Against the State
Guest: Robert Higgs
December 16

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WOODS: There's so much to talk about with somebody like you, who's been writing so much, and speaking so much over the course of his life, but I want to start off with a little bit regarding the connection between war and government growth. And I want to play devil's advocate.

Suppose I look around the world. I look at Canada. I look at Mexico. Or I look at the South American countries. Most European countries. Almost none of them really have substantial military establishments that would compare to that of the U.S., which pretty much dwarfs the rest of the world. And yet, they all have very, very substantial public sectors. They have very, very big governments.

So, if everybody basically winds up with a big government—after going through the twentieth century, everybody wound up this way—couldn't you make the argument that, war couldn't have played that big of a role in the growth of government after all, because everybody—big military or not, lots of wars or few wars—winds up as a big government?

HIGGS: You could make that argument, Tom, but you'd have to ignore the history of how those various governments came to be as big as they are today.

One of the things that happens in modern war, wars like those in the past century or so, is that, of course, the government mobilizes a large part of the economy for warmaking, often adopting the more or less centralized control of, if not all resources, at least a large part of them, and controls prices, and in many cases—in the world wars, for example—it conscripted workers on a very large scale, and so forth.

Now that looks like the sort of thing that, all right, it creates big government during the time that the war is going on, but the war ends, and then those things go away. And, in any event, even if they don't go away completely, it is still just military-related aspects of government controls.

But what has actually happened in the war emergencies, especially during the two world wars, is that, during the war, government doesn't simply expand along strictly military lines. In fact, the tendency is to expand almost across the board, so that opportunists of various kinds take advantage of the wartime situation, which reduces the normal obstruction and resistance that government faces when it seeks to expand, reduces them in a way that allows non-war-related interests to obtain what they were probably seeking for a long time beforehand.

When you come out of the war, you've got a lot of things that have grown in government, many of which are not going to simply go away because they can't be justified anymore. The war is over now. They will look as if, in fact, having gotten underway during the war, or greatly strengthened or enlarged during the war, then the end of the war provides all the greater reason for keeping them and making them even bigger than they were.

So, I think, when people look at what actually has happened historically, they see that warfare and welfare as state activities, in some general sense, have tended to go together. You see that, for example, in the greatest welfare states. People have often pointed out to me that Sweden has a very large government, as these things are usually measured, and yet Sweden was not even a belligerent in the world wars. And that is true.

However, what did happen during the world wars in Sweden is that the Swedish government prepared to be a belligerent, and so, even though it didn't fight, it did the very same things that were being done by the governments that were belligerents in those wars, and with the same results. So Sweden ended up with a huge welfare state.

But of course, so did France and Germany and practically all the other western European countries. And, with a little bit of a lag, so did the United States, Canada, Australia, New Zealand, and other places where the European civilization had been expanded abroad.

WOODS: You know, I started off wanting to talk more about war specifically, but talking about the welfare state, this prompts just a series of questions in my mind.

There are a couple of different ways we can look at the welfare state in general. We can look at the welfare state as a benign thing that's introduced by well-meaning people and it just happens to go wrong. People just happen to become dependent on it. This was no part of the intention, but that's what happens.

Or it could be that the welfare state was intended to work this way. There were sinister intentions behind it. Like Bismarck, it architects wanted the people to become dependent on the regime. That's why they created the welfare state.

This whole thing is a subset of a more general disagreement that we might identify with Murray Rothbard and David Friedman. If you read Rothbard's essay "Anatomy of the State," he takes very much the sinister view. The state wants to advance its interests. The individuals who are part of it want to expand their power, and they do so by monopolizing certain power centers in society. David Friedman doesn't find it persuasive that state officials are all sinister, and they are all just entirely self-interested. His view is that, probably, most state officials believe that, without the state, things would be much, much worse for everyone.

So, is it possible to reconcile these two views? Or do you come down more on one side than the other?

