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## CHAPTER 7

### Factors Affecting the Trend of Government Activity

The causes of the trend of government activity since 1900 must be sought in the tendencies present in the economy of 1900, modified or strengthened by the forces that entered the scene in later years. To get at these, let us take brief stock of the situation in which the twentieth century opened and note the changes after 1900 that seem most significant. We can then ask some pertinent questions. Are the causes suggested by our review themselves reflections of a more basic cause underlying them all? What is needed to confirm the significance of the factors thrown up by analysis of the American experience of a half-century? And what does the future appear to hold in store in the light of this analysis?

#### *Tendencies in 1900*

Government's role was a modest one when the twentieth century opened. Yet modest as it was by present standards, government seems to have been more important in 1900 than it had been in earlier decades. In our detailed discussion we could touch only briefly on changes before 1900. The figures on the labor force, it will be recalled, show a rise between 1870 and 1900 in government employment relative to total employment, though perhaps not as rapid as after 1900; and the figures on tax-exempt property trace a rising trend between 1880 and 1900 in the proportion of the nation's capital assets held by government. Information on the ratio of government expenditures (including interest, transfers, etc.) to national income is conflicting but seems also to indicate an increase, though rather slight, between 1890 and 1903. These suggestions are consistent with the general evidence on government activity before 1900 noted briefly in Chapter 1, and with details

on activities added by Detroit and California in the nineteenth century, reported in the studies cited in Chapter 4.

There already existed, then, a record of expansion in government activity.

The forces that had brought that expansion were still alive as the century opened. And other forces were already in motion and soon to add their impetus to the trend of government activity. Many of these, as we saw in Chapter 1, were already apparent in 1900. Recall, for example, that the Industrial Commission was uncovering problems and offering solutions to them; that experience was revealing what was needed to amend the monopoly and railroad acts; that the United States had recently entered the international arena; and that Secretary Gage was not yet satisfied with our banking system. Groups were already in the habit of addressing appeals or demands to government for aid and protection.

Tendencies toward further increase in government activity, it therefore seems fair to say, were already present at the turn of the century. But we need not consider the situation of 1900 in detail. The underlying forces are sufficiently well illustrated in our review of changes after 1900, on which we concentrate. For many of the same factors were at work.

### *Changes after 1900*

Population change, always a striking aspect of our national growth, comes first to our attention.

On the one hand, the doubled density of population tended to diminish the relative importance of government activity, with resulting economies in the use of government facilities, such as we have found in our analysis of interstate differences in 1942. And decline in rate of population increase (from 2 percent per annum at the opening of the century to  $1\frac{1}{4}$  percent in the 1940's) also may have operated in this direction by tending to cut per capita government outlays on many items of construction and equipment, just as it tends to reduce per capita outlays on residential construction, except for replacement needs.

On the other hand, however, accompanying changes in population composition worked to step up the relative importance of

government activity. Decline in number of children per family meant a higher value placed on each child, and a larger amount of money available for each child. Parents wanted longer schooling for their children, and more and better health, sanitation, hospital, and recreational services. Thus the number of school teachers rose more rapidly than the population, despite the decline in the percentage of children in the population. And increase in the percentage of older people in the population, together with urbanization, made the problem of the older worker more serious. Old age and survivors insurance is a recent step by government to meet the problem.

The increase in population and the ceaseless movement westward accompanying it brought also the end of the frontier in 1890.<sup>1</sup> This caught the attention of Frederick Jackson Turner in 1893 and provided a clue to the meaning of American history that fired the imagination of the next generation of historians. Whatever the merits of Turner's theory, the safety valve theory that was its corollary — or even more, the wider spread and less sophisticated reasoning from the simple fact of the frontier's disappearance — influenced opinions and provided ammunition for proponents of a "positive program" by government. Later, along with decline in the rate of population growth, the end of the frontier came to be a major factor in policies based on the theory of economic maturity and stagnation. But the impression that opportunity had diminished with the end of the frontier did its work long before the 1930's.

