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When the war ended in the late summer of 1945, the United States entered a new era in its economic and political history. During the preceding sixteen years, the American people had endured first twelve years of economic depression, then four years of wartime economic privation and regimentation. Those sixteen years had composed a seemingly endless era of national emergency, to which governments at all levels, but most strikingly the federal government, had responded in unprecedented ways. Consequently, as the postwar era began, the size, scope, and power of governments in the United States greatly exceeded their magnitudes in the "good old days" before the onset on the depression. Although some of the emergency measures had already been terminated or soon would be, many persisted, sometimes under a new name or lodged in a different agency. In countless ways, an era of permanent Big Government had arrived.

Nowhere was the role of government magnified more than in international affairs. Traditionally, the United States had pursued a relatively modest foreign policy, complying for the most part with Washington and Jefferson's advice to steer clear of entangling alliances and, especially, of the endless quarrels among the great European powers. Although the United States had gained overseas colonies from the Spanish-American War and although Woodrow Wilson's intervention in World War I had constituted a highly significant deviation from the country's traditional foreign policy, still, even on the eve of World War II the great majority of Americans favored a policy of neutrality, peaceful commerce with the people of all nations, and avoidance of military interventions abroad. The war, however, shattered the old convictions and arrangements irreparably.

The United States emerged from World War II as the world's richest and most militarily powerful country, and its leaders soon determined to follow a long-term policy of global military engagement in pursuit of perceived "national security." In 1947 President Harry S Truman declared what would become known as the Truman Doctrine, an open-ended pledge to assist virtually any government threatened by communists, whether from within or without. To secure the U.S. position in Europe, the U.S. government devised the Marshall Plan and entered into the North Atlantic Treaty, the first formal U.S. alliance since the one with France during the American Revolution. The Berlin crisis in 1948, the Communist victory in China, the Soviet nuclear test, and the establishment of the North Atlantic Treaty Organization (NATO) in 1949, and the outbreak of the Korean War in 1950 tipped the balance permanently in favor of a policy of active global containment and deterrence of the USSR. Henceforth, for the next four decades, there would be no distinct peacetime and wartime, but instead a continuing Cold War punctuated by episodes of all-too-hot conflict in Korea, Vietnam and, on a smaller scale, many other places. Maintenance of the postwar warfare state had tremendous repercussions on all aspects of American life--economic, political, social, and cultural (Sherry 1995, Leebaert 2002).

Paralleling its vastly enlarged tasks as an international power wielder, the postwar U.S. government inherited from the New Deal and the wartime command economy a panoply of greatly expanded activities at home, especially in managing the domestic economy. Formalizing its acceptance of the newly embraced role as permanent economic overseer, the government enacted the Employment Act of 1946, which declared "that it is the continuing policy and responsibility of the Federal Government to use all practicable means . . . to promote maximum employment, production, and purchasing power" ("Employment Act of 1946," 514-15). Thus did the federal government undertake as a permanent policy to prevent macroeconomic malfunctions such as the Great Depression. Henceforth, "doing something" would be official policy, although the precise nature of the "something" would vary with political circumstances and calculations. Often, the chosen action would entail spending huge sums of money, which the government would obtain by continuing to operate the "mass tax" system created to secure funds during the war (Higgs 1987, 229-31; Twight 2002, 87-131).

In the postwar era the Constitution no longer served as it once had to constrain the public's hunger for the redistribution of income and wealth or the politicians' ambitions for power. As constitutional scholar Edward S. Corwin wrote, after the war, for the first time in U.S. history, the country did not return to a "peacetime Constitution." The Supreme Court's decisions during the war had embedded even deeper in the U.S. system of government the revolutionary changes first validated during the late 1930s. Corwin noted that the Court's wartime pronouncements brought into greater prominence all of the following:

> (1) the attribution to Congress of a legislative power of indefinite scope; (2) the attribution to the President of the power and duty to stimulate constantly the positive exercise of this indefinite power for enlarged social objectives; (3) the right of Congress to delegate its powers *ad libitum* to the President for the achievment of such enlarged social objectives . . . ; (4) the attribution to the President of a broad prerogative in the meeting of "emergencies" defined by himself and in the creation of executive agencies to assist him; (5) a progressively expanding replacement of the judicial process by the administrative process in the enforcement of the law--sometimes even of constitutional law. (Corwin 1947, 179).

Thus, in the postwar era the traditional system of constitutional checks and balances served far less to restrain the growth of government than it had during the first century and a half of U.S. history.

These constitutional changes reflected dramatic ideological changes brought about during the period of recurrent national emergencies (1914-45). Amidst the storms of two world wars and a deep, lengthy depression, long-standing beliefs in individual responsibility and free markets had lost much ground. In their stead, people had embraced a faith in the government's capacity to provide security, not only against foreign threats but also against many sorts of workaday economic hazards, such as unemployment or low earnings during the working-age years and insufficient income during old age. With the passage of time, Americans would look to government for more and more sorts of security--protection from the risk of workplace accidents, from race or sex discrimination, from the adverse side effects of drugs, from environmental pollution, and so on and on (see Twight 2002; for many details and intelligent discussion of the dominant security-obsessed ideology of the postwar era, see McClosky and Zaller 1984 and Page and Shapiro 1992).

With the public clamoring for governmentally guaranteed security of all sorts and with the dominant ideology and the Constitution no longer serving to constrain the growth of government, the political system opened wide to all those capable of organizing to express their special-interest demands. More and more previously unorganized groups formed political organizations, movements, and coalitions. Eventually nearly everybody except taxpayers and consumers in general had a voice in the state capitals and in Washington, D.C., demanding largess, subsidies, privileges, protections from competition, and other favors. Legislators were happy to trade such favors for votes--politicians who declined to do so lost out in the political competition to those who would. This system of interest-group liberalism--known also as social democracy, democratic socialism, or participatory fascism--naturally fostered a continuous growth of government in many different dimensions.

The Warfare State[1]

[1] This section draws heavily on Higgs 1994a.