HIGGS: I think there is obviously an element of both going on historically, in the West, at least. And there's no gainsaying that many of the friends of the welfare state over the past century or century and a half were sincere believers in it.

At the same time, it's pretty easy to see that, as I mentioned earlier, the war provides a golden opportunity for opportunists of all kinds, including those who have been trying to create or expand a welfare state. In a lot of cases, especially in European countries, many of the welfare state government type of actions or programs that came into being during wartime were put there as a way to placate people for their suffering, for the costs they were bearing while government transferred so many resources from butter to guns.

Along with that attempt to placate people—to say, "all right, I know we've used all the lumber to build shipyards, so there's no lumber to build apartments for the shipyard workers to live in"—they've created things like daycare centers for their workers' kids. They've created government housing for the workers to live in. And, of course, once you do something like that, you create a precedent. You give people new ideas, and you soften up people who wouldn't have liked those kinds of government programs before, because you can always go to them and say, "Look, we did this during the war and it worked pretty well. We can do it even better in peacetime." And all those things have happened historically.

I think one needs to view this process not as an either/or matter, but as a process of reciprocation, of these two kinds of people and these two kinds of motives interacting constantly with one another.

WOODS: Well, it's easy to imagine how these kinds of people can persuade the public that the welfare state is a benign thing, because, of course, we are just trying to provide for your material needs. But they've even tried to persuade them that for all the sacrifices that people have to make during wartime on the home front, it sure gets the factories churning out goods, and it gets people employed. It's got people persuaded that war is actually a net benefit for them.

Now, do you think, in your corpus of work, there is any subject where you have had a bigger influence? I think now people who still say World War II was a boon for the economy are either ignorant of the scholarly literature or dishonest.

Do you think that's your most lasting contribution in terms of not just influencing libertarian minds but also the mainstream?

HIGGS: I really don't know, Tom. I've had some effect there, I think, in arguing against the kind of vulgar Keynesian idea that war got the U.S. economy out of the Great Depression. But even there, it's pretty obvious to me that my influence has been very spotty. I think I have had some influence among the academic economic historians. But, if you look at the macroeconomists and the mainstream who write about the Great Depression, my work is almost unknown to

them, either because they ran across it and thought it was not worth taking into account, or because they just never ran across it.

I think some people don't really understand the extent to which a macroeconomist in a top university lives in a very tightly enclosed universe of scholarship and research. It's a relatively small handful of people who are writing papers aimed at one another, basically, and they are trying to do things like use new techniques, and they are trying to show off that they've been able to solve some technical problem that has arisen in econometrics, or something of that sort. They're not reading the historical literature on the Depression or World War II. Most of the time, they know almost nothing about it, other than the statistical theories they can pull off a standard database, like one that the St. Louis Fed maintains. And that won't really tell you anything outside of, again, that very narrow framework of thinking about what was going on.

I know it's probably hard for people outside the profession of economics to believe that people can be so blinkered, but they really are. I think to this day if you took a random sample of people who teach and do research in macroeconomics and just ask them, "Have you ever heard of Robert Higgs?" I think probably not more than five percent, if that, would say yes. And if you asked them, "What do you think of his ideas about World War II in relation to getting the economy out of the Depression?" I think you would just draw almost a universal blank.

I don't think they know this kind of argument at all, and if it were put in front of them, I think they would dismiss it because it doesn't just hew the typical line that macroeconomists hew about what kinds of data they look at and what they think they mean or don't mean. And that's a big part of my argument, basically quarreling with the national income and product accounts and saying this is baloney. Of course, when the government comes to suddenly spend almost fifty percent of the GDP, yeah, GDP is going to balloon up. So what? What does it mean? What are you getting for that? But those aren't the kinds of questions economists in general, and macroeconomists in particular, are interested in asking or answering.

WOODS: What is it exactly—I don't know, philosophically or economically—that you need to break down in their heads in order to get them to understand your point, which seems so clear to the rest of us?

