

***CAPITALISM
AND THE
AMERICAN
POLITICAL
IDEAL***

EDWARD S. GREENBERG

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***GOVERNMENT
AND THE
ECONOMY:***

*Understanding
the Relationship*

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1. *The American Ideal of “Limited Government”*

We are today in the midst of a fundamental transformation in the way the American people think about government and its role in the life of the nation. Until the past decade, there seemed to be a growing consensus that the flourishing of American society in the twentieth century depended on the federal government’s performance of an increasingly central role in managing economic and social relations. The majority of Americans, in their support for Progressive Era reforms, the New Deal, the Fair Deal, and the Great Society, appeared to have concluded that a strict separation between government and the economy—a key value of the American political tradition—was no longer possible in the modern world. The ideals of strictly limited government and an unrestricted free market, although ritually invoked, were in practice abandoned as the federal government, under both Democratic and Republican administrations, became an activist government in the service of other national values—military strength and security, economic efficiency and productivity, public health and safety, social justice and humanitarianism. By the seventh decade of the century, government had become enormous and omnipresent—to some, a Leviathan; to others, a pitiful giant.

It is now obvious that the apparent consensus favoring an activist role for the federal government has been shattered; at the very least it is in headlong retreat. Ronald Reagan’s sweeping victories in the 1980 and 1984 presidential elections are the most visible manifestations of this sea change in the political mood of the American people, but in fact, the “wrecking ball” of the traditional free-market/limited-government ideal has been at work on the activist state since the early 1970s. The continuous pounding has had profound effects, altering

both the public mood and the agenda of political and economic elites. Only a distinct minority of Americans, for instance, continue to believe that the federal government can successfully manage, let alone solve, the complex problems confronting the nation; an emergent majority (of voters, at least) seems to believe, with Ronald Reagan, that government is not the solution but is itself the problem, and that revitalization and renewal of the nation require cutting government down to size and releasing the energies of individual initiative.

The shift in public mood may be gauged by the degree to which the parlance of conservatives has become the *lingua franca* of American politics, dominating political discourse even in the Democratic Party, long the champion of the expansion of government programs. Indeed, maverick Democrat George Wallace of Alabama was one of the first to tap into the emerging popular mood. In 1972, as a losing contender for the Democratic presidential nomination, he warned the party's convention delegates: "The monster bureaucracy is driving people in this country nuts. It should get off their backs and out of their pocket-books." President Jimmy Carter and California Governor Jerry Brown built their political fortunes in the 1970s on anti-Washingtonism, the politics of limits, and "government can't do everything" themes.¹ Today, young Democratic "neo-liberals" like senators Bill Bradley (N.J.) and Gary Hart (Colo.), fortified by the intellectual contributions of economists Lester Thurow and Robert Reich, articulate similar views, expressing more concern about fiscal responsibility and economic efficiency than about the meat-and-potatoes issues of what they regard as the outmoded New Deal tradition. In 1984, Democratic candidates Walter Mondale and Geraldine Ferraro devoted more of their attention to the federal deficit, family issues, and patriotism than to the question of how government, under their leadership, might improve the quality of life of the American people. One senses in all of this a new popular resonance with the fears articulated by *laissez-faire* free-market theorists like Ayn Rand, Milton Friedman, Friedrich Hayek, and James Buchanan, who have argued that the escalation of government size and purpose means the end of the free market, the imposition of mass conformity, the decline of individualism, the loss of creativity, and the stranglehold of mindless bureaucracy; in short, the beginning of a journey on the "road to serfdom."²

The current popular concern about government is a response not to some imagined development but to an unmistakable transformation in the very nature of American government and an explosive growth in its

size, reach, and responsibilities. No longer is the federal government the “night watchman” state carefully wrought by the Founders; it is an active, potent engine of society and economy, impacting upon almost every facet of Americans’ lives. It regulates business and the economy in general; owns vast quantities of land, equipment, and plant; regulates labor-management relations; distributes monthly payments to the elderly; helps educate the nation’s children; provides welfare payments to the poor and disabled; regulates communications and commerce; undertakes vast explorations in outer space and under the seas; and takes for public use a healthy portion of every working American’s paycheck. These wide-ranging activities, mostly products of this century, represent nothing less than a revolution in the responsibilities and functions of American government.

