How World War I Changed America
Guest: Robert Higgs
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Robert Higgs is the author of numerous books, among them **Crisis and Leviathan: Critical Episodes in the Growth of American Government.**

WOODS: You gave a talk at the Mises Institute just last week on the more general subject of the relationship between war and the growth of government. I think this is something that people instinctively get but maybe can't name a whole lot of specific examples. Can you?

HIGGS: I could probably name them as long as you want to listen, Tom. As it turns out, in U.S. history the fount of most such examples does happen to be World War I. Of course, we can find some things in the War Between the States that had lasting effects even in peacetime, but not on the scale or significance that the actions taken during World War I had. So we could start with something quite fundamental, I think, which would be income taxes. Of course, the federal income tax is authorized just before World War I broke out in the United States. In the beginning that was viewed as a kind of offset to reductions in tariffs, and its proponents argued that it would never be a big deal for anybody except the very, very rich. And indeed when it was first levied in 1914-15, it didn't affect most people at all. In fact, well over 90% of the American people had no federal income tax liability in the beginning, and even the rich people didn't pay a huge amount because the top rate was 7%, and hardly anybody in the United States earned enough to be in that top rate. So that's where we started, but all that changed massively as soon as the United States got involved in the war. By 1918 many, many middle class people were required to pay income tax and pay at substantial rates, much higher than the old top rate for the rich, and the top rate itself had gone all the way from 7 to 77% in 1918. So there was a huge lurch in the application of income taxation to the American people, and even though after the war ended there were reductions in federal tax rates when Secretary Mellon was in charge of the Treasury, the rates never came anywhere near where they had been before the war. And then, of course, they started going back up again in the '30s and even more in the '40s. So we see this huge ratchet effect in World War I on the significance of federal income taxation. And you don't have to be a rocket scientist to see that many other aspects of the growth of government flow from that particular change.

WOODS: When we look at the 1920s, we get a lot of free market people who say, look at how wonderful Harding and Coolidge were. They got the income tax rates down—the top marginal rate down first to 40, and then all the way down to 25%, and isn't this great. But that obscures the point that you're making here, which is the top marginal rate had been 7, and it's nearly four times as great by the time they're done with their tax reforms, and we're cheering this. It reminds me of *1984*, in which they reduced the chocolate ration, but in the newspapers they say the chocolate ration has been increased and everybody is happy.

HIGGS: (laughs)

WOODS: All right, what about the civil liberties angle during World War I? It seems like it's worse in World War I than in World War II.

HIGGS: I think it was in many respects. Civil liberties were virtually abolished, I think it's fair to say, during 1917 and even more in 1918 after passage of the Sedition Act, which was an amendment to the previous year's Espionage Act. Sedition, of course, is a concept that is almost foreign to Americans, or was at least before World War I. The idea that mere criticism of the government or emblems or symbols would be punishable by law was deemed outrageous, but that is precisely what the Sedition Act of 1918 did by criminalizing such innocent things as people's negative remarks about the flag or the uniform of the armed forces as well as their remarks expressing disapproval of the draft or any other actions the government was taking in connection with the war. So the First Amendment rights, insofar as they had anything to do with speech, or press, or petition for redress of grievance, or any of that stuff, went totally out the window. President Wilson was draconian in this regard, even though he's an icon of progressives. He was horrendous on civil rights any way you can slice it. So we had as a result of that some challenges in the courts. We had some outrageous rulings in cases such as the *Schenk* case in which another great hero of the left, Oliver Wendell Holmes, Jr., declared that basically in wartime the government could criminalize any form of speech it felt like, and that was all hunky-dory constitutionally.

This was a terrible precedent, and it's been hovering over the court's rulings, and of course, the lower-level federal courts' rulings ever since, because many of these actions the government took to suppress civil liberties during World War I were never taken off the statute books, or certainly never effaced from the records of the court. So they've lain there ready to be used again. Just recently we've seen attempts to use the espionage act against Edward Snowden, for example. So beware of doing something bad. You'll probably never get rid of it.

WOODS: Now, you've talked about the ideological legacy that is left in the wake of World War I. There seems to be a connection between World War I and the New Deal. I think sometime earlier this week I made the analogy that in the same way that we hear if we can put a man on the moon, than we can do X, Y, or Z, the same kind of thinking seems to come out of successful wars. If we can defeat the Germans, then surely we can defeat poverty, or whatever it is. But

there's an even greater connection between World War I and the New Deal. You've written about this in *Crisis and Leviathan.*

HIGGS: Yes, and before I wrote about it, William Leuchtenberg, who may have been one of your professors, for all I know, wrote a classic article on the World War I precedents for actions taken and institutions created in the New Deal. There are many, many of them. You can track everything from, say, the War Food Administration up to the Agricultural Adjustment Act and its powers. You can track the War Finance Corporation up to the Reconstruction Finance Corporation. You can just go on and on and on showing that virtually everything the Roosevelt Administration did, and before that, many of the actions taken by the Hoover Administration, were direct reproductions of actions the Wilson Administration took during World War I. In some cases, for example, they took the old loan application forms for the War Finance Corporation, and they just crossed out on the form War Finance Corporation and wrote in in pen Reconstruction Finance Corporation, and that's how the RFC got started making loans. So you could hardly have had a more obvious piece of evidence that the latter agency was the direct descendent of the former.