HIGGS: I think in a way it's impossible, Tom, because as long as they view the national income and product account as the data, they are never going to understand the heart of my argument. One of the main reasons why they haven't bothered to even look at it, I'm sure, is that when a macroeconomist looks at a piece of work, he is expecting to see a formal mathematical model and a bunch of econometric exercises, and that's not the kind of work I did on this issue. I did it in other parts of my career on other issues, but I didn't do it on the effects of World War II on the economy. So, they look at it and they say, "Mmm. No model. No econometrics. Nothing." That is the way they evaluate research: You've got no model; you've got no econometrics; you've got nothing.

WOODS: On the other hand, people can actually read what you write. You know, there is still an old-fashioned benefit to that, if you ask me. Well, once you and I finish chatting, I will leave people with the URL for a special page where I've put up links to your work on this so they can follow exactly what your argument is. [TW note: the link is LibertyClassroom.com/war.]

I want to shift gears a little bit because I'm very interested in the evolution of Robert Higgs as a thinker over the years. I first read *Crisis and Leviathan* in the early 1990s, and I was very, very interested in it, so I've been following your work ever since. I read your initial article on the World War II question, and I just kept on following it. But, then, if I read your blog posts today, or if I read your Facebook updates, it's like, if not a different person, a much more in-your-face-anti-state person.

So, what has changed in your thinking? Is it that you look at the world differently, or is it the world has become so grotesque that it made you go back and say, "You know what, I used to be willing to give the state a little bit of quarter," or, "I was willing to allow the state this and that, but now, given the experiences I've had observing the world, I just can't give them even that anymore?" What happened in your mind?

HIGGS: I think your latter option there is pretty close to what happened in my thinking, Tom.

Part of what colored my original work in political economy, which really started in the broad sense in the early 1980s, was participation in the academic debates that were involved in this issue.

My colleague at the University of Washington, Douglass North, was regarded as the expert, or at least one of the leading experts among economic historians, in the interplay of government and the economy. Doug and I, back in the '70s, used to talk about some aspect of this almost every day, and finally, I developed my views to the point where I thought, well, now, I'll try actually writing something that will make a professional contribution in this area. And, when one does that, of course, one has to situate his own articles and books relative to the existing scholarly work. But, by doing that, one confines himself, and one allows, as it were, the previous researchers to set the limits and define the terms of the debate. At that time, I was much more inclined, therefore, to take seriously a lot of the orthodox explanations for the growth of government. Things related to governments dealing with externalities and provision of public goods and blah, blah, blah. All the ways in which government is alleged to have responded to so-called market failures.

With the passage of time, with more and more research into how various government activities and programs actually got started, how they were perpetuated and enlarged, it became obvious to me that these standard ways that the economics professionals were approaching the issues were just irrelevant. They had almost nothing to do with the actual history of the growth of government. And at the same time, the more I learned about government, the more difficult it became for me to take seriously all of the public interest claims that political actors, both the politicians themselves and the people who are seeking various policies and laws, were

making. Claims about how the public interests would be promoted. It became more and more obvious that almost everything the state does is an attempt to aggrandize its own leading actors and to transfer wealth from a looted class to a looting class.

Of course, this is all bound up with ideology, because you can't just go out in public and tell people I want this program because it's going to enrich and empower me, and allow me to enrich my cronies who support me for political office. That doesn't feed the baby politically. So you have to go out and cover everything in a fog of ideological obfuscation. That's the kind of fog in which political discourse is constantly submerged, and it makes it more difficult to cut through who's doing what, why. But if one is serious about his scholarship, you can eventually, I think, get a much firmer understanding of who's doing what and why.

When I did that, it led me to almost totally abandon any ideas I'd started out with about government as a solution to any kind of real problem. To be Reaganesque about it, government is the problem, regardless of what part of the social landscape, economic landscape you look at, almost everything that's wrong there would be better if government hadn't been involved. So, I think, if one is serious about history and serious about learning enough economics to interpret history, then it becomes almost impossible to put a smiley face on the state and its growth, and that's what happened to me.