Yet despite (some would say because of) the enhancement of government size and responsibility, America’s problems seem increasingly intractable. Our standard of living, despite a short-term resurgence in 1984–85, steadily disintegrates.³ The economy doesn’t work the way it is supposed to work: unemployment won’t go away, the banking system totters on the peak of a mountain of public and private debt, and our balance-of-trade situation continues to deteriorate. America’s position in the world, for a short time unassailable and virtually unquestioned, has been undermined by our capitalist industrial rivals, challenged by the Soviet Union, and disregarded by upstart Third World regimes. Worst of all, nobody seems to know what to do about the domestic and international disintegration of the United States. Academic experts and assorted pundits give contradictory advice before Congress, in the professional journals, and in the mass media. Solutions that have worked in the past seem no longer to make sense.

Solving problems requires, of course, that their causes be understood, but the average American has precious few resources available for making such important judgments. To be sure, complaints and discontent about government are abundant—indeed, they define much of the political landscape. But complaints and discontent are not enough; what is needed is explanation. Here, the problem is not quantity, but quality of explanation. Everyone, it seems, has something to say about how we came to have the kind of government we have, and how it led us into the current impasse. For the most part, however, these explanations remain undeveloped, fragmentary, and unconvincing. The vast expansion of government activities and policies has been extensively documented and described, but it has hardly begun to be

explained in a fashion that is both theoretically tenable and broadly comprehensible.

In this book, I will try to offer a coherent and comprehensive explanation for the appearance of government in its contemporary form. My approach is based upon an understanding of government as a direct reflection of the organization, operation, and transformation of a society's economy and of the group and class conflicts inherent in that economy. More specifically, I shall attempt to explain the transformation of American government as a product of the transformation of the American economy from a system comprised of small, competitive enterprises to one characterized by giant, multinational corporations. I shall attempt to demonstrate how a large-scale interventionist government is the concomitant of a large-scale interdependent economy; how it is the product neither of accidental and random processes nor of misguided politicians and theoreticians, as is commonly suggested, but of developments in American capitalism itself. A big economy, that is to say, begets a big government which takes on a vast range of responsibilities. The description and explanation of this begetting is the task of this book.

Limited Government

Much of the uneasiness about the growth in the size, reach, and responsibility of government in the United States can be traced to the contradiction that these developments pose to traditional American notions about government's proper role in a democratic society. For at least the first century of our existence as a nation, the prevailing American view of the legitimate purposes of government was derived primarily from the *laissez-faire* tradition in political economy. Although the theory was often violated in practice, most Americans believed that the government "governs best that governs least." Government was distrusted, naturally, by a people that had recently thrown off the shackles of the British monarchy and imperial system. To most Americans, government was useful only to ensure against external threats to nationhood and internal threats to property; while necessary for the preservation of a social order in which people were free to pursue their self-interest, it was perceived at the same time as a threat to the practice of that very freedom. This viewpoint was manifest in the Declaration of Independence, the Articles of Confederation, the many strictures on state executives, and the provisions for the separation of powers in the

Constitution of 1789. The notion that government should be the tool by which society ministers to the needs of the less fortunate or regulates economic life was foreign to the thinking of the period,⁴ even among most of the radicals; the ardor in the early Republic for limited and passive government was matched by a fear of tyrannical government.

Thomas Paine, the firebrand of the American revolution, wrote in his pamphlet *Common Sense* that “Society in every state is a blessing but Government even in its best state is but a necessary evil.”⁵ Thomas Jefferson, the best-known proponent of limited government and the principal author of the Declaration of Independence, once wrote to fellow Virginian James Madison that he was “not a friend to a very energetic government because it is always oppressive.” For his own part, Madison, who is called the father of the Constitution, believed that concentrated power in government was always tyrannical and lent his efforts, in helping to write and defend the Constitution, to the fragmentation and taming of such power. As he put it in *The Federalist Papers*:

The accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointive, or elective, may justly be pronounced the very definition of tyranny.⁷

The tradition of limited government that rooted itself so deeply in America was the product of diverse sources. One of the main lines of influence may be traced to the Protestant Reformation, an event that resulted not only in a split by many Christians from the universal Catholic church but in the encouragement of individualism. The Reformation meant the rejection of ordered and hierarchical community and the support of individual religious search and choice. It fostered a world in which each man was to be his own priest, and ultimately his own economic and political actor.⁸ In emphasizing the possibility—indeed, the necessity—of individual salvation and regeneration and the break from Catholic order, community, and hierarchy, the Reformation inadvertently encouraged the questioning of all traditional order, legitimacy, and hierarchy in the name of individual search and fulfillment. It is not unimportant, then, that America was largely populated in its earliest days by Protestant combatants and victims of the religious struggles of that age, passionate believers in the idea that the individual stood co-equal to political and religious authority.

