



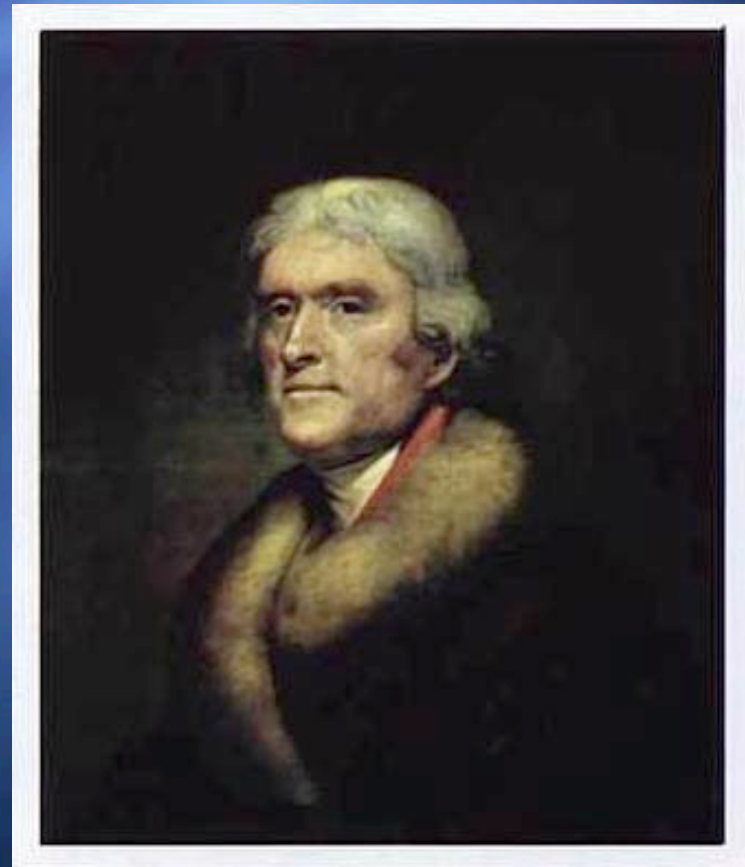
# Crisis, Government, and History

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2006 Freedom School  
June 27, 2006  
The Adolphus  
Dallas, Texas

# *There Seems to be a Natural Tendency for Government to Grow...*

⊕ "The natural progress of things is for liberty to yield and government to gain ground."

⊕ Thomas Jefferson to Edward Carrington, 1788



*Checks on Majority Power May Limit Majority Tyranny, but Madison Did Not Consider that They May Also Empower a Collection of Minority Tyrannies*



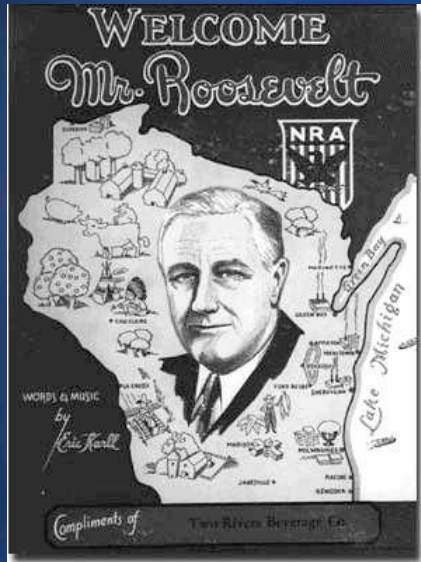
⊕ “Extend the sphere, and you take in a greater variety of parties and interests; you make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens; or if such a common motive exists, it will be more difficult for all who feel it to discover their own strength, and to act in unison with each other.”