More directly, the end of the frontier led to a reassessment of the value of conserving and developing the nation's natural resources. The nineteenth century's "slaughter" of the great eastern forest and its "mining" of the soil seemed to create no problems as long as virgin land lay farther west. The twentieth century came to think otherwise. Federal control, regulation, and development of natural resources, reflected in extensive and increasing expenditures on reclamation and river development, for example, appeared early. Timber reservations and national parks expanded

<sup>1</sup> Customarily, and rather crudely, defined as the band of land with a population of 2 to 6 persons per square mile.

to cover substantial areas. More recently, soil conservation took hold and the Tennessee Valley Authority began its activities. The development was cumulative. "By 1947 Stimson was prepared to admit — perhaps even to claim — what he had denied in 1935, that the principle of TVA, as an adventure in the effective use of national resources, was a direct outgrowth of the position he and other conservationists had taken back in 1912."<sup>2</sup> The three volume report of the President's Water Resources Policy Commission, published in 1950, is the latest in the series of discussions of conservation held in the last half-century. And the work of the Departments of the Interior and Agriculture has grown in correlated ways; for example, the former has studied shale and coal as possible sources of oil supply.

Ever advancing science and technology also had their impact on government activity. The automobile, for example, stimulated road building and betterment, a task of government already taking on a new lease on life in the early years of the century, even before the auto had become important. (More and better roads, in turn, helped swell the number of automobiles, and thus the need for still more and still better roads.) The automobile created a demand for state and national parks and state police. It led to a reorganization and expansion of rural and suburban schools. Advance in economic science and statistics improved our knowledge of interstate and intrastate differences in needs and capacities and may have helped stimulate the system of state and federal grants-in-aid. It strengthened belief in the possibilities of dealing with social problems by collective action. It made for increase in the statistical and other fact-finding activities of government. Advance in chemical and biological science made possible and stimulated the growth of government work on sanitation, garbage disposal, health, and the control of pests, and plant and animal disease: witness, for example, the growth of state and municipal laboratories for testing water, food, and blood.

Indirectly, the advance and diffusion of science and technology had even more important effects. The main channel was through

<sup>2</sup> Henry L. Stimson and McGeorge Bundy, *On Active Service in Peace and War* (Harper, 1948), pp. 43-4.

industrial change, in which increased population density, rise of national income, and other factors already mentioned or to which we refer below, also played a role. Two major developments may be selected for emphasis: changes in agriculture and in size of business operations.

Decline in agriculture relative to other industries, already on the way well before 1900, turned into an absolute decline, in terms of employment, about 1910. Commercialization of agriculture was a parallel process of lessening self-sufficiency and increasing specialization. These trends, stimulated by important changes in technology in and out of farming, illustrate a major theme and contribute to a minor theme of our history.

The major theme is growing economic interdependence. No farm is truly self-sufficient; it is dependent in some degree on supplies from the nonagricultural sphere. Yet the impact of change in the prices of farm products and farm supplies, if not also in tax and interest rates, is small when the farmer produces little for the market and much for himself. Independence diminishes as farms become commercialized. Correspondingly, interdependence increases as urban industries grow in relative importance and as limits on specialization widen with expanded markets. Not only are people more dependent on one another, they come to feel so. Thus was altered the climate of opinion in and out of farming on the need for positive government programs to deal with problems as diverse as public welfare, health, conservation, resource development, and business regulation.

The minor theme is increase in the share of government activity devoted to agriculture. Many industries have risen and declined in our history. Declining industries are as characteristic of an expanding economy as are rapidly growing industries, as Arthur F. Burns has demonstrated.<sup>8</sup> But none has ever had the political influence of agriculture. It is a very large industry; furthermore, in this country it directly controls a disproportionately large number of legislative votes. It benefits also from the fact that so many people's grandfathers were or are farmers. Viewed as the "seed

<sup>8</sup> *Production Trends in the United States since 1870* (National Bureau of Economic Research, 1934), Ch. 3-4.

bed" of population, the chief refuge of the independent spirit, and a major segment of the "sound middle class" sustaining democracy, it enjoys a unique position. Many of the increases we have noted in government activity thus were, in one way or another, to aid the farmer far beyond the degree prevailing in 1900: by mortgage and other credit (recall the provisions of the Federal Reserve Act favoring agricultural credit, the revival of the War Finance Corporation in 1921 to assist in financing and rehabilitating agriculture, the Agricultural Credits Act of 1923, and so on), the wheat and cotton purchase programs of 1929, and the stream of measures instituted in the 1930's.