The early settlers came to the United States armed not only with

religiously based conceptions of individualism, but with the philosophical ideas of the Englishman John Locke, pre-eminent articulator of the view that individuals possess inalienable rights that cannot be violated by any other individual, group, or institution (including government), and that government's responsibilities are limited to the protection of these rights. Of Locke's several great works, his *Second Treatise on Government* has had the most lasting influence in America. In this work, Locke explored the origins and purposes of government and formulated a set of arguments now familiar to Americans. His central ideas encompassed the right of the individual to be secure in his property, the threat that government constantly posed to the enjoyment of these rights, and the legitimacy of dissolving government when it exceeded its proper limits.

Briefly, Locke argued that man once existed in a "state of nature"⁹ characterized by abundant natural resources and perfect liberty. In this state of nature, which had been given by God to humankind in common, individuals, by virtue of the exercise of their inherent human attributes of reason, creativity, and labor, quite properly began to accumulate private property. That is, by just and proper actions, individuals came to appropriate privately that which had been the common property of all; at the same time, they enriched society by putting fallow resources to productive uses. As Locke put it:

God, who has given the world to men in common, has also given them reason to make use of it to the best advantage of life and convenience. . . . Though the earth and all inferior creatures be common to all men, yet every man has property in his own person. . . . The labor of his body and the work of his hands . . . are properly his. Whatsoever . . . he removes out of the state that nature has provided and left it in, he has mixed his labor with, and joined to it something that is his own, and thereby makes it his property. Nor was this appropriation of any parcel of land by improving it any prejudice to any other man, since there was still enough and as good left, and more than the yet unprovided could use. . . . He that had as good left for his improvement as was already taken up needed not complain, ought not to meddle with what was already improved by another's labor. . . .¹⁰

This seemingly idyllic world, in which rewards were apportioned strictly on the basis of talent and effort, was riddled, however, with what Locke called "inconveniences": it lacked an agreed-upon judge to settle disputes, the means to enforce the law or judgments concern-

ing disputes, and the means to ensure that all men abided by the resultant distribution of unequal amounts of private property. To escape these “inconveniences” and to protect their God-given rights, Locke argued, men entered into an agreement (or a contract) to form a government.

This makes him willing to quit a condition which however free, is full of fears and continual dangers; and it is not without reason that he seeks out and is willing to join in society with others . . . for the mutual preservation of their lives, liberties, and estates, which I call by the general name “property.”¹¹

Government, once it was formed by a contract entered into by individuals who were already possessors of rights, was limited to the preservation of the rights of life, liberty, and property and was permitted no action beyond that which was spelled out in the original contract. To the extent that government went beyond the terms of the agreement, and by that action threatened rights or transgressed popular consent, it abrogated the agreement. In such an event, people could cancel the original contract and write another; that is to say, people retained the right to overthrow government and to create another in its place.

Whensoever, therefore, the legislative shall transgress this fundamental rule of society, and either by ambition, fear, folly, or corruption, endeavor to grasp themselves, or put into the hands of any other, an absolute power over the lives, liberties, and estates of the people, by this breach of trust they forfeit the power the people had put into their hands for quite contrary ends, and it devolves to the people, who have a right to resume their original liberty and, by the establishment of a new legislative, such as they shall think fit, provide for their own safety and security, which is the end for which they are in society.¹²

Locke’s ideas of inalienable individual rights, popular sovereignty, the right of revolution, and the accumulation of private property as the legitimate reward for effort came to enjoy enormous influence and popularity in America. Most importantly for the present argument, however, Locke helped convince the early leaders of the Republic that the only legitimate activity of government was to secure and protect individual rights, and that any government that went beyond these limits had forfeited its right to command the obedience and allegiance of its citizens. This line of thinking is seen most clearly, of course, in the Declaration of Independence, with its statement of the theory

. . . all men . . . are endowed by their Creator with certain unalienable Rights . . . That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed,—That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or abolish it and establish new Government . . .

and its cataloging of repeated violations of natural rights by the British monarch, in justification of the American revolution.