From 1950 to the late 1960s, the dominant Cold War ideology and a bipartisan consensus on defense and foreign policy, focused on global containment of communism and deterrence of a Soviet attack on the United States or its allies, gave nearly unchallenged support to the unprecedented allocation of resources to the "peacetime" military establishment (Neu 1987, 91-92, 100-01; Rockman 1987, 18, 28-29). Though weakened under the strains of the Vietnam War controversy and its political aftermath, both the ideology and the consensus persisted, now subject to considerable fraternal squabbling, notably in Congress (Ambrose 1985, 221-222 and passim). President Ronald Reagan's rhetorical hostility toward the Soviet Union's "evil empire" and the hawkish posture of his administration, especially during the first term, gave renewed luster to the tarnished Cold War ideology and preserved its vitality until the USSR had left the scene.

The ideological climate was important--indeed, essential--in maintaining high levels of resource allocation to defense, but it was not sufficient. Ordinary citizens, almost none of whom had any direct contact with communists menacing the United States, easily came to suspect that maintaining the nation's security did not require such vast expenditures and that military interests, especially the uniformed services and the big weapons contractors, were using bogus threats as a pretext for siphoning off the taxpayers' money. Frequent newspaper and television reports of waste, fraud, mismanagement, and bribery fostered the public's tendency, absent a crisis, to doubt what the defense authorities said. The underlying Cold War ideology, however, created the potential for political leaders periodically to arouse the public's slumbering apprehensions.

Episodic crises offset the tendency of the background threat to lose its efficacy in sustaining public support for high levels of military spending. Some crises presented themselves--for example, when the North Koreans crossed the 38th parallel in 1950 and when the Soviets invaded Afghanistan at the end of 1979--but ordinarily world events did not present such clear-cut cases, and the national-security managers had to take matters into their own hands.

Accordingly, the authorities alerted the public to a series of ominous "gaps" (Weiner 1990, 19-45). Just after World War II, U.S. leaders exaggerated Soviet force levels and offensive capabilities (Kolodziej 1966, 77). Then came a bomber gap in the mid-1950s and a missile gap between 1958 and 1961, followed within a few years by an antimissile gap and a first-strike missile gap. All were revealed in due course to have been false alarms. Meanwhile the American people received an almost wholly fictitious account of an incident in the Gulf of Tonkin in 1964, after which Congress gave its blessing to what soon became a major war (Page and Shapiro 1992, 227-28). Subsequent gaps were alleged with regard to bombers (again), thermonuclear megatonnage, antisubmarine capabilities, and missile throw weights. An influential group of Republican hawks, calling themselves the Committee on the Present Danger, declared the 1970s to have been a "decade of neglect" that opened a dangerous "window of vulnerability." According to Secretary of Defense Caspar Weinberger, an "enormous gap" had "emerged since 1970 between the level of Soviet defense activities and our own," though fortunately the Reagan administration had "managed to close much of this gap" (1987, 17). Economist Franklyn D. Holzman has argued that the alleged defense spending gap of the 1970s was illusory, the product of faulty methods of estimation whose adoption represented a "deliberate attempt [by the Central Intelligence Agency, the Defense Intelligence Agency, and possibly the administration] to mislead our policy makers and the public" (1992, 34). Still, as the Cold War passed through its twilight years, government officials were warning that the country faced a Star Wars gap that could be closed only by spending vast amounts of money.

Although not every gap scare led directly to a corresponding U.S. response, the drumbeat succession of such episodes helped to sustain an atmosphere of tension and insecurity that fostered the maintenance of an enormous ongoing arms program. Claims about gaps placed the burden of argument on relatively ill-informed opponents of military spending who were already vulnerable to charges of insufficiently robust patriotism or even worse transgressions. During the Cold War, the government adopted a rigorous cult of secrecy. Although some secrecy served a legitimate military purpose, much of it merely protected U.S. policy makers from the public whose interest they ostensibly served. As one analyst obverved, "what no one knows, no one can criticize" (Sapolsky 1987, 122). When the government released information, it did so in a way that served its own interests and embarrassed its critics (Page and Shapiro 1992, 172-284, 367-72).

When the national security elite lacked persuasive strategic rationales to present to the public, they could only draw on the pool of patriotism, but that was not a bottomless reservoir, and without replenishment in a form that the public could understand and support, it tended to run dry. As the balance of public opinion became strongly negative, it worked its way through political processes, reaching both Congress and the administration, to affect the allocation of resources to the military establishment (Higgs and Kilduff 1993). Such negative feedback occurred strongly during the latter stages of both the Korean War and the Vietnam War.

The biggest problem for the defense authorities arose from that proverbially inevitable duo, death and taxes--the most evident manifestations of the costs of extensive commitments of resources to military purposes. Of the two, death was the more important. John Mueller fitted statistical models to public opinion data gathered during the Korean War and the Vietnam War and found that in both cases "every time American casualties increased by a factor of 10, support for the war dropped by about 15 percentage points" (1973, 60-61). R. B. Smith reported public opinion data showing that "complaints about taxes were high during the two limited wars and increased as the wars progressed" (1971, 250). Discontent with U.S. engagement in the Asian wars fostered Dwight D. Eisenhower's electoral victory over incumbent Harry S Truman in 1952 and led to Lyndon B. Johnson's decision not to seek reelection in 1968.

Immediately after the end of World War II, military spending fell sharply: in inflation-adjusted dollars, it dropped by nearly 90 percent between fiscal years 1945 and 1948, after which it rebounded substantially, rising by almost 50 percent during the next two years, as the Truman administration sought to rebuild the military establishment to back up its foreign policy of resisting and containing the USSR and its satellites on a global scale (see table 1). A far greater change occurred, however, after the outbreak of the Korean War: real defense outlays jumped by 126 percent between fiscal years 1950 and 1953. The bulk of that increase, though, went not to fight the war in Korea but to strengthen overall U.S. forces and to deploy many of them around the world, especially in western Europe and Japan. Although military spending shrank somewhat after the 1953 armistice in Korea, it remained thereafter much greater than during the late 1940s--some 200 percent greater.

