so that no one knows in the end whether he has gained or lost in the game."¹³ Thus, by a natural, almost inevitable progression, the welfare state has become the redistributive state. Governmental policies for the limited purpose of rescuing the most unfortunate citizens from destitution have merged into governmental policies for the unlimited pur-

pose of redistributing income and wealth among virtually all the groups, rich as well as poor, that constitute society.

Political Redistribution

An attempt to explain how "the state rushes in to fill the vacuum," transforming the welfare state into something vastly more comprehensive and penetrating, is the Political Redistribution Hypothesis. This argument views government as an instrument for the coercive redistribution of wealth. It sees the voters as knowledgeable and self-interested, and the elected officials as highly responsive to clear messages sent them by the voters. The argument has taken various specific forms.

In Allan Meltzer and Scott Richard's version, it maintains that Big Government

results from the difference between the distribution of votes and the distribution of income. Government grows when the franchise is extended to include more voters below the median income or when the growth of income provides revenues for increased redistribution.¹⁴

This version of the hypothesis fits the historical facts poorly. Evidently, extensions of the franchise have had no independent effect on the growth of government, and the most dramatic extensions of governmental power have occurred in periods of stagnant or falling real civilian income, as during the world wars and the Great Depression. Further, to assume, as this version of the hypothesis apparently does, that all governmental redistributions transfer income to lower-income recipients flies in the face of facts too numerous and familiar to require recitation.

Sam Peltzman's version of the Political Redistribution Hypothesis holds that "governments grow where groups which share a common interest in that growth and can perceive and articulate that interest

become more numerous." Here the process of governmental growth is seen as driven exclusively by citizen demands, governmental response being taken for granted. Peltzman further maintains that

the leveling of income differences across a large part of the population...has in fact been a major source of the growth of government in the developed world over the last fifty years [because this leveling created] a broadening of the political base that stood to gain from redistribution generally and thus provided a fertile source of political support for expansion of specific programs. At the same time, these groups became more able to perceive and articulate that interest...[and] this simultaneous growth of "ability" served to catalyze politically the spreading economic interest in redistribution.¹⁵

Unlike the Modernization, Public Goods, and Welfare State Hypotheses, which seem implicitly to assume that government grows by automatically serving a broad but changing "public interest," the Political Redistribution Hypothesis explicitly views the growth of government as the outcome of a political process. That perspective is its chief virtue. But in many of its detailed formulations it characterizes the political process in a highly stylized, grotesquely oversimplified way. It assumes that the size of government is determined exclusively by elected officials seeking reelection. Where are the Supreme Court and the fundamental restraints of the Constitution and conservative public opinion? What roles are the permanent "civil service" officials of the executive branch and the independent regulatory agencies presumed to play?

Certainly the assumption of fully informed voters is untenable and fundamentally misleading. The assumption that the average voter is completely ignorant would approximate the truth more closely. To suppose that the political actors know precisely how an electoral outcome will be linked to a

specific policy action and hence to a particular redistribution of wealth is to push the assumption of complete knowledge to absurdly fictitious lengths. As James Buchanan has observed, "The electoral process offers, at best, a crude disciplinary check on those who depart too much from constituency preferences." Elections occur infrequently. Few citizens possess much accurate information about political issues or the actions of politicians; nor do many citizens have much incentive to inform themselves better. Hence, "almost any politician can, within rather wide limits, behave contrary to the interests of his constituents without suffering predictable harm."¹⁸ Indeed, it is virtually inevitable that the politician will behave contrary to the interests of his constituents even if he wishes to serve them faithfully. Apart from the heterogeneity of constituents' interests, the information problem is simply overwhelming.

The slippage between the interests of constituents and the actions of their elected officials is readily confirmed. The conservative former-Congressman, David Stockman, provided a wonderful example in his notorious confessions: "I went around and cut all the ribbons and they never knew I voted against the damn programs." Congressman Pete McCloskey recently made the same point in recalling his first congressional victory, in a special election in 1967. A post-election survey, designed to demonstrate the victorious candidate's mandate, revealed "that 5% of the people voted for me because they agreed with my views; 11% voted for me even though they disagreed with my views, and 84% didn't have any idea what the hell my views were."¹⁷

Because so much of the political process takes place in a supercharged atmosphere of ignorance, misinformation, posturing, and emotion, interested elites and strategically placed leaders play much more decisive roles than the mass of voters. And ideology probably drives the entire process far more than is admitted by the proponents of hypotheses based on the assumption of well-informed, rationally maximizing actors.