⊕ James Madison, Federalist No. Ten

*Making It More Difficult to Assemble a Majority  
to Tyrannize a Minority Also Makes It More  
Difficult to Assemble a Majority that Is Being  
Tyrannized by a Minority*

- ⊕ Small Interest Groups Tend to Have Lower Transaction Costs (Starting with the Cost of Identifying Members of the Group) than the Larger Public
  - ⊕ As Milton Friedman points out, wherever farmers are the majority, they are exploited by the minority, but where farmers are the small minority, they exploit the majority (through farm subsidies, for example)

# Mechanisms of Government Growth



- ⊕ Concentrated Benefits, Diffused Costs
- ⊕ Ignorance
  - ⊕ Rational
  - ⊕ Sheer Ignorance
- ⊕ Pre-Enlightenment Belief in Magic
- ⊕ The Natural Desire for Power, Prestige, and Other People's Stuff

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# But Sometimes Government Grows, Not Incrementally, but in Quantum Jumps

- A Crisis Is a Great Opportunity to Expand Government Power
- The Mentality of “We Together” (Especially When “We” Are against “Them”) Creates an Identification Between the Ruled and their Rulers and a Greater Willingness of the Latter to Submit to Greater Impositions

# Crises Not Only Speed the Process, but Can Undo in a Year the Progress of Centuries

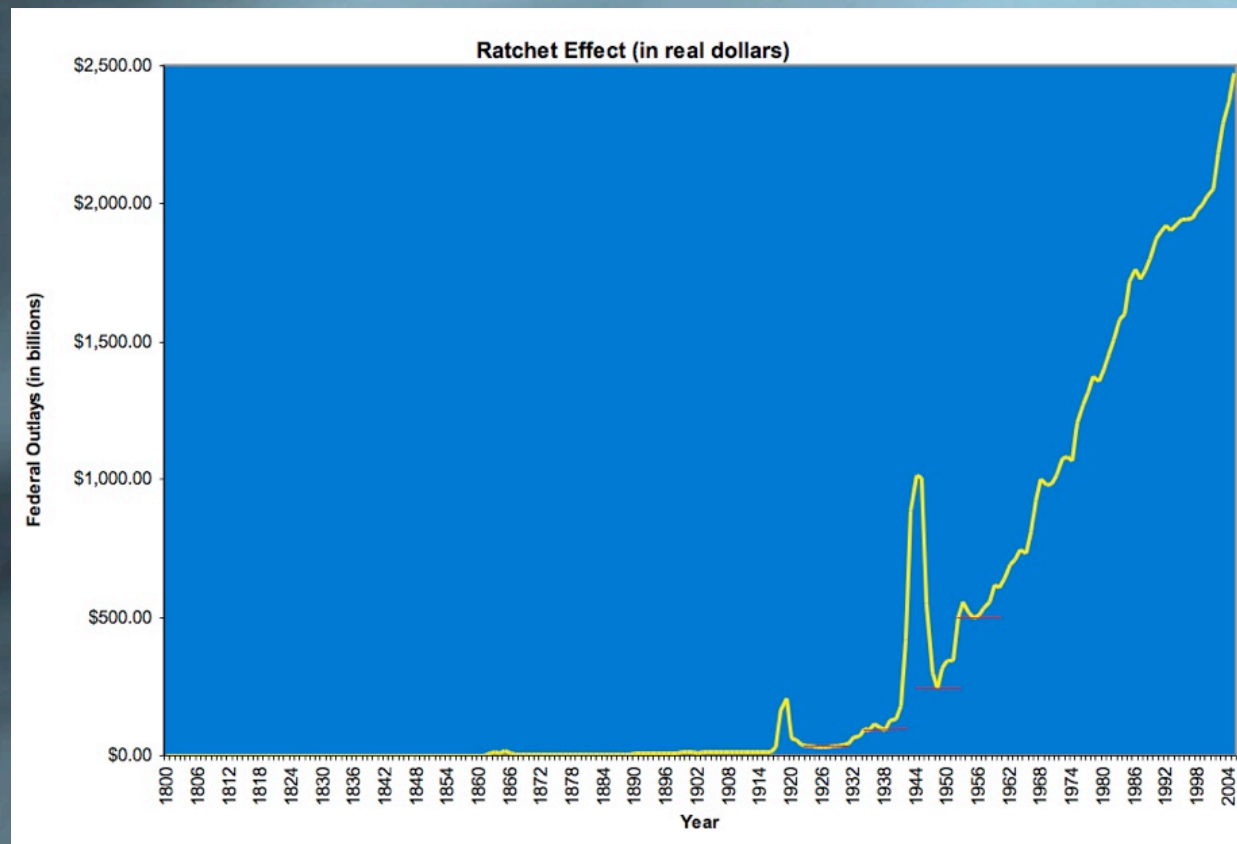
- \*Civil Liberties Are Assaulted
- \*Opportunities to Confiscate the Wealth of Others Are Exploited by:
  - \*Politicians
  - \*Bureaucrats
  - \*Private Special Interestss