Atop the permanent Cold War plateau of military spending, three distinct upsurges came and went. During the early years of the twenty-first century, a fourth upsurge began whose peak, at the time of this writing, remains impossible to forecast. The upsurge of the early 1950s was the biggest in either percentage terms or relative to the size of the federal budget or the overall economy (see table 1). The Vietnam War brought about an upsurge of some 43 percent between fiscal years 1965 and 1968. The so-called Reagan buildup of the 1980s, which actually began during the latter part of the Carter administration, pushed real military outlays up some 56 percent between fiscal years 1979 and 1989. After each upsurge, spending fell back toward or even slightly below the level of the Cold War plateau. In fiscal year 2001, a decade after the breakup of the USSR, however, real military outlays were as great as they had been during the height of the Cold War in the late 1950s and early 1960s, even though the United States no longer had any current or potential military rival in sight (Higgs 2001). U.S. invasions of Afghanistan in 2001 and Iraq in 2003, followed by military occupation and ongoing combat operations against resistance forces in those countries, fostered greatly increased arms spending. Legislation enacted late in 2003 ensured that U.S. military spending in fiscal year 2004 would be greater than at any time since World War II.

The immense military spending during the sixty years after World War II fostered the operation of a new politico-economic arrangement, which had assumed its modern form during the early 1940s (see Higgs 1993), the military-industrial-congressional complex (MICC). Before leaving the presidency in 1961, Dwight D. Eisenhower warned in his farewell speech to the American people against "the military-industrial complex," which he characterized as the "conjunction of an immense military establishment and a large arms industry" and whose influence, he feared, posed dangers to "our liberties or democratic processes" (Eisenhower 1961, 653) Beginning in the 1960s and gaining impetus during the 1970s and 1980s, congressional involvement in the details of the operation of this complex grew ever greater, as members of Congress sought to turn military-industrial funding and operations to their own political advantage (Higgs 1989, 31)--hence the congressional component of the MICC.

Besides funding gigantic military-industrial operations, the government also funded for military purposes a huge part of the most advanced scientific and technological research and development in the postwar United States, which led Eisenhower to warn also against the "danger that public policy could itself become the captive of a scientific-technological elite" (Eisenhower 1961, 654). To some extent, all of Eisenhower's fears proved justified, although historians and other observers continue to debate the extent to which, and the precise manner in which, the nation's permanent military mobilization shaped its social, political, technological, and economic institutions and conduct (Sherry 1995, Friedberg 2000, Leebaert 2002). No one can deny, however, the vast repercussions of such militarily motivated enactments as the Interstate Highway Act of 1956, which provided the basic plan for building the National System of Interstate and Defense Highways (Patterson 1996, 274), and the National Defense Education Act of 1958, which gave the federal government another big foot in the door of higher education (Twight 2002, 143-54), following hard on the heel of the first big foot, the GI Bill of 1944.

Of all the government's military measures, none loomed larger for the personal liberties of the American people than the military draft, a system of compulsory service employed during both world wars and extended repeatedly during the Cold War until the

Nixon administration sponsored its ultimate abandonment in 1973. Over the years, millions of young men suffered involuntary induction into the military services, usually the army, and millions of other lived in fear that they might be snared, often taking otherwise undesirable actions, such as relocation to foreign countries or extended enrollment in college or seminary, merely to reduce their risk of conscription. Hundreds of thousands of draftees lost their lives in the U.S. wars of the twentieth century. Although in most respects the government has grown more powerful and intrusive during the postwar era, the abolition of the draft constitutes a tremendous advance of liberty.

The Welfare State[2]

Despite the myth that prior to the New Deal the United States had a brutal laissez-faire economy, the roots of the modern welfare state go far back in American history. Local governments always provided a modicum of relief to the destitute who had no one to help them. After the War between the States, the federal government extended its veterans' pension system to cover hundreds of thousands of former soldiers and their dependents. In the early twentieth century, the states adopted workmen's compensation systems to insure workers against workplace injuries, and almost all states paid stipends to impoverished widows with young children.

These "mother's pensions" merged into Aid to Dependent Children (later called Aid to Families with Dependent Children, or simply "welfare") when the Social Security Act became law in 1935. That landmark federal statute also provided government assistance to the blind and the aged poor; state-administered unemployment insurance (subject to federal requirements); and old-age and (after a 1939 amendment) survivors pensions. So, by the beginning of the postwar era, the United States already had a fairly well developed

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[2] This section draws heavily on Higgs 1987, 246-56, and Higgs 1996.

welfare state, although at that time it served relatively few beneficiaries and cost relatively little--not until 1960 did annual Social Security payments exceed $10 billion (see table 2). During the 1950s, 1960s, and 1970s, members of Congress turned Social Security into a fabulous vote-buying scheme, repeatedly raising the amounts of existing benefits, expanding the types of benefits (for example, adding disability insurance in 1956), and easing the eligibility requirements for receiving benefits. In addition, minimum wages and prescribed working conditions, first provided by permanent federal law in 1938, fleshed out the postwar welfare state. Much more important, the GI Bill enacted in 1944 provided a variety of benefits--including educational stipends and loan guarantees for the purchase of homes, farms, and businesses--to millions of veterans of the Big One and set an irresistible precedent for Congress.

The first fifteen years of the postwar era brought relatively few new welfare-state measures, as the country seemed content for the most part to digest the many legacies of the New Deal and the war, but with the succession of the ambitious New Dealer Lyndon B. Johnson to the presidency late in 1963, the drive to expand the welfare state became ascendant again. The election of 1964 brought into office a large, extraordinarily statist Democratic majority in Congress. Keynesian economists were assuring the public that they could fine-tune the economy, taking for granted a high rate of economic growth from which the government could reap a perpetual "fiscal dividend" to fund new programs. John Kenneth Galbraith, Michael Harrington, and other popular social critics condemned the failures of the market system and ridiculed its defenders. The public seemed prepared to support new measures to fight a "War on Poverty," establish "social justice," and end racial discrimination--hence the Great Society (Higgs 1987, 246-51).

Congress loosed a legislative flood by passing the Civil Rights Act of 1964. Among other things, this landmark statute set aside long-established rights of private property and of free association in an attempt to quash racial discrimination. The ideal of a color-blind society died an early death, however, succeeded within a few years by "affirmative action," an array of official preferences for members of designated racial and sex categories enforced by an energetic Equal Employment Opportunity Commission and activist federal judges (Glazer 1975; Sowell 1984, 38-42). Eventually the anti-discrimination laws seriously threatened even the basic rights of free speech, a free press, and the practice of religion long guaranteed by the First Amendment (Bernstein 2003). In the same spirit, the government also enacted the Equal Pay Act in 1963, ostensibly guaranteeing women equal pay for equal work, and the Age Discrimination in Employment Act in 1967, making a similar guarantee to older workers.