Another important influence in the development of what might be called “anti-statism” came from the needs and demands of a newly emergent and powerful economic class in the late feudal period: the commercial middle class. Out of the articulation of these needs and demands came a theory about the relationship of government and economy that was to sweep the United States in the eighteenth and nineteenth centuries and that remains the heart of American doctrine to the present day. I am referring, of course, to notions of the free market and limited government formulated first by the French physiocrats and later, and most fully, by the Scottish philosopher Adam Smith.¹³ Smith and the physiocrats launched an attack against *mercantilism*, the dominant form of economic organization in seventeenth-century Western Europe. Mercantilism was an economic system that sought for each nation the maximum accumulation of gold; to that end, governments attempted to control all aspects of economic activity, particularly commerce. This tight reign on commercial activities by the sovereign was rightly seen as a fetter upon the activities of a new and increasingly powerful class of merchants, financiers, and industrialists—a class that Karl Marx later would call the bourgeoisie. In the name of this emerging class, Smith and others called for the end of mercantile restrictions and for the institution of a policy of free and unrestrained trade. They based their proposals on what they described as a “natural law” of economic life, whereby the common good was the outcome that was secured when each person freely pursued his or her own selfish interest; thus, in Smith’s words, each was “led by an invisible hand to promote an end which was no part of his intention.” And since there exists a natural law of economic life, according to this view, government intervention cannot but interfere with the wondrous workings of nature. The wealth of nations, Smith and his contemporaries contended, in an argument that must have seemed paradoxical to the mercantilists, was increased to the extent that government left the commercial system free to pursue its own logic.

With the development of these lines of economic thought, an important addition had been made to the *laissez-faire* notion of government. Proponents of this view had long seen government as inherently coercive, and it followed that human freedom was enhanced to the extent that government removed itself from the field, acting as guarantor of the larger game but not as an active participant. What the new economic theorists added to this notion was the argument that freedom in the economic sphere, the removal of government from economic policy-making, was sound and rational social policy as well. Freedom and rationality were both served, therefore, by a minimalist government with few responsibilities. Armed with this new theory about the relationship of state and economy, the emerging commercial and manufacturing class gained intellectual and even moral legitimacy for its self-interested struggles and freed itself to pursue capital accumulation and expansion.

English colonists brought Protestant individualism, the contract theory of John Locke, and new *laissez-faire* economic principles with them to North America, where these ideas were only reinforced and concretized by the conditions of the new society. By the end of the eighteenth century, the view that the proper role of government should be passive and circumscribed, in the service of liberty and economic efficiency, had become virtually an article of faith,¹⁴ even approaching official ideology; and by and large, the government of the United States remained small, passive, and comparatively free of social and economic functions. And although today the United States is no longer the pioneer society of small-scale agriculture, widespread property ownership, and minimal social stratification in which the free-market/limited-government ideal took root—but is, in fact, a nation of big government, big business, “factory farms,” industrial employment, teeming cities, and class inequality—this tradition remains remarkably vigorous and is continuously invoked.

Perhaps the best-known modern restatement of the free-market/limited-government ideal is that of Nobel Prize-winning economist Milton Friedman. In his enormously popular book *Capitalism and Freedom*, Friedman argues that while government retains an important role in keeping the competitive marketplace and its twin, the competitive society, from falling into an anarchistic disorder harmful to the rights and liberties of all, its role must remain a strictly delimited one.

A government which maintained law and order, defined property rights, served as a means whereby we could modify property rights and other

rules of the economic game, adjudicated disputes about the interpretation of the rules, enforced contracts, promoted competition, provided a monetary framework, engaged in activities to counter technical monopolies and to overcome neighborhood effects widely regarded as sufficiently important to justify government intervention, and which supplemented private charity and the private family in protecting the irresponsible, whether madman or child—such a government would clearly have important functions to perform. The consistent liberal is not an anarchist.