## ***The “Ratchet Effect”***

- **When a Jump in Governmental Size or Power is Made, It Does Not Return to Its Previous Condition**
- **When the Crisis is Past, Government May Shrink, but Not to Its Previous Size or Power**

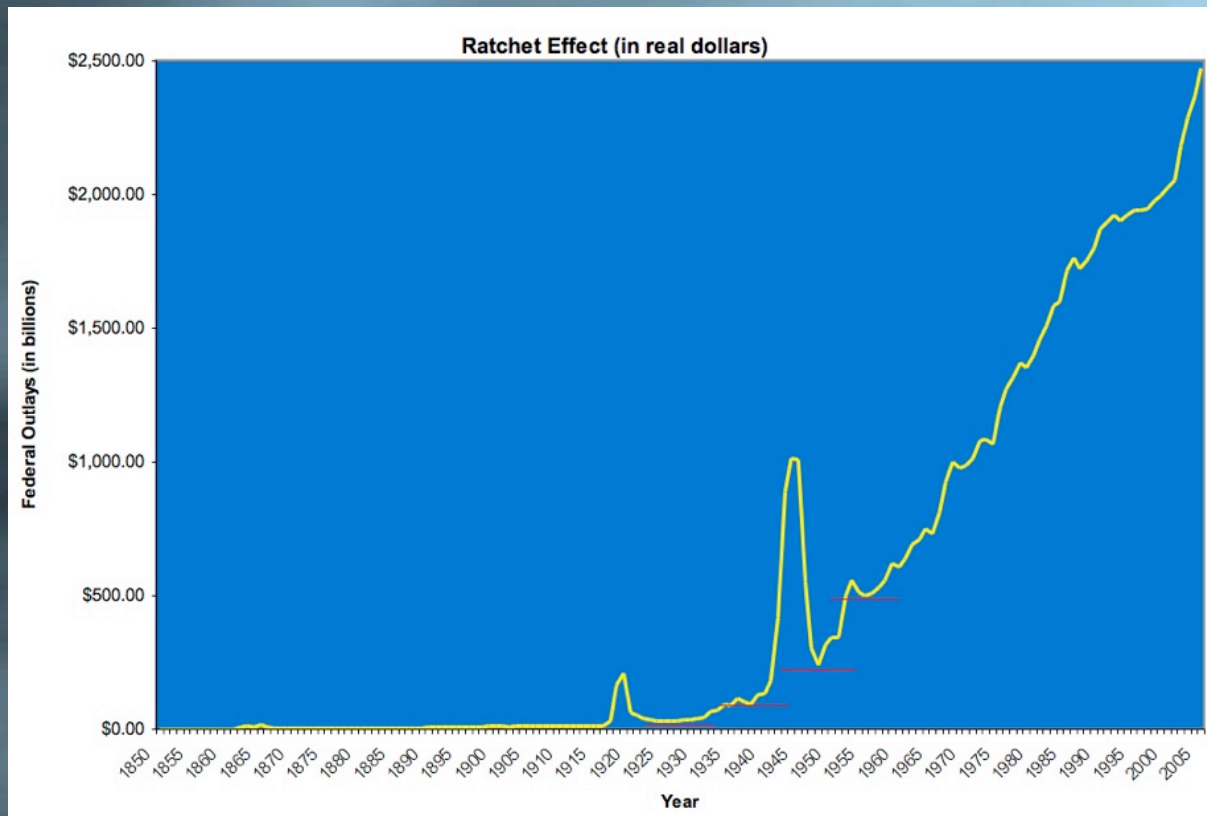


