READING GUIDE

The Indispensable Higgs
A Reader

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INDEPENDENT INSTITUTE

PART I

The Science of Economics and the Art of Political Economy

CORE CONCEPTS

Human action • Economic methodology • Deductive reasoning • Knowledge and information • Limits of aggregation • Political economy • Humility in policy analysis • Theory and history

OVERVIEW

This opening section lays the foundation for understanding Higgs's broader research program. The essays explore the nature of economics as a social science, the role of theory in understanding the world, and the limitations of relying on aggregate data, formal models, and expert design. Higgs argues that economics is fundamentally about understanding purposeful human action and the institutions within which people operate.

Although the chapters address a variety of topics, they are united by an appreciation of the social world as complex, decentralized, and shaped by knowledge dispersed among individuals. Good economics helps us understand the nuances of this complexity and the implications for efforts to engineer society from above.

CHAPTER HIGHLIGHTS

The Dangers of Samuelson's Economic Method

- Offers an alternative to the view that economics should imitate the methods of the natural sciences.
- Critiques excessive reliance on formal mathematical modeling and empirical testing.
- Argues that understanding purposeful human action is the foundation for explaining social phenomena.

Austrian Economics—the Queen of the Experimental Sciences

- Argues that economists can generate knowledge even in the absence of controlled experimentation.
- Focuses on understanding causal relationships rather than merely observing correlations.
- Shows how economic theory can explain complex social phenomena without relying on precise predictions.

Extreme Aggregation Misleads Macroeconomists and the Fed

- Shows what is lost when economic activity is reduced to aggregate statistics.
- Foregrounds relative prices, production structures, and institutional details.
- Warns that policymakers can be misled when they focus exclusively on macroeconomic indicators.

Social Science 101: Three Ways to Relate to Other People

- Examines social outcomes through multiple analytical lenses.
- Presents exchange, coercion, and identity as complementary frameworks for understanding social interaction.
- Demonstrates how the same social phenomenon can be understood differently depending on the analytical perspective employed.

Ten Fallacious Conclusions in the Dominant Ideology's Political Economy

- Examines common assumptions that favor government intervention.
- Questions the belief that every social problem requires a political solution.
- Critiques claims that policymakers possess the knowledge and incentives needed to improve social outcomes.

Ten Rules for Understanding Economic Development

- Identifies institutions, incentives, and historical context as key drivers of development.
- Rejects one-size-fits-all explanations of poverty and prosperity.
- Treats economic development as a process shaped by human action and institutions.

Politics and Markets: A Highly Misleading Analogy

- Questions the common analogy between political competition and market competition.
- Casts doubt on the assumption that governments respond to citizens in the same way firms respond to consumers.
- Shows how differences in incentives and feedback produce different outcomes in politics and markets.

Where Should the Burden of Proof Rest?

- Reconsiders the presumption that intervention is justified unless proven otherwise.
- Places intended and unintended consequences at the center of policy evaluation.
- Argues that proposals for intervention must meet the same evidentiary standards as existing institutions.

Diagnostics and Therapeutics in Political Economy

- Distinguishes between understanding a problem and solving it.
- Argues that accurate diagnosis is valuable even when solutions are unclear.
- Shows why identifying social problems does not automatically imply the existence of effective political remedies.

DISCUSSION QUESTIONS

1. What makes economics different from the natural sciences? Why does this matter?
2. How should economists balance theory, history, and empirical evidence when analyzing social phenomena?
3. What information is lost when complex social processes are reduced to aggregate statistics? What is the role of statistics in understanding the world?
4. Why do people often place so much confidence in experts and policymakers despite the complexity of the social world?
5. What can economists learn by focusing on purposeful human action rather than aggregate outcomes?

PART II

American Economic History

CORE CONCEPTS

Economic development • Economic progress • Property rights • Competition • Discrimination • Entrepreneurship • Institutional change

OVERVIEW

The readings in this section explore Higgs's contributions as an economic historian and institutional economist. Before his work on crisis and government, Higgs produced careful historical studies that used economic reasoning to understand issues ranging from technological change and economic development to racial discrimination and property rights.

