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Government and the American Economy: A New History (review)

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Price V. Fishback et al. *Government and the American Economy: A New History*. Chicago, IL: University of Chicago Press, 2007. xix + 560 pp. ISBN 0-226-25125-6, \$85.00 (cloth); 0-226-25125-4, \$35.00 (paper).

In *Government and the American Economy: A New History*, a distinguished panel of economic historians chronicles and evaluates how government has shaped U.S. economic development and growth from the colonial period to the present. The volume is dedicated to Robert Higgs, whose seminal thesis on the growth of government—that it is a crisis-induced and persistent process—is one of the volume’s underlying themes (and the subject of Higgs’ chapter titled, “The World Wars”). The other is that government advances economic development and growth when it observes well-defined private-property rights, enforces contracts, administers justice, and defends the nation from external aggressors.

Many of the volume’s sixteen contributors, whose names most readers will recognize, weave both themes into their essays. Others discuss the public sector’s tendency to accrete—and, hence, shape the U.S. economy—irrespective of crises or changes in rules of law. In any case, most essays offer a balanced assessment of government. And, each couches clear and concise economic analysis within an instructive historical narrative, complete with notes and bibliographies; hence, this work will appeal to a wide audience of experts and nonexperts alike.

The volume opens with several essays that together discuss, in the context of the founding of the United States, how initial property endowments shape property-rights institutions, which in turn shape the development and growth of both the economy and the government. They demonstrate convincingly that early American property rights institutions—born of British precedents (Stanley L. Engerman), codified in a constitution influenced by the commercial interests of its framers (Robert A. McGuire), and grafted to a strong financial system (Richard Sylla)—explain much of the young nation’s rapid convergence to British standards of living, as well as the economic successes and failures of federal land policies (Gary D. Libecap), and the roles of national, state, and municipal governments in the antebellum economy (John Joseph Wallis).

Some of the volume’s most stimulating contributions trace the origins of the modern mixed economy back to the Civil War, a crisis that derived, in essence, from a morally reprehensible property right. The War ushered in the first centrally administered conscription policy, as well as a national income tax, a national banking system, a national

currency, Departments of Agriculture and Education, land-grant universities, the National Academy of Sciences, and the Secret Service (Jeffrey Rogers Hummel). Moreover, whereas government sanctioned slavery prior to the Civil War, it likely accelerated the pace of racial convergence (on the basis of income, education, and wealth) afterwards (Robert A. Margo). In turn, emancipation motivated paternalism, which served Southern plantation owners as an enforcement mechanism that minimized the cost of monitoring free labor. Paternalism effectively shaped the growth of the welfare state, which the South resisted to the extent that it interfered with how the region managed—and, hence, controlled—its labor force (Lee J. Alston and Joseph P. Ferrie).

Meanwhile, government's regulatory purview expanded as it sought to restrain the putative commercial, moral, and speculative excesses of the industrial economy and assuage popular—and, in particular, agrarian—unrest in the Gilded Age and the Progressive Era. In the span of a few decades, government regulated railroads, trusts, meat packing, and oil, prohibited alcohol and cigarettes, imposed income taxes and labor reforms, and founded the Federal Reserve System. The volume argues that many such federal efforts, effected by an increasingly professional—though not necessarily social-welfare-improving—federal bureaucracy (Gary D. Libecap), were largely feckless. For example, although state-led efforts to regulate industry during the Gilded Age likely improved, if only temporarily and at a cost to consumers, the livelihoods of farmers, and small-business owners, federal efforts accomplished very little in this regard (Mark Guglielmo and Werner Troesken). As for the Progressive movement's ostensibly hard-won successes, workers' compensation benefited both workers and employers, while labor reforms for women and children codified a "preexisting trend" (307). And later, Federal Reserve policy deepened the Great Depression, though the collective effect of New Deal programs remains unclear (Price Fishback).

Today, the U.S. economy reflects its government's responses to the geopolitical, economic, and social crises of the nation's past. In the last century alone, government has determined, to some extent, the country's population (through its effects on birth and mortality rates, and immigration), the composition of its labor force (through insurance programs, gender- and race-related segregation and integration, tax policy, job training, collective-bargaining restrictions, and minimum wages), the quality of its human capital (through public education and healthcare), and the allocation of its natural resources (through agricultural policy) (Sumner J. La Croix; Randal R. Rucker, and E. C. Pasour, Jr.).

This volume not only deftly investigates whether and to what extent these and other policies have augmented U.S. standards of living, it also recognizes that such policies produce unintended consequences, including a government—read, military—industrial—congressional complex—on which we increasingly rely (Robert Higgs).

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Robert M. Collins. *Transforming America: Politics and Culture during the Reagan Years*. New York: Columbia University Press, 2006. 310 pp. ISBN 0-231-12400-7, \$29.50.

Robert Collins has written two superb books treating modern American business history—*The Business Response to Keynes* (1981), and *More: The Politics of Growth in Postwar America* (2000). In this, his most recent and elegantly written book, he takes on the rather more slippery, amorphous cultural history of the period. He even dives undaunted into that most murky phenomenon, “postmodernism.” There, he has some delightful things to say about “the therapeutic culture” and the “self-esteem” fad that it produced. In his treatment of business during the Reagan years, he tries to balance the good with the bad, sometimes stretching to claim positive outcomes when the negatives seem outstanding. For instance, though we may not much like Greed and the crookedness that it encourages, he suggests, nevertheless we must acknowledge that in its pursuit, the crooked “geniuses,” such as Michael Milken, led the way to a creative response to the dire challenges of the seventies and eighties.

His treatment of Ronald Reagan seems similarly “balanced.” He explains Reagan’s dreamlike “optimism,” noting, for example, how “Reagan’s irrepressible sunniness sometimes caused him to see certain unpleasant aspects of reality less clearly than he arguably [?] should” (54). But, Collins quickly adds that such optimism was just what the American people needed. And, although it also underlies Reagan’s promotion of the exorbitantly expensive fantasy of an effective anti-ballistic missile defense, Collins follows up by noting that chimerical as it was (and is), it scared the hell out of the Russians and,