Ideology

Indeed, many scholars maintain what I shall call the Ideology Hypothesis to explain the modern growth of government. Supporters of this hypothesis make strange bedfellows. They include John Maynard Keynes, the patron saint of today's liberals, who asserted that

the ideas of economists and political philosophers...are more powerful than is commonly understood. Indeed the world is ruled by little else. ...[S]oon or late, it is ideas, *not vested interests*, which are dangerous for good or evil.¹⁸

Another firm believer in the force of ideas is Friedrich A. Hayek, a leading intellectual mentor of today's conservatives. He has located the ultimate cause of the abandonment of the market system in "certain new aims of policy," in particular a conviction that government should "determine the material position of particular people or enforce distributive or 'social' justice" by means of "an allocation of all resources by a central authority."¹⁹ Thus, Keynes, who argued in favor of a "somewhat comprehensive socialization of investment," and Hayek, who has devoted a long professional life to combatting socialism of any sort, seem to agree that the growth of government depends ultimately on ideas or, perhaps more accurately, ideologies.²⁰

Ideology, or what some observers more vaguely refer to as public opinion, must have played an important part, at the very least a decisive *permissive* role. As Ortega y Gasset has said, and many others have recognized, "there can be no rule in opposition to public opinion."²¹ If people generally had opposed Big Government on principle, free markets could scarcely have been abandoned as they have been during the past seventy years. One can easily document the drift of public opinion toward the left during the twentieth century.

Public opinion being intangible and immeasurable, one must hypothesize about its

effects with extreme caution. Yet something can be said, especially when one recognizes that opinion *leaders* have the ability to reshape and guide the opinions of the masses. "Public opinion," a political scientist has observed, "is often vague, transitory, and inconsistent. ...In so far as the public is aware of issues, it focuses frequently on issues and topics which have been promoted or popularized by politicians and the media." The opinions of a Walter Lippmann or a Walter Cronkite may do more to shape the prevailing climate of opinion than the opinions of millions of less respected and less strategically situated observers of society and polity. "[I]n a mass democracy," as Röpke has said, "policy has to withstand ...the pressure of...mass opinions, mass emotions, and mass passions," but these are "guided, inflamed, and exploited by pressure groups, demagogy, and party machines alike."²² By concentrating on the ideas broadcast by strategically located elites and specific influential persons, we have a more defensible basis for generalizations about the prevailing ideologies that matter. (Whether the historical twists and turns of ideology among opinion leaders themselves can be explained I consider, at least on this occasion, a moot question.)

Even if the dominant ideologies can be identified, however, one must recognize that, as William Letwin has expressed it, a legislature "is not a factory that mechanically converts opinion into statutes."²³ Just as there is much slippage, as noted above, between the material interests of constituents and the actions of their political representatives, so there is much slippage between the opinions or ideologies of constituents and the actions of legislators or other governmental officials. To understand this slippage would be to understand a great deal of the reality of the workings of modern representative democracy.

A further difficulty is that ideology is not simply an independent variable in the sociopolitical process. Joseph Schumpeter perceived this when he observed that

whether favorable or unfavorable, value judgments about capitalist performance are of little interest. For mankind is not free to choose.... Things economic and social move by their own momentum and the ensuing situations compel individuals and groups to behave in certain ways whatever they may wish to do—not indeed by destroying their freedom of choice but by shaping the choosing mentalities and by narrowing the list of possibilities from which to choose.²⁴

Some may object that this statement goes too far, that it is unjustifiably deterministic, leaving no room at all for ideological voluntarism.²⁵ Still, in this tantalizing reference to the sociology of knowledge in relation to the growth of government, Schumpeter identified a critical question and laid down an analytical challenge that any fully satisfying account will have to answer.

Crisis

A final explanation of the growth of Big Government is the Crisis Hypothesis. This maintains that, under certain circumstances, periods of national emergency call forth extensions of governmental control over or outright replacement of the market economy. Supporters of this hypothesis assume that national emergencies markedly enhance *both* the demand for and the supply of enlarged governmental activity. "At the time of economic crisis," observed Calvin Hoover,

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.²⁶

In American history the most significant crises have taken two forms: war and business depression. At the outbreak of war,

a suddenly heightened demand for governmental provision of a public good, national defense, leads immediately to displacement of market processes of resource allocation in favor of greater taxation, government expenditure, and regulation of the remaining civilian economy. The larger and longer is the war, the greater is the suppression of the market economy. Modern "total" war, widely regarded as a test of the nation's very survival, also encourages a lowering of the sturdiest barriers—primarily Constitutional limitations and adverse public opinion—that normally obstruct the growth of government. In severe business depressions, many people come to believe that the market economy can no longer function effectively and that an economy more comprehensively planned or regulated by government would operate more satisfactorily. Hence, they give greater support to political proposals for enlarged governmental authority and activity. Though to a lesser degree than during wartime, changes in public opinion during depressions may also operate to enhance the supply of new governmental interventions by demanding, approving, or at least condoning facilitative reinterpretations of the Constitution. (Note that once Constitutional barriers have been lowered during a crisis, a legal precedent has been established giving government greater potential for expansion in subsequent *noncrisis* periods, particularly those that can be plausibly described as "crises.")