Congress proceeded to pass a variety of statutes injecting the federal government more deeply into education, job training, housing, and urban redevelopment. The Food Stamp Act of 1964 gave rise to one of the government's most rapidly growing benefit programs: in 1969, fewer than three million persons received the stamps, and federal outlays for the program totaled $250 million; in 1981, twenty-two million persons received the stamps, and federal outlays for the program totaled $11 billion (Browning and Browning 1983, 128). The Community Action Program aimed to mobilize the poor and to raise their incomes. When Congress appropriated $300 million to create community action agencies, a wild scramble to get the money ensued, led by local politicians and, in some cities, criminal gangs--as vividly portrayed in Tom Wolfe's tragicomic tale *Mau-Mauing the Flak Catchers* (1970). In 1965, misrepresenting its efforts as part of the War on Poverty, Congress effected a huge and enduring federal intrusion into basic public education--traditionally a local government matter--by enacting the Elementary and Secondary Education Act (see Twight 2002, 154-64).

In 1965, Congress added Medicare to the Social Security system, insuring medical care for everyone over sixty-five years of age. Simultaneously, Medicaid, a cooperatively administered and financed (state and federal) program, assured medical care for welfare recipients and the medically indigent. These programs were not exactly what they were represented to be. "Most of the government's medical payments on behalf of the poor compensated doctors and hospitals for services once rendered free of charge or at reduced prices," historian Allen Matusow has observed. "Medicare-Medicaid, then, primarily transferred income from middle-class taxpayers to middle-class health-care professions" (1984, 231-32).

The federal government's health programs also turned out to be fiscal time bombs. Between 1970 and 2002, Medicare outlays (excluding premiums paid by beneficiaries) increased from $7.1 billion to $256.8 billion; federal Medicaid outlays from $2.7 billion to $147.5 billion. Like Social Security's old-age pensions, the federal health programs grew at a rate that could not be sustained indefinitely. All federal health programs together consumed 7.1 percent of total federal outlays (equivalent to 1.4 percent of GDP) in 1970, and 23.5 percent of total federal outlays (equivalent to 4.6 percent of GDP) in 2002 (U.S. Office of Management and Budget 2003, 299). Yet, in the face of that rapid growth, Congress and President George W. Bush added an enormously expensive prescription-drug benefit to the Medicare system late in 2003, a benefit whose cost is certain to exceed even the huge projected amounts before long.

Other Great Society measures to protect people from their own incompetence or folly included the Cigarette Labeling and Advertising Act of 1965, the Fair Packaging and Labeling Act of 1966, the Child Protection Act of 1966, the National Traffic and Motor Vehicle Safety Act of 1966, the Flammable Fabrics Act of 1967, and the Consumer Credit Protection (Truth-in-Lending) Act of 1968.

After Richard Nixon became president, highly significant measures continued to pour forth from the federal government, expanding the welfare state even further. In this category belong such statutes as the Occupational Safety and Health Act of 1970, the Consumer Product Safety Act of 1972, the Equal Employment Opportunity Act of 1972, and the Employee Retirement Income Security Act of 1974. (Many other new laws, greatly expanding the reach of federal regulations, will be mentioned in the following section of this chapter.)

Although the growth of the scope of the welfare state slowed after the mid-1970s, it did not stop--and the Reagan administration certainly did not reverse the growth, as a conservative Republican legend maintains. More recent statutes along these lines include the Nutrition Labeling and Education Act of 1990, the Americans with Disabilities Act of 1990, and the Civil Rights Act of 1991, among many others. In any event, the existing welfare state has taken on such vast dimensions that even if no new programs were added, the growing cost of the existing programs would not be sustainable for long. Sooner or later, something will have to give.

In the mid-1940s, Bertrand de Jouvenel wrote, "The essential psychological characteristic of our age is the predominance of fear over self-confidence . . . . Everyone of every class tries to rest his individual existence on the bosom of the state and tends to regard the state as the universal provider." This protection, however, costs the public far more than the high taxes required to fund its provision: "if the state is to guarantee to a man what the consequences of his actions shall be, it must take control of his activities . . . to keep him out of the way of risks" (Jouvenel 1993 [1945], 388-89). Just as de Jouvenel foresaw, after World War II the demand for government protection in the United States rose to new heights, and the corresponding loss of individual liberties proceeded apace.

Regulations and Subsidies

Ever since the establishment of the British colonies in North America, governments have engaged in regulating and subsidizing certain economic and social activities in various ways and to various degrees, the details differing from place to place and changing from time to time. In the nineteenth century, nearly all such regulation and subsidization took place at the state and local levels, and governments at those levels have continued to involve themselves actively right up to the present day. Only in the late nineteenth century did the federal government begin to engage in important, enduring forms of such intervention (aside from the de facto subsidies associated with tariff protection). Thereafter, during "normal" times the federal government gradually added to the scope of its interventions. Moreover, each of the great crises of the first half of the twentieth century--the two world wars and the Great Depression--became the occasion for government officials to expand their interventions abruptly. As a result, by the beginning of the postwar era, federal regulators had entrenched themselves in agriculture and food processing; banking and finance; corporate and industrial organization and trade practices; airline, railroad, and highway transportation; telecommunications and radio broadcasting; oil and gas production and distribution; electricity transmission; coal mining; maritime shipping; labor-management relations; pharmaceutical innovation and marketing; international trade and finance; and many other areas of economic life. One might have thought that the scope of regulation and subsidization in the late 1940s was more than sufficient in what was still described (incorrectly) as capitalism or a market economy, but evidently the politically potent actors thought otherwise, because despite a few significant reversals (most of them in the late 1970s and early 1980s), the scope of regulation and subsidization continued to grow during the following half-century. Anyone who believes that the current U.S. economic system is accurately described by the term "capitalism" or "market system" needs to take a closer look at the current *Code of Federal Regulations*.