Increase in the size of business establishment and enterprise, another trend apparent before 1900, gave rise to the Interstate Commerce Commission Act in 1887 and the Sherman Act in 1890. These led the way for a host of other government measures to prevent, combat, or regulate industrial monopolies and public utilities. The Elkins and Hepburn Acts which strengthened the ICC, the antitrust prosecutions, the life insurance investigations, the Federal Trade Commission and Clayton Acts came before World War I. The Celler Anti-merger Act marks the latest episode. Increasing size of enterprise was important also in supporting the case for government encouragement of trade unions and "small business", for example through provisions of the Clayton Act and antichain store and resale price maintenance legislation.

The drift of people to the cities, so closely associated with the decline in agriculture and its other side, industrialization, deserves a separate word. Indirectly, of course, this truly secular trend influenced government activity in many ways; the insecurity of old age has been mentioned. Here we emphasize its direct influence: the need to provide services which rural life finds unnecessary or takes care of among family chores. Included are many of the great host of expanding municipal services: sanitation, waste removal, water supply, recreation and parks, local transportation.

While these services are mainly to final consumers, they are in fact largely costs to be charged against the attraction of urban incomes. For urbanization, and the industrialization accompanying it, meant higher real income per capita. This trend toward

higher income also affected government activity, both by raising demand for government services and by making it possible to meet the costs of providing more such services.

Higher incomes influenced all levels of government. It would be impossible to explain much of the rise in educational expenditures in this country without referring to increased demand for more and better educational services per capita. The percentage of population enrolled in schools, mostly public, rose between 1900 and 1940 from 80 to about 95 for the 10-14 age group, and from 42 to over 75 for the 15-17 group.<sup>4</sup> And the kind of changes in the quality of educational service is obvious to anyone who compares the facilities and equipment of the modern school building and the training of the modern teacher with those of 1900, of which exhibits are still available. Municipal services also grew in quantity, quality, and variety. One simple illustration will suffice: inspection of restaurants and other eating and drinking places rose in relative importance along with higher incomes. State and federal activities also responded to higher incomes. Increase in state hospitals, for example, and in federal social security have been justified in terms both of long-term investment in productive human resources and of decent standards of responsibility for the immediate well-being of those who cannot help themselves. Both ability to invest and standards of responsibility rose with higher income levels.

The recurrence of business depression played its part. We are too close to the great depression of the 1930's, and to its influence on social security, labor, banking, agricultural, and other legislation, to need to emphasize its role. But we need to recall that the government developments associated with the New Deal constituted only the latest, if also greatest, of a series of step-wise movements along an upward trend. In some degree the Populist movement of the 1890's bore its fruit after 1900. The panic of 1907 underscored Secretary Gage's complaint of 1900 and led to the formation of a National Monetary Commission and eventually to the Federal Reserve System. The collapse of 1920-21 started a number of schemes in later years: agricultural legislation has

<sup>4</sup> Such factors as compulsory school-attendance laws are largely results rather than causes of high enrollments (see George Stigler, *op. cit.*, App. B). The more basic factor is undoubtedly income together with urbanization.

already been mentioned. And the depression of the 1930's made its mark even before 1933: recall the Reconstruction Finance Corporation. Not only depression but also prosperity contributed: by stimulating labor and other movements agitating for the expansion of government activity, and by expanding local government outlays and commitments whose effects persist, in terms of government employment, purchases, and services rendered, even after the boom has passed.<sup>5</sup>

Developments in other parts of the world also contributed to the expansion of government activity in the United States. A number of innovations in social legislation and standards in their application came from Europe. The opening and development of new farming areas abroad played a part in the decline of American farming, and thus in its influence on the rise of government.

Also important, of course, was change in the international situation which brought war and the increased possibility of war. Even before World War II — and certainly for the entire period under review — the trend in the number directly engaged in national defense, including civilians in the nation's military establishment as well as uniformed men, was steeper than the trend of population. By 1925, at the middle of the period under review, persons engaged in national defense had more than doubled since 1900; before Korea they numbered seven times the 1925 figure. Expenditures (apart from payrolls) grew even more rapidly, as equipment, vehicles, and ships used by the forces became more elaborate and "mechanization" proceeded. To this must be added expansion in the State Department and, in recent years, membership in international organizations and international relief, rehabilitation, and development. The residues of war and of preparation for or against war also must be counted: Veterans Administration activities, a subsidized Merchant Marine, higher tariffs to protect war-born infant industries, a heritage of war plants (Muscle Shoals which culminated, after some hesitation, in the Tennessee Valley Authority; and the Atomic Energy Commission), the Canal Zone, and expansion of the statistical activities of government. In the condi-

<sup>5</sup> D. W. Gilbert, "Cycles in Municipal Finance", *Review of Economic Statistics* (November 1940).

tions and policies determining the magnitude of the peacetime defense effort — that is, the changing international scene and our reactions to it — we have, then, another factor contributing substantially to the growth in government activity.