And of course the state does so many, many things that are simply outrageous and cruel and barbaric and savage that, you know, what kind of person wants to support that kind of organization? It's just a bunch of criminals at the top, and on the supporting areas. And, of course, many decent people get dragged into this. They are lost in the ideological fog. But the movers and shakers are not lost in the fog. Most of them know what they're doing. They're aggrandizing themselves. They're accumulating power. And they're enriching themselves and their cronies.

WOODS: All right. I think I'm understating the case then, when I say your view on politics is one in which politics—running for office and getting elected and voting for people—is unlikely to solve our problems. I'm pretty sure I'm on solid ground there.

So, let me ask you then, if politics is more a waste of time or a distraction, then what kind of theory of social change do we entertain to imagine how, without politics, we make the transition away from the statist system to something more humane? Or is it, indeed, even possible to imagine a transition away from the current system?

HIGGS: It's possible. You know the fact that the development of statism and the apparatus of the state has become so gargantuan doesn't guarantee in any way that it will last forever. If the state leaders are so obtuse, and I think they can be so obtuse, that they push beyond the limits of what can be borne—that is, they push the economy and the society into a situation where the government's domination results in a mass impoverishment, then I think we can fairly easily imagine rebellion—if not overthrow of the whole system, a very substantial recasting of it. Perhaps that's what happened in the Soviet Union.

But in any event, one can certainly imagine that the current system will not simply get worse and worse forever. I do think it's going to get worse in the United States for quite a long time before there's some kind of reaction against it that will be substantial. Along the way, I expect to see a lot of ebb and flow around the edges, but ultimately, it's going to threaten the goose that laid the golden eggs, propping all these politicos and their cronies up. And at that point, something more serious will have to happen.

Meanwhile, for those of us who must live in the midst of this mess, I really think it's a much better bet for people to look at this situation not from a societal perspective, not from a "how can we change the system?" perspective, but from the perspective of, "What can I, as an individual, with my family, do to wriggle out from under, avoid, evade, escape, beat the system? How can I actually do something that's open to me right now, or can be made open to me in some way? What can I do?"

I just think politicking is a lost cause in the current context. The American people and the people of western Europe are sunk in statist thinking, and it's just such a long, odd project to suppose that we can somehow educate them, or open their eyes in a way that will be politically productive, that I think people really owe it to themselves and their families to start looking around at how they can walk away from this system, to do whatever is necessary to avoid its harmful effects on them and their families.

WOODS: Well, after an answer like that, I'm afraid this final question is anti-climactic, but before letting you go, I did want to know from your point of view as a scholar, are there any areas in economic history, or indeed economics or history separately, that you'd like to see young scholars focus on, where there's good work to be done that may have, indeed, some libertarian implications?

HIGGS: Oh, I think there are many, many areas of research that young people can launch into. I still believe that World War II, where I did a good deal of work myself, has a tremendous number of possibilities connected with some aspect of it for research, because the government was so big during the war and did so many things.

Also, World War II was extensively documented. There were millions of clerks in the government during the war, keeping records eight at a time, and so there's a lot of evidence and information available, along with seeing standard things, such as memoirs and newspapers and what have you. But there are a lot of agency relics in the archives now that researchers could use. So I think World War II is a very important area where good research can be done and should be done.

But there are also many areas connected with the postwar economy that also cry out for more work because, for a long time, the work was just what economists did on current events. But that work, as I've suggested already, was colored and confined by what was the orthodox approach of economists, and one can certainly go back and redo that from a more intelligent

perspective. Go back, for example, and look at the development of the welfare state in the 1960s and early ’70s from a more Austrian economics perspective, from a more realistic political economy perspective, rather than this old standard mainstream macro/market-failure perspective that has been the main way in which economists, and following them, the mainstream economic historians, have dealt with that material.

And, of course, there are many, many others. I know your listeners don’t want to hear me go on about all the opportunities for good research, but those two certainly are candidates.