After the Korean War began, the federal government reinstituted many of the same sorts of economic controls it had imposed during World War II--controls over industrial production, wages, prices, credit, shipping, and the allocation of raw materials--but this time the controls did not bind as tightly or as comprehensively as before; nor did they last so long. Most of them were permitted to lapse when the war ended in 1953 or even before it ended (Williams 1954, 64-66; Higgs 1987, 244-46), although some, such as the Defense Production Act of 1950, remained on the statute books as a framework for future mobilizations (and to facilitate continued subsidies to selected defense contractors).

During the decade roughly coincident with the presidential terms of Dwight D. Eisenhower and John F. Kennedy, the United States enjoyed a respite from the imposition of significant new federal regulations of economic activities. The next decade, however, roughly coincident with the presidential terms of Lyndon B. Johnson and Richard M. Nixon, brought forth a deluge of new regulations comparable only to that during the heyday of Franklin D. Roosevelt's New Deal. Certain elements of this outpouring--new regulations aimed at preventing discrimination based on race, sex, age, or handicap and at protecting consumers and workers--have been noted already in the preceding section, but many other elements are notable as well. Chief among them were wage-and-price controls and environmental regulations.

The new era of environmental regulation began with passage of the National Environmental Policy Act in 1969--the authority for requiring the preparation and approval of a detailed "environmental impact statement" (EIS) for federal construction projects or private projects subject to any form of federal permission. The EIS process immediately became a substantial source of delay, cost escalation, and exasperation for developers. In 1970, President Nixon created the Environmental Protection Agency (EPA) to set and enforce environmental standards, consolidating into a single agency some fifteen different federal programs then dealing with air and water pollution, waste disposal, and radiation. The EPA acquired sharper teeth from enactment of the Clean Air Act Amendments of 1970 (and later amendments), the Water Pollution Control Act of 1972 (and later amendments), the Toxic Substances Control Act of 1976, and the Comprehensive Environmental Response, Compensation, and Liability Act (often called the Superfund law) of 1980, among other statutes. The EPA quickly became one of the most intrusive and controversial of all federal regulatory agencies, and it has remained so to the present day. If big corporations have the Commerce Department and labor unions have the Labor Department, then environmental organizations have the EPA--none of this, of course, without great, ongoing ideological, political, and legal struggle.

By his willingness to sign so many significant regulatory acts, the supposedly conservative Nixon displayed his political hallmark: he was, above all, an opportunist. Nothing illustrates that opportunism better, however, than his imposition of mandatory wage-price controls, a definite conservative anathema, in August 1971. Twenty-five years later, Herbert Stein, a member and later chairman of Nixon's Council of Economic Advisers, characterized the adoption of Nixon's New Economic Policy, whose centerpiece was the wage-price controls, as utterly heedless of the longer term. Recalling the meetings at which the plan was laid, Stein wrote: "Even after 25 years I am amazed by how little we looked ahead during that exciting weekend at Camp David, when we (the president, really) made those big decisions." Everybody seems to have assumed without discussion that after a 90-day wage-and-price freeze, the government would somehow ease back to a regime of flexible prices. However, "As it turned out, we were in the price and wage control business not for 90 days but for nearly 1,000. [Moreover] We were in the business of controlling energy prices for much longer" (Stein 1996; for a full account of this episode, see Stein 1984, 133-207).

If Nixon could not be bothered to look ahead, he surely had a keen view of--some might say, an obsession with--the past. He believed that he had lost the presidential election in 1960 because of the Eisenhower administration's failure to generate favorable macroeconomic conditions on the eve of the election, and he was determined not to repeat that mistake in 1972. His calculations and machinations proved astute, no matter how wrongheaded they were with regard to serving the general interest. The public, as always, reacted with great approval to the imposition of wage-price controls, as indicated by favorable opinion polls and by a soaring stock market and most of all by Nixon's landslide reelection. Although Nixon ultimately suffered ignominy when he was driven from office by hostile reaction to his Watergate gambit, his far more damaging economic mismanagement, in contrast, never caused him any personal or political harm whatsoever.

The wage-price controls passed through several phases of greater or lesser stringency until finally, with relief all around, they were allowed to lapse in the spring of 1974. While they remained in force, they gave rise to significant distortions in the allocation of resources and hence to economic inefficiency, and they created congenial conditions for the adoption of unusually bad monetary policies by the Federal Reserve System, which produced rates of inflation not seen since the 1940s and not squeezed back to tolerable levels until the early 1980s, after the failure of the Carter administration's sham anti-inflation program, the so-called wage-price guidelines (see Higgs 1979a, 1979b, 1980, 1981). Of course, the Nixon wage-price controls did not actually prevent inflation--only changes in the underlying supply of or demand for money can affect its true exchange value--but they did suppress the manifestation of the actual inflation and produce the politically profitable appearance of having been successful temporarily.

The most important legacy of Nixon's wage-price controls was the government's energy-price controls and allocations that persisted long after the comprehensive price controls had expired. When the first energy crisis struck, the administration was looking forward to disengagement from its no-longer-useful price controls, but given the lingering presence of those controls, the Arab oil embargo and the OPEC price hikes of late 1973 and early 1974 quickly led in many areas to shortages that were rationed for the most part by the customers' waiting in the infamous gas lines. The inconvenience and uncertainty proved to be more than the public could bear and, in William E. Simon's words, "collective hysteria" arose. "The political heat was on both Congress and the executive to solve the problem overnight" (Simon 1979, 54).

To deal with the crisis, the president created by executive order the Federal Energy Office (which by statute later became the Federal Energy Administration and later still the Department of Energy) and named Simon to head it. Overnight, Simon became the "energy czar," authorized by Nixon "to decide everything and to decide it rapidly." The president equated the energy crisis to a wartime situation and likened Simon's job to that of Albert

Speer, Hitler's Minister of Arms and Munitions during World War II. Finding the government's energy allocation procedures tangled and ineffective, Simon and his assistants worked frantically for months to channel existing supplies to the areas with the most desperate shortages. Although eventually some improvements were made and the gas lines shortened and began to disappear by the spring of 1974, the whole arrangement remained fundamentally defective. Simon concluded: "There is nothing like becoming an economic planner oneself to learn what is desperately, stupidly wrong with such a system" (50, 55).