Across these chapters, Higgs emphasizes that economic outcomes cannot be understood apart from the institutional environment in which people act. He demonstrates how incentives, property rights, competition, and legal rules shape opportunities for prosperity and human flourishing. At the same time, he challenges common narratives by showing the importance of historical context and careful empirical analysis.

CHAPTER HIGHLIGHTS

Progress and Poverty

- Critiques simplistic explanations of economic inequality.
- Examines economic growth as a dynamic process rather than a static outcome.
- Explores the relationship between rising prosperity and persistent poverty.

Making Sense of the Facts

- Examines how historical evidence acquires meaning through theoretical interpretation.
- Shows that facts do not speak for themselves.
- Warns against drawing conclusions from isolated observations.

A Digression: How Growth Began

- Investigates the origins of sustained economic growth.
- Identifies the institutional conditions that make long-run development possible.
- Treats prosperity as a historical achievement requiring explanation rather than assumption.

American Inventiveness, 1870–1920

- Examines the role of innovation in American economic development during the late nineteenth and early twentieth centuries.
- Identifies entrepreneurship and technological change as key drivers of economic progress.
- Investigates how institutional arrangements foster creativity, experimentation, and discovery.

Preface from Competition and Coercion: Blacks in the American Economy, 1865–1914

- Introduces Higgs's approach to studying race and economic history.
- Identifies incentives and institutions as central determinants of social and economic performance.
- Frames racial discrimination as a subject for economic and historical analysis rather than moral assertion alone.

"Race" and "Racial Discrimination": A Prefatory Note on Usage

- Clarifies key concepts related to race and different forms of discrimination.
- Foregrounds precision in historical and economic analysis.
- Demonstrates how conceptual distinctions shape the interpretation of historical evidence.

Approaching the Facts

- Examines how scholars should study the economic experience of Black Americans.
- Calls for the careful use of evidence and historical context.
- Questions interpretations that impose contemporary assumptions on historical realities.

Overview and Interpretation

- Provides a broad assessment of Black economic progress after emancipation.
- Analyzes the interaction between discrimination and economic opportunity.
- Traces economic advancement through changing institutional and social conditions.

Firm-Specific Evidence on Racial Wage Differentials and Workforce Segregation

- Uses firm-level evidence to reveal patterns obscured by aggregate data.
- Shows how micro-level analysis can challenge conventional interpretations of racial inequality.
- Considers the relationship between competition and discriminatory practices.

Accumulation of Property by Southern Blacks Before World War I

- Examines wealth accumulation in the decades following emancipation.
- Highlights the role of property ownership in fostering economic independence and opportunity.
- Documents substantial economic gains despite persistent legal and social obstacles.

Landless by Law: Japanese Immigrants in California Agriculture to 1941

- Examines the effects of California's land laws on Japanese immigrants.
- Documents the economic consequences of discriminatory legal restrictions.
- Illustrates the importance of secure property rights for economic opportunity and advancement.

Legally Induced Technical Regress in the Washington Salmon Fishery

- Examines unintended consequences of government regulation.
- Shows how legal rules can discourage innovation and efficiency.
- Uses the salmon fishery as a case study in how institutions shape economic adaptation.

Coasian Contracts in the Coeur d'Alene Mining District

- Shows how people can coordinate complex activities without centralized direction.
- Highlights the role of contracts in facilitating voluntary cooperation.
- Demonstrates how institutional arrangements evolve to solve practical problems.

DISCUSSION QUESTIONS

1. Why do some societies experience sustained economic growth while others remain poor?
2. How do property rights and institutions influence economic development and human flourishing?
3. What role does competition play in reducing or reinforcing discrimination?
4. To what extent can people overcome adverse institutional constraints through innovation and adaptation?
5. Why, and how, is careful historical analysis important for understanding contemporary economic and social issues?

PART III

Crisis and the Growth of Government

CORE CONCEPTS

Crisis • Government growth • Ratchet effect • Ideology • Emergency powers • Constitutional constraints • State capacity

OVERVIEW

This section contains Higgs's most influential contributions to political economy. The central question running through these essays is straightforward but profound: Why does government tend to grow over time, especially during periods of crisis? Higgs argues that major emergencies create opportunities for dramatic expansions in government authority that are rarely fully reversed once the crisis subsides.