Yet it is also true that such a government would have clearly limited functions and would refrain from a host of activities that are now undertaken by federal and state governments in the United States, and their counterparts in other Western countries.¹⁵

Such sentiments find continued and recurrent resonance among Americans—including many who would not define themselves as conservatives.

Ideal and Reality

How is it that a large, expensive, and interventionist government with a vast and variegated range of functions and responsibilities emerged in a society so committed to the idea of limited government? Furthermore, how is it that this giant seems so pitifully ineffective in the face of the problems posed by a modern economy and society? These questions beg for an explanation.

It is the task of this book to provide the essentials of such an explanation. The explanation that is offered represents a significant departure from those that are presently at the center of public discourse in the United States. I am of the opinion that the generally confused and contradictory understandings of the nature and purposes of modern government that dominate public discussion in the United States are basically misdirected and misleading. In the chapters that follow, I hope to present a more logically convincing and politically useful theoretical explanation, one that is capable of explaining the growth in government size and changes in the range and direction of its many responsibilities. What I shall attempt to do, in sum, is to illuminate the meaning of the revolution in government activities, to explain *what* government does with its vast treasury and legion of employees and *why* it does what it does.

First, however, it will be useful to consider the currently most familiar explanations of why government does what it does. In the

next chapter, I shall carefully (and I hope fairly) present the understandings of modern government in the United States articulated by leading free-market conservatives, reform liberals, and neo-conservatives. I shall demonstrate how each, while containing some elements of a reasonable explanation, is ultimately untenable; how each suffers from a curiously ahistorical vision and a narrowness of theoretical insight. What I shall pose in their place (and develop in Chapter 3) is a perspective that takes as its point of departure both the richness, flux, and contradiction of historical change and the interrelatedness of economic, social, and political forces. The remainder of the book is a test, in effect, of the extent to which this alternative theoretical perspective works; that is to say, a test of its ability to explain the development and operation of the contemporary American state.

2. *The Rise of “Big Government” in the United States: Competing Explanations*

In Chapter 1, I attempted to highlight some of the most puzzling aspects of our political life and to raise for consideration an issue that is troubling many Americans, namely the undeniable contrast between the present reality of government in the United States and the traditional American ideal of limited government. How does one account for the emergence of a government whose size, reach, penetration, and impact exceed the wildest imaginings of the founders of the American Republic? I believe that there is an explanation, one that is theoretically and logically consistent and empirically verifiable, and in the next chapter I shall begin to sketch its outlines. Before doing so, however, I want to present, in as fair a manner as possible, the most popular and influential alternative explanations for the rise, development, and ongoing operations of modern government in the United States. In the pages that follow, I will present the views of three schools of thought that are familiar to most Americans: *free-market conservatism*, most commonly identified with thinkers like Milton Friedman; *reform liberalism*, synonymous with the liberal presidencies of Franklin Roosevelt, Harry Truman, John F. Kennedy, and Lyndon Johnson; and *neo-conservatism*, currently in vogue in Washington and in American intellectual circles and most closely identified with the work of Irving Kristol and his colleagues. I will discuss each school's conception of the proper role of government, its description of the current status of government in the United States, and most importantly, its explanation for why a gap has developed between ideal and reality.

What will emerge from this discussion is not only a description of the range and content of political discourse in the United States today, but an appreciation of the fact that each of these perspectives, despite its insights, is seriously and inescapably inadequate. This discussion will serve to open the way to a serious consideration of an alternative and unfamiliar perspective in the next chapter.

Free-Market Conservatism

Free-market conservatism is at once the most popular and the most confused school of thought that will be examined in this chapter. While it seems to me to be a loosely articulated aggregation of complaints, explanations, and nostrums, out of touch with larger developments in the social order, it retains a significant following in the population, for it expresses the deeply felt anxieties of many about contemporary developments in political, economic, and social life. For all of these reasons, it is worthy of careful consideration.

The modern free-market conservatives are direct descendants, or perhaps the historic residue, of the American *laissez-faire* tradition linked to John Locke and Adam Smith. The proper function of government, in this view, is that of protector of individual rights, enforcer of the rules of the free market, and guarantor of public order. Since market society is believed to have a natural harmony and to be inherently self-regulatory, government functions and responsibilities must be strictly limited, lest rights be violated and irrationality and inefficiency be introduced into economic relations.