The energy situation got no better as Congress passed ever more complicated energy legislation in the mid-1970s. Inevitably another crisis struck, and early in 1979 the gas lines reappeared. The Energy Department's erratic efforts to fix the problem only made it worse (Chapman 1980; Glasner 1985, 130-37). Only after Ronald Reagan assumed the presidency and scrapped all oil-price controls was the mess permitted to clean itself up through market processes. Even then, however, a complex system of price controls for natural gas lingered for more than a decade until complete decontrol of wellhead gas prices took effect at the beginning of 1993, terminating a forty-year experiment in the federal regulation of natural gas prices that had produced nothing but market distortions and wholly avoidable energy crises (see Bradley 1995 for many historical details about and insightful analysis of the energy industries and their regulation).

Passing along its own parallel track of perceived crises and government response via the enactment of new and more stringent regulatory statutes, the Food and Drug Administration became steadily more powerful during the postwar era, exercising regulatory control over goods that account for some 25 percent of all consumer spending--processed foods, pharmaceuticals, medical devices, and cosmetics, among others. Created in its modern form by a 1938 statute, the agency gained major new powers in the aftermath of the thalidomide tragedy by enactment of the so-called Kefauver-Harris Amendments to the Food, Drug, and Cosmetic Act in 1962. These amendments gave the agency much greater control over drug-testing procedures, and its exercise of these powers had a major effect in slowing the rate of pharmaceutical innovation and blocking the marketing of new drugs that might have saved thousands of lives and alleviated the suffering of millions (see Gieringer 1985, Higgs 1994b, all the essays in Higgs 1995, and Higgs 2004a). Despite its devastating actual results, the FDA continued to maintain a sterling public reputation, in no small part because of its own ceaseless public-relations efforts, along with the deference of the courts and an ability to play congressional politics as well as anybody. Therefore, it succeeded in gaining ever more power, in part by the enactment of new legislation (for example, the Medical Device Amendments of 1976 and the Safe Medical Devices Act of 1990) and in part by continually "pushing the envelope" of its existing regulatory authority (Higgs ed. 1995, 2-4). Even when it came under attack by conservative members of Congress in the 1990s, the agency succeeded in shaping the resulting legislation--the FDA Modernization Act of 1997--so that it lost little if any of its essential power over the many products and activities it regulates.

The FDA's need to fend off powerful critics in the mid-1990s reminds us that from time to time the victims of government regulation do rise up against it, and occasionally they succeed in slaying a dragon. The most notable episode of such counterattack occurred in the late 1970s and early 1980s, when a slew of deregulatory statutes gained enactment. The upshot was the reduction or elimination of several forms of economic regulation that had been in place since the 1930s or even longer. In 1978 Congress passed the Airline Deregulation Act, providing for the gradual deregulation of commercial airlines. In accordance with this statute, the Civil Aeronautics Board ceased allocating domestic routes in 1981, stopped regulating fares in 1983, and closed up shop entirely in 1985--an exceedingly rare occurrence in the world of regulation. Airline passengers gained major benefits from the CAB's disappearance, which opened up competition. A cluster of statutes between 1976 and 1984 reduced the extent of the government's regulation of transportation by railroads, trucks, and buses, again with major benefits to consumers. At the end of 1995 the Interstate Commerce Commission, the oldest independent federal regulatory agency, dating to 1887, was abolished and its remaining functions transferred to the Surface Transportation Board in the Department of Transportation. Financial institutions were partially deregulated in 1980 and 1982, and telecommunications underwent revolutionary changes when a federal court ruling broke up the Bell Telephone System in 1984. (On the deregulatory episode, see Weidenbaum 1986, 178-202). After the mid-1980s, the deregulatory movement lost its momentum, and not much significant deregulation occurred during the next two decades.

The limited and soon-terminated deregulatory episode was an aberration. Much more notable was the relentless, ongoing flood of regulations, many of which purport to protect health, enhance safety, or prevent discrimination, that poured forth every year on the strength of the multitude of existing statutes authorizing agencies to impose such rules at all levels of government. As late as the 1950s, the *Federal Register*--the official announcement of each year's new final and proposed rules--contained only 107,000 pages for the entire decade; the ten-year total jumped to more than 450,000 pages in the 1970s; it continued to rise in each decade thereafter; and in the early years of the twenty-first century, it was running at a rate of more than 731,000 pages per decade (Crews 2003, 11). Federal regulatory agencies alone now issue more than 4,000 new rules each year (Crews 2003, 12), and state and local regulators add countless others. Hardly ever is an old rule removed from the books; hence the aggregate mass of regulations in effect grows ever more immense, as even a casual inspection of the *Code of Federal Regulations* attests.

In countless ways, postwar governments also actively engaged in doling out subsidies, some of them direct (for example, cash and in-kind services), others indirect (for example, tariffs on imported, competing products). Agricultural interests, who began to reap such subsidies early in the twentieth century, acquired them whole hog during the latter half of the century. Defense contractors also gained huge subsidies, often disguised as reimbursed costs in their supply contracts for military goods and services. Once the federal government got into the business of extending college loans, millions of college students every year became the beneficiaries of credit extended at below-market rates of interest. Government loan guarantees likewise effectively subsidized a multitude of business and household borrowers. The entire real-estate sector became pervaded by various forms of subsidized lending. Joseph P. Stiglitz observed in 1989, "In the US today, approximately a quarter of all lending (to the private sector) is either through a government agency or with government guarantees. . . . The magnitudes of the implicit subsidies and costs--both the total value, and who receives how much--are hidden" (63). Inspection of the government's organization chart reveals many federal agencies that supply subsidized credit (for example, the Maritime Administration, the Small Business Administration, the Export-Import Bank, the Farm Credit System, the Rural Utilities Service). Besides doling out subsidized credit and loan guarantees to privileged recipients, the postwar U.S. government has stood ready to bail out firms deemed "too big to fail," whether they be defense contractors (e.g., Lockheed in 1974), industrial firms (e.g., Chrysler in 1979), banks (e.g., Continental Illinois Bank in 1984), or other financial institutions (e.g., Long-Term Capital Management in 1998), regardless of whether bad luck or bad management brought them to the brink of bankruptcy. Because loan guarantees do not automatically entail a government outlay, their extension ordinarily does not leave any trace in conventional measures of the size and growth of government.