The century opened with the people largely though not wholly against government “interference” and “paternalism”. But then came stimulated growth of the elements in the climate of opinion that look to government to deal with social and economic problems, and lowered resistance to such a program. Socialist ideology gained ground — although more in Europe than here; and in opposition to it there emerged a “positive program for democracy” to ward off radicalism by training the strong forces of government on the great problems of the day. And the problems themselves multiplied.

In addition, confidence swelled in the ability of government to do a job, partly because of changes in the organization and efficiency of government itself. The corruption so much raked over around 1900 lessened with the spread of the merit system and the formation of a professional attitude and skill among government workers. The state government executive was strengthened and its responsibility established. New methods of control and audit were devised, and a budgetary system introduced and expanded. Finally, the waging of a great war persuaded many people that government can do a big job well, and some jobs even better than private enterprise.

With this shift of attitude the ground was paved for the other factors we have noted to work their effects. The change in attitude helped to push farther the role of government in economic life by establishing a condition essential for that advance.

#### *Government's Expansion as a Concomitant of Economic Growth*

The various factors in our list have had pervasive influence on government activity. There is hardly any function or activity of government untouched by most of them. In this obvious sense, they are inter-related, operating as joint causes. But they are inter-related in other ways that deserve emphasis.

The factors have operated not only on government activity but

also on one another, and through one another on government activity. We have noted some of these connections; only lack of space prevents illustrations in every section and paragraph.

Most important, the various factors we have paraded — with the important exception of the international situation — may be viewed as largely different aspects of one central cause or group of causes. That is the cause or causes of the economic growth — in population, per capita income, and aggregate income — that has characterized the United States during the last half-century. Change in population composition of the kind we have experienced, the end of the frontier, advance and diffusion of science and technology, industrialization, urbanization, increase in size of enterprise, and business cycles were concomitants of that growth and suggest themselves as distinctive characteristics of a growing economy. If this view is sound, the rising trend of government activity also is a concomitant of economic growth.

The developments underlying our economic growth disturbed the security of individuals and groups — the farmer, the older wage-earner, the smaller shopkeeper are examples — and posed serious social and economic problems of adjustment and protection. Economic development multiplied problems of monopoly and industrial relations and finance; created new, and enlarged old costs — of transport, communication, sanitation — involved in the operation of urbanized society; unearthed some resources but depleted others; spurred demand for the services — educational, recreational, health — that expand with increasing income. At the same time, it raised the nation's standards of responsibility for the economic welfare of the groups composing it, thus stimulating government production in general as a channel for the distribution of income as well as government production of the services meeting the particular needs of the groups requiring assistance. Economic development, further, swelled the number of activities in which the private return, but not the social return, compares unfavorably with its cost — examples are conservation and protection. Economic development may have improved government's efficiency in production relative to the efficiency of the private sector in certain areas — or led people to think this true. Finally,

economic development may also have created, in Professor Schumpeter's phrase,<sup>6</sup> "growing hostility" to the system of private enterprise and a predisposition towards "interventionism" involving increased government regulation, protection, subsidy, and participation in the production process.

This explanation of the trend of government activity in the United States since 1900 forms a persuasive hypothesis. Like all hypotheses, however, it raises questions that need to be explored before we may accept it confidently.

If increasing government activity was the result of our economic development and a concomitant of economic growth since 1900, there should have been increasing government activity before 1900, when economic growth was rapid. And the evidence does suggest that immediately before the turn of the century government activity was rising in relative importance. However, we do not know how far back the trend goes; nor is it clear whether the trend before 1900 was as steep as it was afterward. It is not unlikely, of course, that developments associated with the very rapid economic growth after the Civil War led to an increase in government activity but with a long lag, that is, not until after 1900; and we have noted this possibility in our discussion: that is one reason why we started with the situation in 1900 and spoke of its "tendencies". But how long the lag may have been we do not know. Nor can we do more than mention the possibility that the lag itself may have been shortened in this century, in part because of the very development and elaboration of the scope, organization, and apparatus of government and the accompanying changes in the habits and attitudes of people.<sup>7</sup>

<sup>6</sup> Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (Harper, 1942), Ch. 13.