Thinkers like Milton Friedman, Friedrich Hayek, and James Buchanan hold to these same views, not out of a simple nostalgia for the principles of Locke and Smith, but out of a belief that those principles remain the basis for a rational, efficient, and productive economy and a government that sustains and protects liberty. Lodged firmly at the center of their conception of the proper political economy are the institutions of a freely competitive market economy and a limited and relatively passive “night-watchman” government; the latter’s activities are confined to protecting and encouraging the market system, alleviating “neighborhood” and monopoly effects in the rare instances when such effects are apparent,¹ and protecting society against external aggression. Since at least the New Deal, according to this view, things have gone seriously awry in America, with government persistently transgressing the limits of what is appropriate and

legitimate. As Ronald Reagan has put the issue: “Government exists to protect us from each other—not from ourselves. I think government has gotten too big, too costly, and is robbing us of our liberty.”² Even more dramatic is this formulation of the free-market conservative view by former Treasury Secretary William Simon:

In the context of our own past and by the standards of our once exceptionally free market, we have ceased to be a true free-enterprise economy, and we are today a mixed economy or “welfare state.” . . .

In the United States, a population accustomed to historically unprecedented liberty is now ruled, almost exclusively, by a political-social-intellectual elite that is committed to the belief that government can control our complex marketplace by fiat better than the people can by individual choice and that is ideologically committed to social democracy or democratic socialism. . . .

The trends I have described constitute a broad socialist political-economic pattern, minus outright confiscation of the means of production. It is, more precisely, a set of quasi-socialist attitudes that have been integrated into the American economy, representing that quest for “a middle ground between communism and capitalism. . . .”

The state ceased to be viewed as man’s most dangerous enemy, to be shackled forever by constitutional chains. It was henceforth proclaimed to be the precise opposite; it became man’s tenderhearted protector and provider.³

How did we drift so far from what is appropriate and legitimate? For Friedman, Hayek, and Buchanan, the root cause of the aberration may be located, at least in part, in the strange yet popular notion that government must function for social betterment, for the alleviation of social distress and conflict. While the people who take this notion seriously may be well-intentioned, to a conservative the proposal that government should play such roles violates the requirements of a free-market economy and of a free society, for the growth of government function and responsibility has a grim correlate: the diminution of liberty and the slow but inexorable growth of tyranny. Since tyranny, in Hayek’s view, is the inevitable result of any “deliberate organization of the labors of society for a definite social goal,”⁴ any effort to give government a role beyond that of “night watchman” prepares the ground for totalitarianism.

The origins of the notion that government might be more than minimalist in its activities are unclear. To some free-market conservatives, this idea is simply the product of muddled thinking and bleeding

hearts. To others of them, it seems to be the by-product of an otherwise admirable American “can-do” mentality; that is, when faced with a problem, Americans are likely to turn to whatever works, to seek pragmatic solutions, and to ignore or consciously reject consistent theory or principle. To yet other free-market conservatives, the belief in the efficacy of governmental action in the social and economic spheres is derived mainly from the appeal that socialism has always held for intellectuals and the revulsion they are prone to feel for the materialism and competitiveness of market societies. Milton Friedman neatly summarizes the position of those who see modern government as the outcome of some curious combination of all these factors:

In the 1920’s and the 1930’s, intellectuals in the United States were overwhelmingly persuaded that capitalism was a defective system inhibiting economic well-being and thereby freedom, and that the hope for the future lay in a greater measure of deliberate control by political authorities over economic affairs. The conversion of the intellectuals was not achieved by the example of any actual collectivist society, though it undoubtedly was much hastened by the establishment of a communist society in Russia and the glowing hopes placed in it. The conversion of the intellectuals was achieved by a comparison between the existing state of affairs, with all its injustices and defects, and a hypothetical state of affairs as it might be. The actual was compared with the ideal.⁵