A key contribution of this work is the idea that government growth is not simply a matter of budget size (i.e., scale). It also involves changes in the scope of government activity, the powers available to political authorities, and the public's beliefs about what government ought to do. Crises alter institutions, but they also alter ideology. Understanding both dimensions, Higgs argues, is essential for explaining long-run political change.

CHAPTER HIGHLIGHTS

Eighteen Problematic Propositions in the Analysis of the Growth of Government

- Critiques common explanations for government growth.
- Questions theories that attribute government expansion to a single cause.
- Advocates a multifaceted approach that incorporates political, economic, institutional, and ideological factors.

The Sources of Big Government: A Critical Survey of Hypotheses

- Evaluates competing explanations for expanding government.
- Examines economic, political, and ideological influences.
- Shows how these factors interact to shape long-run political change.

Crisis, Bigger Government, and Ideological Change: Toward an Understanding of the Ratchet

- Introduces Higgs's influential ratchet effect framework.
- Shows how crises expand the scope of government and why those expansions are rarely fully reversed.
- Examines how institutional change and ideological adaptation reinforce one another.

The Complex Course of Ideological Change

- Demonstrates that government growth depends on more than formal policies.
- Highlights the role of public acceptance and legitimacy in sustaining institutional change.
- Illuminates how shifts in ideology alter the boundaries of politically feasible action.

Can the Constitution Protect Private Rights During National Emergencies?

- Investigates the ability of constitutional rules to constrain government during crises.
- Identifies tensions between emergency government action and individual liberty.
- Examines why constitutional safeguards often weaken during periods of perceived emergency.

National Emergency and Private Property Rights: Historical Relations and Present Conditions

- Examines how national emergencies alter the protection of private property rights.
- Identifies secure property rights as a cornerstone of a free society.
- Shows how temporary emergency measures can permanently reshape institutional arrangements.

DISCUSSION QUESTIONS

1. Why are crises powerful catalysts for government growth?
2. Why are emergency powers often difficult to dismantle once they have been established?
3. What role do beliefs and ideology play in expanding or limiting government authority? What other factors matter, and how do they interact with beliefs and ideology?
4. Can constitutional rules effectively constrain government during periods of fear and uncertainty?
5. Are the greatest threats to liberty the actions of political leaders, changes in public opinion, institutional incentives, or some combination of all three?

PART IV

The Great Depression and the World War II Economy

CORE CONCEPTS

Great Depression • Wartime economy • Regime uncertainty • Investment • Economic recovery • Property rights • Central planning • Economic measurement

OVERVIEW

This section contains some of Higgs's most well-known contributions to economic history. The chapters challenge the conventional narrative that World War II ended the Great Depression through government spending and economic mobilization. Instead, Higgs argues that wartime production should not be confused with genuine prosperity and that real economic recovery occurred only after the war ended. This part also covers Higgs's concept of regime uncertainty, the idea that uncertainty about future government actions can discourage investment and entrepreneurship.

Together, these chapters offer a distinct interpretation of the Great Depression, wartime economic performance, and the postwar transition. Rather than focusing solely on spending, output, and employment statistics, Higgs directs attention to institutions, incentives, expectations, and the security of private property rights.

CHAPTER HIGHLIGHTS

Wartime Prosperity? A Reassessment of the US Economy in the 1940s

- Revisits the claim that World War II created widespread economic prosperity.
- Distinguishes wartime production from improvements in consumer well-being.
- Shows why rising output statistics can mask declines in living standards.

Wartime Socialization of Investment: A Reassessment of US Capital Formation in the 1940s

- Questions whether wartime capital formation contributed to long-run prosperity as commonly claimed.
- Distinguishes between politically directed investment and market-guided investment.
- Examines how different investment incentives shape capital formation and its productivity.

Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed After the War

- Argues that uncertainty regarding future government policy discouraged private investment.
- Identifies expectations about future rules and property rights as central to economic recovery.
- Shifts attention from aggregate demand explanations to institutions and property rights to understand the persistence of the Great Depression.