<sup>7</sup> Relaxation of government's grip on economic life has been pointed to as a cause of the Industrial Revolution. If true, economic growth at that time was accompanied by decline in the relative importance of government regulation and supervision in economic life. However, there are a number of reasons why this explanation of what happened then is not necessarily inconsistent with the hypothesis discussed above. Other causes than government action or lack of action may have been important in the eighteenth century. Also, government activity and government regulation are not identical, nor are all types of gov-

Again, if increasing government activity in the United States was the result of its economic development, did not other countries, which also grew economically, expand the activities of their governments? Population, income per capita, and aggregate income rose also in most other nations in the western world. And their history, too, shows changed population composition, increased density, technological advance, industrialization, urbanization, increase in the size of enterprise, and the cycle of prosperity and depression. We know that government activity did grow in many other countries. Some of the social legislation we established came from them. And the recent movement toward socialization in England has attracted considerable attention.<sup>8</sup> In 1938 expenditures by government (not including public service enterprises) on goods and services, as a percentage of gross national product, were about 15 percent in the United Kingdom, Sweden, and Canada, as well as in the United States. But no systematic survey has been made of the course of events that established these levels. The inductions of Adolph Wagner and Henry C. Adams, which led them to formulate their "laws" of "increasing State activities among progressive peoples" and of "public expenditures for progressive peoples" may be said to find support in the history of the United States during the twentieth century; but these "laws" were based on very fragmentary nineteenth century data on government expenditures and taxes in a few countries without the advantage of adequate information on national income, not on the kind of information we have been able to collect for the United States

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ernment regulation similar in their effects. And lags are involved: decline in government regulation can be a cause of economic growth; in turn, the changes associated with economic growth can — later — cause a return to government regulation and increase in government activity generally. (Eventually, to proceed another step, increased government activity may affect the rate of economic growth: some of these activities are designed to do so, as has been mentioned earlier; others may have unintended "side" effects on growth. The net outcome would depend on the kinds of government activity and their relative weights.)

<sup>8</sup> The percentage of workers on government payrolls in Britain has been estimated to be 6 in 1911, 9 in 1921, 10 in 1930, and 25 in 1950 (A. L. Bowley, *London and Cambridge Economic Service, Special Memo. 17A*, Dec. 1926; D. Dewey, *Journal of Political Economy*, June 1950; and T. M. Ridley, *Journal of the Royal Statistical Society, Series A [General]*, Part II, 1951).

since 1900.<sup>9</sup> The impressions one obtains of vast changes in the role of government abroad need to be systematically checked. What are the similarities and differences between the current level in other countries and ours? What are the similarities and differences between their trends and ours? Have the factors that seem to underlie trends here played a similar role abroad, and how important have they been? With such a comparative study completed, we can be surer of the causes of developments in this country.<sup>10</sup>

Not all the factors affecting the trend of government activity can be said to be aspects of economic development. We noted the important exception of the international situation, which contributed so much to expansion in our government activity. Some would argue, of course, that international rivalry, and the war, preparations for war, and problems of postwar adjustment created by it, are consequences of economic growth. But important noneconomic factors are involved also. Given international rivalry as an independent factor, however, economic growth and the developments associated with it may have contributed to swelling its effect. Here we can only ask what are the relative weights of these economic and noneconomic factors and how have they influenced one another and worked their effects on the trend of government activity?

Chance, too, has a part, large or small, in all events; and the trend of government activity must therefore in some degree be interpreted as a series of historical accidents. But chance denotes only causes lying outside the system of variables constructed for an analysis. Their importance can be determined, if at all, only by the comparative historical and international analyses suggested above.

<sup>9</sup> Adolph Wagner, *Grundlegung der Politischen Oekonomie* (Leipzig, 1893), Erster Theil, Zweiter Halbband, p. 894; Henry C. Adams, *The Science of Finance: An Investigation of Public Expenditures and Public Revenues* (Henry Holt, 1898), Part I, Book I. Adams did not go beyond stating that total public expenditures would tend to increase with economic progress; Wagner explicitly stated his belief that economic progress brings a *relative* increase in the importance of government activities.

<sup>10</sup> A study of government activity in Western Europe was recently started at the National Bureau of Economic Research by Moses Abramovitz.