According to economic theorist James Buchanan, the expansion of government purpose, function, and responsibility is all but inevitable in a democracy: every element of a democratic regime points in that direction.⁶ Politicians, he suggests, are almost always in favor of government expansion (“few natural anarchists or libertarians frequent capital cloakrooms”).⁷ From a psychological standpoint, political life probably tends to attract people who like to make decisions that affect others, people who seek a larger stage on which to display their personal attributes. Instituting programs with a personal imprint is one of the best ways to play out such a drama. The objective self-interest of politicians leads them in the same direction, since election and reelection depend heavily upon the continued support of various interest and constituency groups, all of whom, at one time or another, seek government favors, preferences, and program support. The people and groups that politicians can expect to hear from tend to favor government activism—not in the abstract, but in the furtherance of some purpose of their own. The rational politician does well to be responsive

to these interests and, accordingly, tends to sponsor expansion of state activities into ever more areas. Finally, to the extent that corruption is a lamentable but ever-present feature of American political life, an expanded government budget leaves considerable leeway and opportunity for graft.

Once programs are legislated, it is in the interest of the bureaucrats who administer them to seek their expansion. Bureaucrats' advancement, salaries, working conditions, and morale are all tied to increases in their agencies' budgets. As Buchanan puts it, there is simply "little or no potential reward to the government employee who proposes to reduce or limit his own agency or bureau. Institutionally, the individual bureaucrat is motivated toward aggrandizement of his own agency."⁸ The situation is made even more distressing by the fact that as government employment increases, concomitantly with program and budget increases, government employees become an ever more powerful voting bloc to whose interests politicians must attend. Government workers are themselves a formidable foe of the concept of limited government.

Much of this has been made possible, Buchanan believes, by a dereliction of constitutional duty on the part of the federal judiciary. Rather than being protectors and guarantors of the basic structure of inviolable individual rights, as they are charged to be by the constitutional tradition, federal judges have become rubber stamps for congressional and executive initiatives; even worse, they have become active participants in altering the structure of rights, rewriting, without consent, the American constitutional contract. Buchanan calls for a reaffirmation of duty by members of the judiciary and a resurrection of their practice, long ignored, of placing limits upon government activity.

The free-market conservatives consider a full if diverse cast of candidates for the villains of this piece, yet their main salvo, surprisingly, is reserved for the American people. The theme that pervades the writings of free-market conservatives, on whatever else they may disagree, is that Americans have come to expect too much and have imposed their expectations on government via the democratic process.

In the view of free-market conservatives, then, the United States has experienced a continuous drift away from the values of limited government and has, as a result, tolerated a serious decline in political liberty and economic efficiency. While there is no general agreement among them about the sources of the deadly transformations in American

government institutions, they share a sense that an expansionist state is nearly inevitable in a democratic society where opinion leaders fail to appreciate the social, political, and economic benefits of a free-market economy and the requirements for its successful operation.

Reform Liberalism

Since the 1930s the main counterposition to free-market conservatism has been reform liberalism. Unlike free-market conservatism, this perspective remains somewhat intellectually underdeveloped and lacks a pantheon of founding thinkers—there being no reform-liberal equivalents of John Locke and Adam Smith, or even James Buchanan and Milton Friedman. In fact, rather than being the sole creation of intellectuals, reform-liberal ideas have been drawn mainly from the actual experience and practices of government, acting in pragmatic response to the emerging problems of society and economy. Although lacking the coherence of free-market conservative tenets, reform-liberal ideas remain influential and have served as the basis for most federal programs since the time of the New Deal. Having presented these caveats, I shall attempt to construct a relatively coherent and concise description of reform-liberal doctrine from the scattered bits of theory and practice that are available.⁹

Reform liberalism understands modern government to be an instrument through which the entire community democratically provides for its needs in those areas not well served by the free-enterprise economic system. Though imperfect, to be sure, government activities serve the general welfare; they are the means by which the American people provide themselves with necessary services unavailable to them through individual action and by which they attempt to alleviate that set of problems endemic to group life, particularly in a dynamic market economy.

What are the pressing problems of modern society and economy that demand a greater role for government? It has long been recognized (except, perhaps, by free-market conservatives) that unregulated market economies are highly problematic systems for those who live and work within them. That is to say, the operations of an unrestricted market almost invariably produce outcomes that are damaging to significant numbers of groups and persons, but are subject to correction by reasonable people. Reform liberals have usually pointed to four major difficulties that require vigorous state intervention.¹⁰ First, there