Fiscal Dimensions of the Growth of Government

Although a great deal of the growth of government has taken forms that do not leave heavy footprints in government budgets--the bulk of the cost of regulations, for example, takes the form of higher private costs, higher prices, and sacrificed individual liberties--a great deal of the expanded government activity has required increases in taxation, borrowing, and expenditure. Table 2 provides data on certain dimensions of the fiscal growth of government in the postwar era.

By the measures presented in the table, government grew enormously during those fifty-five years. Before considering just how much it grew, however, we might well consider one or two adjustments. First, we might wish to adjust the data for changes in the purchasing power of the dollar. Because of the government's gross mismanagement of the money supply, the excessive creation of money during this period caused a reduction of some 85 percent in the dollar's purchasing power (alternatively, we can say that the overall price level rose more than 6.5 times, according to the official chained price index for GDP). Thus, merely to maintain the same level of real expenditure, governments would have needed to spend more than 6.5 times more in 2002 than in 1948. Second, we might wish also to adjust for changes in the population, which increased by 91 percent during this period. Multiplying the dollar-depreciation factor (6.55) and the population-growth factor (1.91), we find that government would have needed to increase its spending by approximately 12.5-fold in order to maintain the 1948 level of real expenditure per capita. Let us use this growth factor of 12.5 as our standard for assessing how much government spending actually grew. The United States in 1948 was an economically advanced and relatively civilized country with actively engaged governments at all levels, so the standard is a reasonable one. Although social scientists often adjust government spending also for the growth of the national product, this adjustment is highly problematic (see Higgs 1991), and I do not make it here (the figures in table 1, column 4, show military spending adjusted for inflation and for growth of GDP).

Looking first at the growth of the total expenditures of all governments--federal, state, and local--between 1948 and 2002, we see that the growth was 72-fold, or almost six times the amount necessary to maintain the 1948 level of real expenditure per capita. The spending component associated with the nation's expansive global military activities (shown under the rubric "defense and international" in the table), grew more than twentyseven times, or by more than twice enough to maintain the standard. The greatest growth of all, however, occurred in the welfare-state elements of the budget, the transfer payments shown under the rubric of "federal payments for individuals" in the table (as well as those, not shown separately, that compose a substantial part of the state and local spending shown in the table's farthest-right column). Federal Social Security and Medicare expenditures expanded by a mind-boggling 1,409 times, while "other" federal transfer payments expanded by almost 64 times. Although the federal government's growth was in many respects the most remarkable, the state and local governments certainly plunged into the tax-and-spend fray with full force as well. Spending at those levels of government (from their own revenue sources) increased nearly 85-fold, or by nearly seven times more than needed to maintain the 1948 standard of real spending per capita. The growth was even greater if the amounts financed by federal revenue-sharing are included, too.

Perhaps the most notable aspect of the postwar growth of government was its relentlessness. In fifty-five years, only twice (in 1954 and 1955) did total government spending decline, and then only because of a $10-billion cutback in defense spending after the fighting ended in Korea (see table 2). From time to time over the years, defense spending fell slightly for a while, but not once did Social Security and Medicare spending fall, and not once did state and local spending (from own sources) fall. Thus, besides relying on the certainly of death and taxes, postwar Americans also could expect with complete confidence that every year the welfare state would spend more dollars. The so-called entitlements system, whereby governments fix an eligibility formula and then make transfer payments to everyone who demonstrates eligibility in accordance with that formula, has effectively placed the growth of the welfare state on autopilot for a guaranteed steep ascent.

Conclusion

"The natural tendency," said Thomas Jefferson, "is for government to gain ground and liberty to yield." Yet, until the early twentieth century, the growth of government, especially the federal government, remained slow by comparison with its growth afterward. The difference between the two eras reflects in various degrees the political consequences of cumulating long-term structural changes (urbanization, industrialization, improvements in transportation and communication, and so forth), the enduring effects of great national emergencies (especially the world wars and the Great Depression), and the political consequences of collectivist-leaning ideological changes that were themselves fostered in part by the structural changes and the national crises (for more extended discussion, see Higgs 1987 and 2004b). These fundamental changes promoted the formation of political interest groups in great and growing abundance, each seeking in some way to use the power of government to promote its members' ends at the expense of the general community, and the combination of ideological change and political maneuvering brought about the abandonment of constitutional doctrines that had long helped to restrain the growth of government. The upshot was that by the beginning of the postwar era nothing fundamental remained to restrain the rapid growth of government except workaday political wrangling, and the politicians proved resourceful in working around their differences in order to provide something for everybody (everybody, that is, who possessed political resources and was organized for effective political action). Thus, nature has taken the course that Jefferson long ago perceived as its natural tendency. To be sure, the growth of government cannot continue forever, if only because an ever-more-devouring predator ultimately must destroy its prey and therefore its means of sustenance. At present, however, there is no end in sight.

For some, the foregoing account of the postwar growth of government and the consequent shrinkage of private property rights and economic liberties may seem unbalanced. Where else, they might ask, can we find so much security of private property rights and such expansive economic liberties as in the United States? Sure enough, in systematic studies of economic freedom, the United States in recent times always stands near the top of the ranking of the world's nation-states (see, for example, Gwartney, Lawson, and Block 1996). Even today, people throughout much of the world look to this country as a safe haven for their investments and bank deposits and as a relatively free labor market in which workers can find ample opportunities for well-compensated employment. Still, there is no contradiction between these undeniable facts and my account of the vast growth of government in the United States since World War II. We must recognize that government has grown enormously in *all* the economically advanced countries during this era (Higgs 2004b). So, despite the enormous growth of government here, this country's economy remains, overall, relatively free of government burdens and restraints. Nonetheless, much has been lost over time. As a British admirer of the United States has remarked recently, "If the Americans today remain the freest people in the world, that is only because they started with so much more to lose" (Gabb 2003).