*Shape of the Future*

What may be said about the future trend of government activity must be surrounded with a number of reservations, in view of the work that still remains to be done on the factors affecting that trend. "Economic forecasting," Wesley C. Mitchell has pointed out, "is a notoriously hazardous enterprise, and political forecasting is perhaps even more risky." But enough is known for us to meet the challenge with more confidence than usual. "The chances of forming approximately correct anticipations are best when we are dealing with a secular trend: when we can ascertain the more potent forces that have shaped this trend in the recent past, and when we have reason to believe that these forces will retain their character and their potency during the limited future of which we are thinking." And having quoted Mr. Mitchell's preamble, we can do no better than follow it with his own vision of the future growth of government, written though it was in 1936:

"We expect technological progress to continue, for it rests upon scientific discovery, which does not seem to be approaching a limit, and upon man's desire to get larger returns for his economic efforts, which shows no signs of failing. Presumably, technological progress will continue to throw men out of work, to depreciate old investments, to shift sources of supply, to introduce novel products. The growth of very large business enterprises has not been checked; the economic, political, and social problems to which their operations give rise have not been solved. In nations that retain a capitalistic organization these changes will bear heavily upon numerous individuals, while they benefit others largely. Economic life will continue to be full of uncertainties, and those who suffer mischances will follow the precedents our generation is setting and make even larger demands for government aid. Social security legislation is more likely to expand than to contract in the great democracies, and dictatorial governments will practice paternalism. Business enterprises will increase their efforts to limit or suppress competition, for the more we mechanize industry and specialize machinery, the heavier will be overhead costs and the more dangerous competition will become to vested interests. The problems that the courts and the legislatures face in devising and enforcing rules of fair competition will grow more subtle and difficult. It will not be surprising if investors in great industries that are threat-

ened with loss by technological progress organize campaigns for government purchase and operation. The draft upon exhaustible natural resources will grow greater and the movement for conservation through government regulation will wax stronger. Communities will become increasingly interdependent and the task of planning water supplies, sewage disposal, protection of streams against pollution, highway systems, power lines, and the like will be one in which the central governments will be forced to take a larger share. Nor can we leave out of account the probability of future wars and the practical certainty that, if they occur between great nations, each belligerent government will seek to effect a more drastic economic mobilization than was effected in the latest world war. It is most unlikely that this trend toward national economic planning will rise steadily. Its course will be diversified by accelerations and retardations, perhaps by some vigorous reactions toward *laissez faire*. But the indications seem to me fairly clear that in the long run men will try increasingly to use the power and resources of their governments to solve their economic problems even in those nations that escape social revolutions."<sup>11</sup>

To this we need add only two things. First, with technological advance, and the rising national income it brings, government as well as private enterprise will be called upon to produce an increasing volume of the educational, recreational, health, and other services that people demand when they are richer. Second, World War II has already added impetus to the tendencies summed up by Mr. Mitchell.

And a final question must be mentioned. Even before the New Deal had made much headway, Gerhard Colm pointed out how important government had become in the markets for labor, goods, and money.<sup>12</sup> Its importance has grown considerably since, and poses many questions about basic changes in the nature of the economy. Government has become the biggest banker (and borrower) of the country, and in this way and through its influence on Federal Reserve policies has come to determine the rate of interest basic to all loans; through its employment of an eighth of

<sup>11</sup> "Intelligence and the Guidance of Economic Evolution", in *The Backward Art of Spending Money* (McGraw-Hill, 1937), pp. 124-6.

<sup>12</sup> "Theory of Public Expenditures", *Annals of the American Academy of Political and Social Science*, January 1936, p. 11.

the labor force, its administration of the public contract and minimum wage laws, and its participation in key wage negotiations, it exerts great influence on the general level of wage and salary rates and hours of work and on many particular levels; it has become the country's biggest single buyer of commodities in general and the buyer of most of the output of some commodities, and thus directly, and in many ways indirectly, influences individual commodity prices; it now operates the country's largest insurance company. All this means that the role of government in our life has grown so large that its "collateral" effects, as well as its direct aims, range wide and deep. What unforeseen effects increasing recourse to government as "an agency of national progress and social betterment" may have, therefore, on the efficiency with which resources are allocated to alternative uses, on the rate of economic progress and, most important, on the character of the people and the limits of their personal freedom, is the very real question which is being put to us.