WOODS: When I look back at World War I, it seems like another world, really. It seems like a completely different America. You had both Woodrow Wilson and Teddy Roosevelt favoring intervention. So that's the allowable spectrum of opinion. You're allowed to be somewhere between Wilson and Teddy, and they both favor intervention. And yet, despite all the propaganda in favor of intervention, they had to resort to the military draft to make it work. They had to have people on the street corners shouting out propaganda speeches through bullhorns. It was hard to get the public on board. When they finally came on board, by the time it was over, they were already disillusioned by it. They elected Warren Harding, the anti-Wilson, in 1920. They had totally turned against it by the '20s and '30s. So it's not just a story of World War I changed America forever. Americans didn't really go along with it. They didn't go along with this transformation. They resisted it the best they could. So it's not just an easy, little story of World War I made America interventionist, right?

HIGGS: It's much more complicated than that, Tom. There was a tremendous amount of opposition to the war, certainly before the war. All the evidence indicates that the great majority of Americans were opposed to American entry into the war. It had been going on for two and a half years before the United States declared war, and in some ways you can describe the pro and antiwar factions of 1916 through 1918 as mirroring class differences in the United States. I like to talk about what I call the respectable classes. This is not necessarily lined up with Republicans or Democrats. It's broader than that. But the wealthy people, the J.P. Morgan crowd, they were gung-ho for war from the very beginning. A lot of people in the upper crust throughout the country were in favor of it, although the Midwest tended to be more opposed. But on the other side you had huge groups of people—workers' movements, pacifist movements, even a lot of farmers in those days were antiwar. And so you had huge numbers of people that didn't want anything to do with the war, and at the same time the people with the

strongest grip on public opinion—the newspaper editors, the people who run magazines, the people who have the public's ear—were either in favor of the war or could be whipped into coming over and favoring it as the celebrities were in these three-minute men speeches on the street corners. So there was a lot of opposition, and it was partly to deal with that opposition, and, in a way, to put the whip to people the respectables already wanted to put the whip to, under the excuse of their having obstructed the war. But this war quickly soured, as you say. Almost as soon as it ended, people began to see what a gigantic mistake it was. Even many of the respectables came over and saw that they had been mistaken. But for that period in 1917 and 18, and 19, the degree of hysteria the government managed to whip up with the assistance of the respectable class was unlike anything I think ever seen before or since in the United States.

WOODS: Bob, what was it like being a German-American during World War I?

HIGGS: Well, it was horrible. Years ago when I was still a graduate student, I was doing some research, and I happened on a list of savings institutions in the city of Baltimore. And there were in those days hundreds of them, because all the immigrant groups established these things, and it was the common way for the working class to save money. There were a lot of them called things like the German-American Savings Bank of such-and-such street. And I was looking through the list over the years and discovered that all of these, the German-American Savings Bank, seemed to have disappeared utterly at sometime during the war. And obviously what had happened is if they hadn't closed down, they had changed their names. That went along with the things like suppression of the teaching of German language in school, even idiotic things such as suppression of playing compositions by Beethoven, or Bach, or Brahms, or German composers at concerts. The extent of idiocy carried out in the name of the war during 1917, 18, is almost unimaginable now.

WOODS: Of course we recall the famous example from the Iraq war of "freedom fries," but that just goes back to calling sauerkraut "liberty cabbage" during World War I. And in defense of poor Congressman Walter Jones, who has completely reversed course in a heavily military district. He's joined the board of the Ron Paul Institute for Peace and Prosperity. He has had unbelievably choice words for Dick Cheney. He's not a libertarian, but I deeply respect somebody who was so wrong, who stands to gain nothing from coming forward and saying, not only was I wrong, but I am going to oppose everything these people do in foreign policy from now on. That's such a rare thing to see in the world. Normally, you stick by your idiotic intervention come hell or high water.

HIGGS: Yeah, of course, most people want to sweep their idiocy under the rug after the fact when it comes to be seen for what it really was, so you know, certainly someone like Walter Jones deserves a lot of credit for moving in the right direction and as you say, at considerable cost to him.

WOODS: Now, Bob, I don't know how you feel about contrary-to-fact history, or counterfactuals in history, but it's hard not to think about what America might have looked like without World War I. Have you ever thought about that?

HIGGS: Yeah, I have thought about it, but it's almost impossible to formulate a counterfactual because World War I had so many effects on so many different aspects of economic, political, and social life in the United States as well as world affairs, of course. It's always wrong to say anything changes everything, but if we could ever use a statement like that, World War I is probably as good an occasion to use it as any I can think of. And as important and significant as this event was for the United States, it was of course even more significant and more of a watershed in world history, especially European history. So I think people now have so much distance between them and the event—100 years—and it's no longer part of their family tradition, or stories, or anything like that. It's strictly history book stuff. So they don't understand really what a crucially important change this was in the course of history.

WOODS: Well, Bob, I appreciate your time today going over some of this with us. Tomorrow we're going to bring Hunt back on. We're going to talk about, as you say, the effects of this war on the world, which were just as bad and catastrophic, and we're going to talk about the effects on the Middle East. In the headlines today, we're still living with so much this legacy, and it was, as you say, a legacy that was brought on by the respectables. You would think these people would have the decency to, I don't know, retire to a monastery for a while, or shut their mouths, but the worse they do, the more they want to gab, and the more they want to carry on.

HIGGS: Yeah, God save us from the respectables, Tom.

WOODS: Indeed, indeed. Well, Bob, thanks again, I want to urge everybody to check out *Crisis and Leviathan*, your classic book as well as all the works that you have done that I told people about at the beginning over the years. We are very much in your debt, and thanks again for your time.