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Table 1

National Defense Outlays, Fiscal Years 1945-2003

Fiscal year	National defense outlays (bil. 1996$)	Percent of federal budget	Percent of all net gov't. budgets	Percent of GDP
1945	717	89.5	82.1	37.5
1946	366	77.3	65.2	19.2
1947	99	37.1	27.3	5.5
1948	77	30.6	19.9	3.6
1949	109	33.9	23.0	4.8
1950	114	32.2	21.8	5.0
1951	186	51.8	34.8	7.3
1952	352	68.1	50.5	13.2
1953	372	69.4	52.2	14.1
1954	341	69.5	50.0	13.0
1955	285	62.4	43.2	10.8
1956	265	60.2	41.0	9.9
1957	270	59.3	40.2	10.1
1958	267	56.8	38.3	10.2
1959	268	53.2	36.4	10.0
1960	273	52.2	35.1	9.3
1961	274	50.8	33.8	9.3
1962	287	49.0	32.9	9.2
1963	282	48.0	32.0	8.9
1964	287	46.2	30.8	8.5
1965	265	42.8	27.8	7.4
1966	292	43.2	28.4	7.7
1967	347	45.4	30.3	8.8
1968	378	46.0	31.3	9.5
1969	361	44.9	29.4	8.7
1970	339	41.8	27.0	8.1
1971	309	37.5	23.7	7.3
1972	283	34.3	21.7	6.7
1973	255	31.2	19.9	5.9
1974	245	29.5	18.7	5.5
1975	241	26.0	16.9	5.5
1976	232	24.1	15.7	5.2
1977	230	23.8	15.8	4.9
1978	231	22.8	15.4	4.7
1979	237	23.1	15.5	4.6
1980	245	22.7	15.4	4.9
1981	259	23.2	15.9	5.1
1982	282	24.8	16.9	5.7

1983	305	26.0	17.8	6.1
1984	309	26.7	18.1	5.9
1985	331	26.7	18.1	6.1
1986	354	27.6	18.4	6.2
1987	361	28.1	18.2	6.1
1988	365	27.3	17.6	5.8
1989	370	26.5	17.0	5.6
1990	355	23.9	15.3	5.2
1991	310	20.6	13.2	4.6
1992	327	21.6	13.7	4.8
1993	314	20.7	13.0	4.4
1994	298	19.3	12.1	4.1
1995	282	17.9	11.1	3.7
1996	266	17.0	10.5	3.5
1997	265	16.9	10.3	3.3
1998	260	16.2	9.9	3.1
1999	261	16.2	9.7	3.0
2000	271	16.5	9.8	3.0
2001	276	16.4	9.6	3.0
2002	308	17.3	10.3	3.4
2003	327	17.6	10.6	3.5

Source: U.S. Department of Defense, Office of the Under Secretary of Defense (Controller), *National Defense Budget Estimates for FY2004* (March 2003), pp. 206-07, 216-17.

Table 2

Government Expenditures, Total and Selected Components, Fiscal Years 1948-2002 (billions of current dollars)

Fiscal year	Total government	Defense and international	Federal payments to individuals: Social Security and Medicare	Federal payments to individuals: Other	State and local from own sources
1948	42.3	13.7	0.5	8.5	12.3
1949	52.6	19.2	0.6	9.5	13.6
1950	57.9	18.4	0.7	12.9	15.2
1951	61.8	27.2	1.5	8.8	16.1
1952	85.0	48.8	2.0	8.9	17.1
1953	94.4	54.9	2.6	8.3	18.1
1954	90.3	50.9	3.3	9.3	19.2
1955	90.0	45.0	4.3	10.0	21.1
1956	93.7	44.9	5.4	9.8	22.7
1957	101.9	48.6	6.5	10.5	24.8
1958	110.6	50.2	8.0	12.9	27.6
1959	122.5	52.2	9.5	13.2	29.7
1960	124.7	51.1	11.4	12.8	31.7
1961	133.3	52.8	12.2	15.3	34.7
1962	145.2	58.0	14.0	14.9	37.3
1963	151.9	58.7	15.5	15.5	39.5
1964	162.3	59.7	16.2	16.0	42.5
1965	165.5	55.9	17.1	16.0	46.2
1966	186.0	63.7	20.3	16.8	50.4
1967	214.3	77.0	24.5	18.7	56.0
1968	242.4	87.2	28.4	21.4	63.2
1969	257.6	87.1	33.0	24.2	73.1
1970	278.3	86.0	36.4	28.4	81.9
1971	304.4	83.0	42.6	38.0	93.0
1972	333.5	84.0	47.7	45.3	100.7
1973	354.9	80.8	57.2	47.5	107.2
1974	393.3	85.1	65.7	54.7	123.3
1975	475.4	93.6	77.7	76.2	142.6
1976	531.9	96.1	89.6	91.0	157.8
1977	585.5	103.6	104.5	92.5	173.1
1978	646.0	112.0	116.7	95.0	185.8
1979	709.5	123.8	130.8	103.1	206.9
1980	820.3	146.7	151.0	127.5	234.0
1981	934.9	170.6	179.1	146.1	263.8
1982	1032.8	197.6	203.1	155.3	294.7
1983	1118.7	221.8	224.0	172.9	315.8

1984	1182.3	243.3	237.0	164.9	336.6
1985	1303.9	268.9	256.1	172.0	365.4
1986	1379.5	287.5	270.7	181.3	395.3
1987	1435.6	293.6	285.0	187.1	434.9
1988	1524.6	300.8	302.5	199.1	463.5
1989	1634.6	313.1	324.4	212.9	497.0
1990	1789.5	313.1	353.8	231.9	543.0
1991	1906.2	289.1	380.7	271.3	585.2
1992	2002.8	314.5	414.3	315.5	619.4
1993	2062.6	308.3	444.8	340.3	647.9
1994	2142.9	298.7	476.2	348.6	675.9
1995	2229.3	288.5	510.1	367.4	712.2
1996	2299.4	279.2	538.1	374.7	738.2
1997	2376.4	285.7	569.4	384.4	775.5
1998	2465.4	281.6	586.2	395.5	812.9
1999	2561.3	290.1	595.2	406.4	859.6
2000	2718.9	311.7	621.0	433.3	932.6
2001	2863.5	322.0	666.1	462.2	1002.0
2002	3050.7	370.9	704.6	539.8	1041.6

Source: U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2004, Historical Tables* (Washington, D.C.: Executive Office of the President, 2003), p. 296.