Governmental expansion historically has been highly concentrated in a few dramatic episodes, especially the world wars and the Great Depression. A major virtue of the Crisis Hypothesis, a virtue that it alone appears to possess, is that it fits well the main

contours of the historical record. To employ the hypothesis to best advantage, however, one must look beyond the crises themselves. One must discover why the expansions of governmental power during the crisis do not disappear completely when normal socioeconomic conditions return. And one must explain why crises led to upward-ratcheting governmental powers in the twentieth century but not in the nineteenth, which had its own crises. Accounting for this difference requires that some of the other hypotheses be brought into play as complements of the Crisis Hypothesis.

Conclusion

Big Government in the United States has various sources. Obviously, not all are equally important, but scholars have yet to develop analytical procedures for determining with any precision their relative importance. Given the intricate interdependencies among the various sources, such a determination may not make sense even conceptually, much less in empirical application. Ameliorating negative externalities, providing nonexclusive public goods, stretching a safety net beneath the most unfortunate citizens, redistributing income and wealth, pursuing the elusive goals of influential ideologies, reacting to crises—such are the activities of modern Big Government. These manifold activities respond differently to any particular stimulus or obstruction. Those who believe that government has grown too big cannot combat it successfully with any single weapon. And unless they come to appreciate better its historical sources, they are unlikely to deflect its future evolution very much.

1. Ludwig von Mises, *The Ultimate Foundation of Economic Science: An Essay on Method* (Kansas City: Sheed Andrews and McMeel, 1978 [1962]), p. 98.

2. James Willard Hurst, *Law and the Conditions of Freedom in the Nineteenth-Century United States* (Madison: University of Wisconsin Press, 1956), pp. 3-32 and *passim*. See also Lawrence M. Friedman, *A History of American Law* (New York: Simon and Schuster, 1973), *passim*.

3. Useful general accounts of the growth of American government in the twentieth century include Solomon Fabricant, *The Trend of Government Activity in the United States since 1900* (New York: National Bureau of Economic Research, 1952) and Jonathan R. T. Hughes, *The Governmental Habit: Economic Controls from Colonial Times to the Present* (New York: Basic Books, 1977), pp. 126-242. The most revealing descriptions of the vastly enlarged scope of modern government,

