

[War, Revenue, and State Building: Financing the Development of the American State, Sheldon D. Pollack, Cornell University Press, 328 pages]

An Empire, If You Can Keep It

By Justin Logan

PERIODICALLY, it is worth remembering just how much the American Founders detested the signs of a bloated state: standing armies, a large fiscal-military federation, and a capacious national bureaucracy. It may be going too far to say that today's conservatives would denounce the Founding Fathers as unpatriotic conservatives—but not much too far. While members of the Right now flutter like schoolgirls at the mention of military leaders like Gen. David Petraeus, the Founders scorned the prospect of military leaders becoming figures of worshipful esteem. As the historian Arthur Ekirch has highlighted, aversion to standing armies and centralism was at the heart of the American founding.

In 1783, Revolutionary War veteran Aedanus Burke warned, "military commanders acquiring fame ... are generally in their hearts aristocrats, and enemies to the popular equality of a republic." John Randolph saw no serious threats to the Republic and accordingly denounced the Army as "loungers, who live upon the public, who consume the fruits of their honest industry, under the pretext of protecting them from a foreign yoke." Randolph sneered at the idea that a country of virtuous and self-sufficient republicans would be forced to seek "the protection of a handful of ragamuffins." Benjamin Rush suggested placing signs above the entrance to the Department of War reading "An office for butchering the human species" and "A Widow and Orphan making office."

The early Republic had a high tolerance for danger. The British had set fire

to the White House during the War of 1812 and remained in North America openly refusing to comply with the terms of the Treaty of Ghent. (One might compare the gravity of this threat to that posed by Afghanistan's own "handful of ragamuffins" today.) Even so, the U.S. Army was slashed in size from roughly 47,000 men during the war to less than 10,000 after it. This tiny force accounted for more than three-fourths of federal spending at the time.

We've come a long way. Today people who call themselves conservatives promote endless nation-building projects overseas. They endorse a gross imbalance of power at the domestic level, pitting a sorry, supine Congress against a super-empowered, quasi-regal presidency and administrative state. They shrug at flamboyant federal spending and hew to an American identity that is rooted more in worship of the state than in republican humility and deference to God.

How did this happen? How did a decentralized Republic become a homogenized, staggering titan bestriding the globe and attempting to transform everything from the social conduct of Iraqi families to the business practices of American banks, car companies, and healthcare providers?

The factor that explains the largest share of the centralism and growth of the American state is war. In *War, Revenue, and State Building: Financing the Development of the American State*, Sheldon D. Pollack, professor and director of the Legal Studies Program at the University of Delaware, sets out to trace war's role in facilitating that expansion. The book is a synthetic account that includes a review of the scholarly literature on state building in Europe, a sweep through (mostly secondary) sources describing the founding of the American state, and a third section detailing the growth of the fiscal-military state from the Civil War onward. Given the extensive existing literature and the broader and deeper treatments of these subjects by scholars such as Otto Hintze, Frederic Lane, Charles Tilly, Bruce Porter, Robert Higgs, and many

others, however, one searches mostly in vain for value added beyond the book's use as a roadmap of existing literature.

The very lack of controversy over the book's central claim proves the point. How many would argue with the thesis that the "remarkable institutional transformation" of the American state "would not have been possible but for the revenue raised through a particularly efficient system of public finance devised by national political leaders during the Civil War and subsequently resurrected and perfected in the early twentieth century"?

Pollack's account of the rise of the American state can be summarized as follows. Founded on "the dubious principle that tyrannical political power can be checked by denying the central government all the fundamental powers and attributes of stateness," the American state was crippled by "structural defects" that made the early American Republic a "failure." The need to band together to resist the threat from Britain forced the decision to unify the 13 former colonies into a confederacy. Even so, "the medieval princes of twelfth-century Europe were better equipped to raise revenue for their armies."

Even with its limited capacities, Congress begged and borrowed enough for the effort to defeat the Crown and founded a sovereign state with the ratification of the Constitution in 1787. The exertions of Alexander Hamilton helped overcome early politicians' aversion to centralized power, and set in place the institutions that would ultimately yield a more unitary American state.

The critical periods of government growth occurred during the Civil War, World War I, and World War II. Pollack offers a catalog of statistics that reflects the growth in administrative capacity and expenditures during these conflicts. He rightly keys in on the income tax, formally adopted in 1861, as a watershed in American state building. The Union government looked like the fiscal-military state of Great Britain, but the Confederacy's revenue strategy more neatly resembled tribute-taking empires such as Russia, lending a decisive advantage

to the North in the military contest between the two armies.

Pollack offers a useful discussion of how the growth of pensions for Union veterans laid the foundation for the administrative state. Originally paying only disabled veterans, widows, and orphans, Congress expanded the pension system to include "dependent fathers and brothers," then again to pay Union veterans who had served for at least 90 days and were disabled—whether related to the war or not. Enabled by budget surpluses, Republicans began using pensions as party-building measures.

The author's account of World War I brings striking statistics—the cost of the first year of war was greater than the expenditures of the entire government from 1791 through 1917—and ample proof of the so-called ratchet effect, by which a government's power never shrinks after a war to the level it was before the war.

But perhaps the final nail in the coffin of the American Republic was the one-two punch of World War II and the Cold War. Strikingly, Pollack's treatment of the growth of the American state during World War II spans fewer than eight pages, and as such he misses interesting details. For example, one of the important contributors to the working group at the Treasury Department that successfully promoted income-tax withholding as a way to increase revenue went on to become a leader of the free-market movement: Milton Friedman. Friedman would note in a 1995 interview that he thought withholding was "a great mistake for peacetime, but in 1941-1943, all of us were concentrating on war." He did not regret his role, but wished that "there were some way of abolishing withholding now." This demonstrates how the exigencies of war overcame an instinctive American anti-statism.

War, Revenue, and State Building concludes on a solemn note. Despite the increasingly ingenious efforts to extract resources from its citizens, the American state faces important structural fiscal shortfalls. An infantile polity that clamors

for both tax cuts and increased welfare payments diminishes the prospect of solvency. Even voters who assure pollsters that they seek “less government” in the abstract perennially elect politicians who nurse them with a variety of benefits, only part of which are paid for by taxes.

Meanwhile, a commercialized nationalism thrusts a self-selected few out into the world to sow social virtue abroad while the rest of us go shopping. Belief in self-restraint and republican virtue has all but vanished, as generation after generation of Americans marvel like idiot children at the latest baubles proffered by electronics manufacturers. The American foreign policy establishment prefers that the American taxpayer fund the defenses of Europe, Japan, and a host of other places, rather than allowing foreign governments to do so themselves. As Pollack observes, “the system is financially unsustainable.” And yet, if one had sketched out on paper the predicament America faces today—over-borrowed, overcommitted, and over there—many would have predicted collapse long ago.

Pollack’s volume does a service if it succeeds in introducing the broader literature on state building to students of American politics. While the Founders “sought to steer a new course and avoid replicating the European state in North America,” Pollack points out that “the great irony is that the American state they built eventually became more powerful than the mighty states of Europe they so feared and despised.” Those who profess to admire the Founding Fathers and the principles they pursued should consider whether the American state that exists today is worthy of the esteem bestowed upon it. The political scientist Hans Morgenthau wrote, “throughout the nation’s history, the national destiny of the United States has been understood in antimilitaristic, libertarian terms.” But perhaps this understanding was wrong all along. Maybe our ultimate destiny was to become what we revolted against in the first place. ■

Justin Logan is associate director of foreign policy studies at the Cato Institute.