From Central Planning to the Market: The American Transition, 1945–1947

- Examines the successful transition from wartime controls to a market economy.
- Reevaluates the predictions that postwar demobilization would produce mass unemployment and depression.
- Highlights the adaptability of markets to coordinate economic adjustment without centralized direction.

DISCUSSION QUESTIONS

1. What is the difference between producing more goods and becoming more prosperous?
2. Should wartime economic output be treated as evidence of economic success? Why or why not?
3. How do expectations about future government policy influence investment decisions today?
4. Why did postwar economic outcomes differ so dramatically from the predictions of many economists and policymakers?
5. Are economic recoveries driven primarily by spending, by expectations, by institutions, or by some combination of these factors?

PART V

The Political Economy of Warmaking

CORE CONCEPTS

War economy • Military-industrial relations • Incentives and interests • Imperialism • Rent seeking • Public choice • War termination • Moral costs of war

OVERVIEW

The readings in this section apply the tools of political economy to war. Higgs examines the incentives, institutions, and interests that shape the various aspects of war-making. These chapters challenge romanticized views of war and national security. Higgs emphasizes that wars generate a range of consequences (economic, political, and moral) that extend far beyond the battlefield. He also explores the institutional relationships between government, military organizations, and private firms, showing how these relationships can create pressures for continued militarization even after a specific conflict ends.

CHAPTER HIGHLIGHTS

War Is Horrible, But . . .

- Examines the common tendency to acknowledge the costs of war while ultimately justifying it.
- Analyzes the arguments most frequently used to defend military intervention.
- Questions whether those arguments withstand careful scrutiny.

Government Protects Us?

- Questions the widespread belief that government reliably provides security.
- Analyzes the incentives facing political actors responsible for national defense.
- Shifts attention from stated intentions to actual security outcomes.

Benefits and Costs of the US Government's War Making

- Assesses the economic and political consequences of military intervention.
- Draws attention to the direct and indirect costs of warfare.
- Argues that military interventions should be evaluated in terms of both their benefits and their unintended consequences.

On "Winning the War"

- Examines the ambiguity surrounding wartime objectives and outcomes.
- Questions how military success should be defined and measured.
- Shows how unclear objectives complicate judgments about victory and defeat.

Caging the Dogs of War: How Major US Neoimperialist Wars End

- Examines why major wars are often easier to start than to end.
- Identifies the political and institutional forces that sustain ongoing conflicts.
- Shows why military commitments frequently outlast their original objectives.

Military-Economic Fascism: How Business Corrupts Government, and Vice Versa

- Explores the mutually reinforcing relationship between political power and privileged economic interests.
- Examines how military spending can create opportunities for political favor and economic privilege.
- Reveals how political and economic incentives can sustain policies that benefit concentrated interests.

The Cold War Is Over, but US Preparation for It Continues

- Investigates the persistence of Cold War institutions in the post–Cold War era.
- Shows how security bureaucracies adapt their missions to changing political circumstances.
- Illustrates the tendency of government programs to survive beyond their original purpose.

DISCUSSION QUESTIONS

1. Why do citizens, analysts, and policymakers often underestimate the full costs of war?
2. What incentives encourage the continuation of military conflicts once they have begun?
3. How should citizens evaluate claims that military interventions are necessary for national security?
4. Why is it often easier to start wars than to end them?
5. What are the political and economic consequences of close relationships between government agencies and private firms involved in national defense?

PART VI

The Political Economy of Health

CORE CONCEPTS

Regulation • Risk and uncertainty • Bureaucratic incentives • Knowledge problems • Consumer choice • Public health • Unintended consequences • Regulatory decision-making

OVERVIEW

In these readings, Higgs applies the tools of political economy to public health and medical regulation. The central puzzle he explores is how agencies created to protect public health can sometimes produce outcomes that harm the very people they are intended to help. Rather than assuming regulators automatically act in the public interest, Higgs examines the incentives and information constraints faced by those charged with making regulatory decisions. Regulators operate under uncertainty, often possessing incomplete knowledge while facing strong incentives to avoid highly visible mistakes.

These chapters encourage readers to think critically about regulation by examining not only the risks of allowing products onto the market, but also the risks of delaying or preventing access to potentially beneficial innovations.