- however, have been produced not by scholars but by the authors of "helpful guides" for citizens seeking governmental benefits. Two mind-boggling examples are William Ruder and Raymond Nathan, *The Businessman's Guide to Washington* (New York: Collier Books, 1975) and Roy A. Grisham, Jr., and Paul D. McConaughy, eds., *The Encyclopedia of U.S. Government Benefits* (New York: Avon Books, 1975).
4. Jose Ortega y Gasset, *The Revolt of the Masses* (New York: Norton, 1957, twenty-fifth anniversary edition [1932]), pp. 119-121. Ortega y Gasset recognized (p. 122) that "for all that the State is still composed of the members of that society," but a few lines later he wrote of "what State intervention leads to: the people are converted into fuel to feed the mere machine which is the State." Perhaps these passages illustrate only the dangers inherent in highly metaphorical writing.
 5. Calvin B. Hoover, *The Economy, Liberty, and the State* (New York: Twentieth Century Fund, 1959), p. 373.
 6. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (New York: Modern Library, 1937 [1776]), *passim*; F.A. Hayek, *Law, Legislation and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy*, Vol. I, *Rules and Order* (Chicago: University of Chicago Press, 1973), pp. 35-54, esp. pp. 50-51, and *passim*. See also Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980), esp. pp. 214-223.
 7. This thesis is developed by John Kenneth Galbraith, *American Capitalism: The Concept of Countervailing Power*, 2nd ed. (Boston: Houghton Mifflin, 1956), esp. pp. 135-153 on "Countervailing Power and the State." Lenin's statement is from *Imperialism: The Highest Stage of Capitalism*, new rev. trans. (New York: International Publishers, 1939), p. 17.
 8. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy*, 3rd ed. (New York: Harper and Row, 1950), pp. 81-106; Israel M. Kirzner, *Competition and Entrepreneurship* (Chicago: University of Chicago Press, 1973), esp. pp. 125-131.
 9. George J. Stigler, *The Citizen and the State: Essays on Regulation* (Chicago: University of Chicago Press, 1975), p. 183 and *passim*. For a survey of studies of a wide variety of regulatory programs, see Thomas K. McCraw, "Regulation in America: A Review Article," *Business History Review* 49 (Summer 1975), pp. 150-183 and Bernard H. Siegan, *Economic Liberties and the Constitution* (Chicago: University of Chicago Press, 1980), pp. 283-303.
 10. Edward Meeker, "The Social Rate of Return on Investment in Public Health, 1880-1910," *Journal of Economic History* 34 (June 1974), pp. 392-421.
 11. Thomas E. Borcherding, "The Sources of Growth of Public Expenditures in the United States, 1902-1970," in Thomas E. Borcherding, ed., *Budgets and Bureaucrats: The Sources of Government Growth* (Durham: Duke University Press, 1977), p. 53. See also the sources cited in note 3 above, especially the "helpful guides."
 12. Victor R. Fuchs, "The Economics of Health in a Post-Industrial Society," *Public Interest* (Summer 1979), pp. 19, 13. For some provocative variations on this theme, see Robert Nisbet, *Twilight of Authority* (New York: Oxford University Press, 1975), esp. pp. 230-287.
 13. Wilhelm Röpke, *A Humane Economy: The Social Framework of the Free Market*, trans. Elizabeth Henderson (Chicago: Henry Regnery, 1971), pp. 156, 164-165. See also Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven: Yale University Press, 1982), p. 174.
 14. Allan H. Meltzer and Scott F. Richard, "Why Government Grows (and Grows) in a Democracy," *Public Interest* (Summer 1978), p. 116. See also, by the same authors, "A Rational Theory of the Size of Government," *Journal of Political Economy* 89 (October 1981), pp. 914-927. The latter article measures the size of government by the share of income redistributed. Given the multitude of indirect as well as direct ways that governmental policies effect redistributions, this measure is obviously nonoperational and hence the hypothesis cannot be tested empirically.
 15. Sam Peltzman, "The Growth of Government," *Journal of Law and Economics* 23 (October 1980), p. 285.
 16. James M. Buchanan, "Why Does Government Grow?" in Borcherding, ed., *Budgets and Bureaucrats*, p. 13. See also Buchanan's *Limits of Liberty: Between Anarchy and Leviathan* (Chicago: University of Chicago Press, 1975), pp. 156-161; Siegan, *Economic Liberties and the Constitution*, pp. 91, 265-282; Olson, *Rise and Decline*, p. 52; Graham K. Wilson, *Interest Groups in the United States* (Oxford: Clarendon Press, 1981), pp. 110, 117, 125; Thomas R. Dye and L. Harmon Zeigler, *The Irony of Democracy: An Uncommon Introduction to American Politics*, 5th ed. (Monterey: Duxbury Press, 1981), pp. 193, 196, 362, 364, 367; Brian Barry, *Sociologists, Economists and Democracy* (Chicago: University of Chicago Press, 1978), pp. 127, 135.
 17. William Greider, "The Education of David Stockman," *Atlantic Monthly* 248 (December 1981), p. 30; "Pete McCloskey: Trying to Run on the Issues," *Wall Street Journal* (June 3, 1982), p. 22.
 18. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt, Brace and World, 1936), pp. 383-384 (emphasis added).
 19. Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), pp. 231-232.
 20. For further discussion of ideology in relation to the changing role of government, see Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981), pp. 45-58 and *passim*. For some interesting, if not entirely compelling, econometric tests of the Ideology Hypothesis, see James B. Kau and Paul H. Rubin, *Congressmen, Constituents, and Contributors: Determinants of Roll Call Voting in the House of Representatives* (Boston: Nijhoff, 1982), *passim*. For a

painstaking scholarly treatise on the concept of ideology, see M. Seliger, *Ideology and Politics* (New York: Free Press, 1976).

21. Ortega y Gasset, *The Revolt of the Masses*, p. 128. See also p. 126.

22. Wilson, *Interest Groups*, p. 11; Röpke, *A Humane Economy*, p. 142. Ortega y Gasset agreed that "The majority of men have no opinions, and these have to be pumped into them from outside...." Also, "Under universal suffrage, the masses do not decide, their role consists in supporting the decision of one minority or another." See *The Revolt of the Masses*, pp. 128-129, and 48.

23. William Letwin, *Law and Economic Policy in*

America: The Evolution of the Sherman Antitrust Act (Chicago: University of Chicago Press, 1965), p. 54.

24. Schumpeter, *Capitalism, Socialism, and Democracy*, pp. 129-130.

25. Hendrik Wilm Lambers, "The Vision," in Arnold Heertje, ed., *Schumpeter's Vision: Capitalism, Socialism and Democracy after 40 Years* (New York: Praeger, 1981), p. 120; Herbert K. Zassenhaus, "Capitalism, Socialism and Democracy: the 'Vision' and the 'Theories,'" in *ibid.*, pp. 189-191.

26. Hoover, *The Economy, Liberty, and the State*, pp. 326-327. See also Robert Higgs, "The Effect of National Emergency," *Pathfinder* 4 (April 1982), pp. 1-2.

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