CHAPTER HIGHLIGHTS

Introduction from Hazardous to Our Health?

- Questions the assumption that regulatory agencies always improve public welfare.
- Examines how incentives and information constraints shape regulatory performance.
- Frames public health regulation as a process of choosing among imperfect alternatives.

FDA Regulation of Medical Devices

- Examines the operation of the Food and Drug Administration's regulatory process.
- Explores how regulatory requirements affect innovation and market entry.
- Assesses the tradeoff between safety, innovation, and timely access to medical technologies.

Diminishing the Harm

- Examines the costs and consequences of regulatory failure.
- Evaluates alternative institutional arrangements for mitigating those failures.
- Highlights the value of adaptability and feedback in regulatory systems.

Banning a Risky Product Cannot Improve Any Consumer's Welfare (Properly Understood), with Applications to FDA Testing Requirements

- Reconsiders the assumption that prohibiting risky products necessarily benefits consumers.
- Emphasizes that all choices involve tradeoffs between risks and benefits.
- Shows how restrictions on consumer choice can reduce welfare even when intended to promote safety.

DISCUSSION QUESTIONS

1. How should societies balance the benefits of medical innovation against the risks of new products and technologies?
2. What information would regulators need to make effective decisions, and how realistic is it to expect them to possess that knowledge?
3. Why might regulators face incentives that differ from those of consumers and patients? What are the implications?
4. How should policymakers evaluate the costs of delaying access to potentially beneficial products?
5. Is it possible to protect public health while preserving consumer choice and innovation? What institutions are best suited to achieving that goal?

PART VII

The Political Economy of the State and Democracy

CORE CONCEPTS

The state • Legitimacy • Consent • Political leadership • Democracy • Fear and power • Collective action • Political incentives

OVERVIEW

The readings in this section examine fundamental questions in political economy: the nature of the state, why people obey it, what makes political authority legitimate, and how democratic governments function in practice. Rather than accepting common assumptions about government, Higgs examines the role of incentives, beliefs, and institutions that sustain political authority.

He asks the reader to move beyond abstract claims about democratic leadership and consent and instead consider how political systems operate when populated by ordinary human beings with limited knowledge, competing interests, and diverse motivations. The result is a more realistic understanding of both the possibilities and limitations of political institutions.

CHAPTER HIGHLIGHTS

If Men Were Angels: The Basic Analytics of the State Versus Self-Government

- Examines the fundamental rationale for political authority.
- Explores the tradeoffs between centralized government and voluntary social order.
- Applies incentive-based analysis to government and self-governing institutions alike.

Public Choice and Political Leadership

- Applies economic reasoning to political leadership.
- Examines the incentives facing elected officials and political decision-makers.
- Challenges idealized views of political leadership by emphasizing how institutions shape behavior.

Consent of the Governed?

- Investigates the meaning of political consent.
- Questions whether citizens truly consent to the governments under which they live.
- Examines the implications of political authority that rests on something other than explicit agreement.

Legitimacy

- Examines the sources of political legitimacy.
- Explores why people accept and comply with political authority.
- Reveals the role of legitimacy in reducing reliance on coercion.

Fear: The Foundation of Every Government's Power

- Investigates how governments use actual or perceived threats to secure compliance.
- Underscores the connection between coercion and political order.
- Questions how much political compliance depends on perceived threats rather than voluntary support.

The Song That Is Irresistible: How the State Leads People to Their Own Destruction

- Explores how citizens may support policies that ultimately harm their interests.
- Illuminates the gap between political intentions and actual outcomes.
- Examines how narratives and symbols shape public support for harmful policies.

Democracy and Faits Accomplis

- Investigates the limits of democratic control over government.
- Explores how political decisions often become entrenched before meaningful public input occurs.
- Reveals the difficulty of reversing established policies and institutions once they are in place.

DISCUSSION QUESTIONS

1. What makes political authority legitimate? Can legitimacy exist without consent?
2. To what extent do citizens meaningfully consent to the governments under which they live?
3. How do incentives shape the behavior of political leaders and public officials?
4. Why do people obey governments even when they disagree with their policies?
5. How closely do democratic political systems align with the ideal of government "by the people" and "for the people"?

PART VIII

The Post-9/11 Warfare State

CORE CONCEPTS

National security • Warfare state • Permanent emergency • Civil liberties • Executive power • Militarization • Fear and crisis • Foreign intervention

OVERVIEW

This section applies the analytical insights developed throughout Higgs's career to the post-9/11 era. The essays examine how the terrorist attacks of September 11, 2001, reshaped American politics, expanded the powers of the national-security state, and altered the relationship between liberty and security. Consistent with earlier chapters, Higgs argues that crises create opportunities for institutional expansion that often persist long after the original emergency has passed.

Higgs emphasizes the constant tension between the pursuit of security and the preservation of a free society, and the importance of evaluating government responses not only by their stated intentions but also by their actual consequences. Together, these readings provide a political economy of the post-9/11 world and invite the reader to reflect on the issues posed by permanent national security mobilization.

CHAPTER HIGHLIGHTS

Glory Days for Government: An Economic Historian Talks About National-Security Crises and the Growth of Government

- Examines how national-security crises create opportunities for government expansion.
- Draws attention to the institutional consequences of emergency politics.
- Shows how temporary crisis measures often become permanent features of government.

Wartime Curbs on Liberty Are Costless? (It Just Ain't So!)

- Questions the view that restrictions on liberty are harmless during emergencies.
- Reveals the neglected costs of security policies.
- Shows how emergency restrictions can reshape political institutions long after the crisis has passed.

US National Security: Illusions Versus Realities

- Examines the gap between perceptions of security and actual security outcomes.
- Challenges conventional measures and assumptions used to assess national security.
- Highlights the complexity of evaluating security measures.

If We're Really in Danger, Why Doesn't the Government Act as If We're in Danger?

- Investigates inconsistencies in government responses to perceived threats.
- Explores the incentives facing policymakers during periods of crisis.
- Distinguishes symbolic political actions from those designed to address actual risks.

Free Enterprise and War, a Dangerous Liaison

- Examines the relationship between military policy and private economic interests.
- Highlights the risks of political favoritism and privilege.
- Shows how wartime policies can foster enduring patterns of political-economic dependency.

Suppose You Wanted to Have a Permanent War

- Uses a thought experiment to explore the institutional requirements of perpetual conflict.
- Investigates the political and economic structures that sustain ongoing military engagement.
- Reveals how incentives can make military commitments self-perpetuating.

How Does the War Party Get Away with It?

- Examines the political and ideological forces that sustain support for intervention.
- Explores the roles of public opinion, rhetoric, and organized interests in shaping foreign policy
- Reveals why mechanisms of democratic accountability often fail to constrain interventionist policies.

On Crackpot Realism: An Homage to C. Wright Mills

- Critiques narrowly defined notions of realism in foreign policy.
- Questions assumptions that are often treated as self-evident in national security debates.
- Explores how flawed premises can shape policy conclusions.

To Make War, Presidents Lie

- Examines the role of information asymmetries in wartime decision-making.
- Explores the incentives facing political leaders to shape public perceptions of conflict.
- Clarifies the challenges of transparency and accountability in matters of war.

Collateral Damage: Two Venues, One Logic

- Explores the moral and political implications of unintended harm.
- Examines how decision-makers justify negative consequences.
- Investigates how political institutions diffuse responsibility for wartime harms.

Military Precision Versus Moral Precision

- Distinguishes technological accuracy from ethical judgment.
- Challenges claims that improved military technology resolves moral concerns.
- Explores whether greater military precision alters the moral responsibilities of those who employ force.

Can Bullets and Bombs Establish Justice in Iraq?

- Examines the limits of military force as a tool for achieving political and social objectives.
- Explores the challenges of institutional change through external intervention.
- Distinguishes military victories from successful political outcomes.

DISCUSSION QUESTIONS

1. Why do national security crises often lead to lasting expansions of government power?
2. How should citizens evaluate tradeoffs between liberty and security during periods of perceived danger?
3. What incentives encourage the persistence of military interventions and security institutions?
4. How can citizens evaluate government claims about threats, security, and war when information is incomplete or controlled by political authorities?
5. What are the limits of military force as a tool for achieving political, social, or moral objectives abroad?