# Consider the Increases in the U.S. Federal Budget



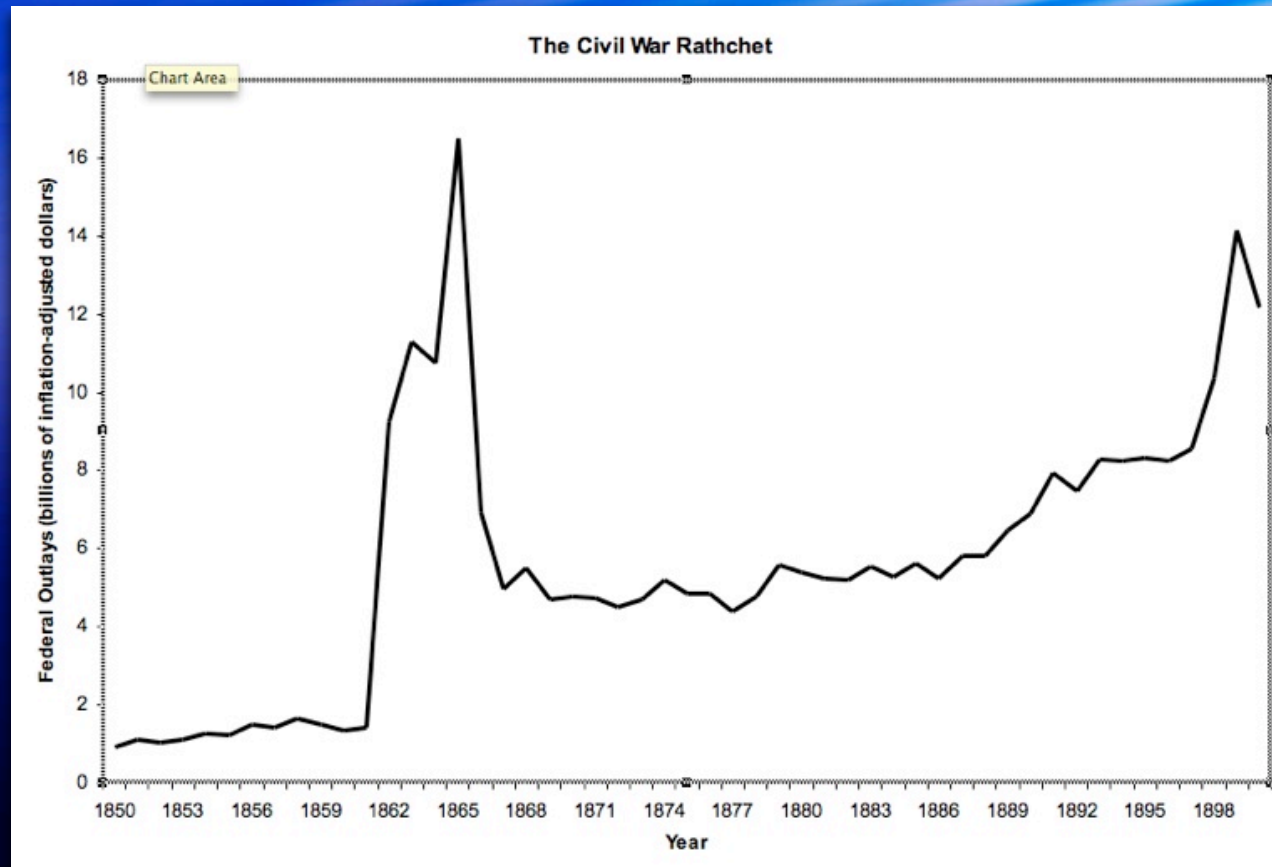
U.S. Federal  
Budget in  
Real  
Dollars,  
1800-  
2005

# Federal Budget Growth Since 1850



➤ U.S. Federal Budget, 1850 to 2005, in Real Dollars

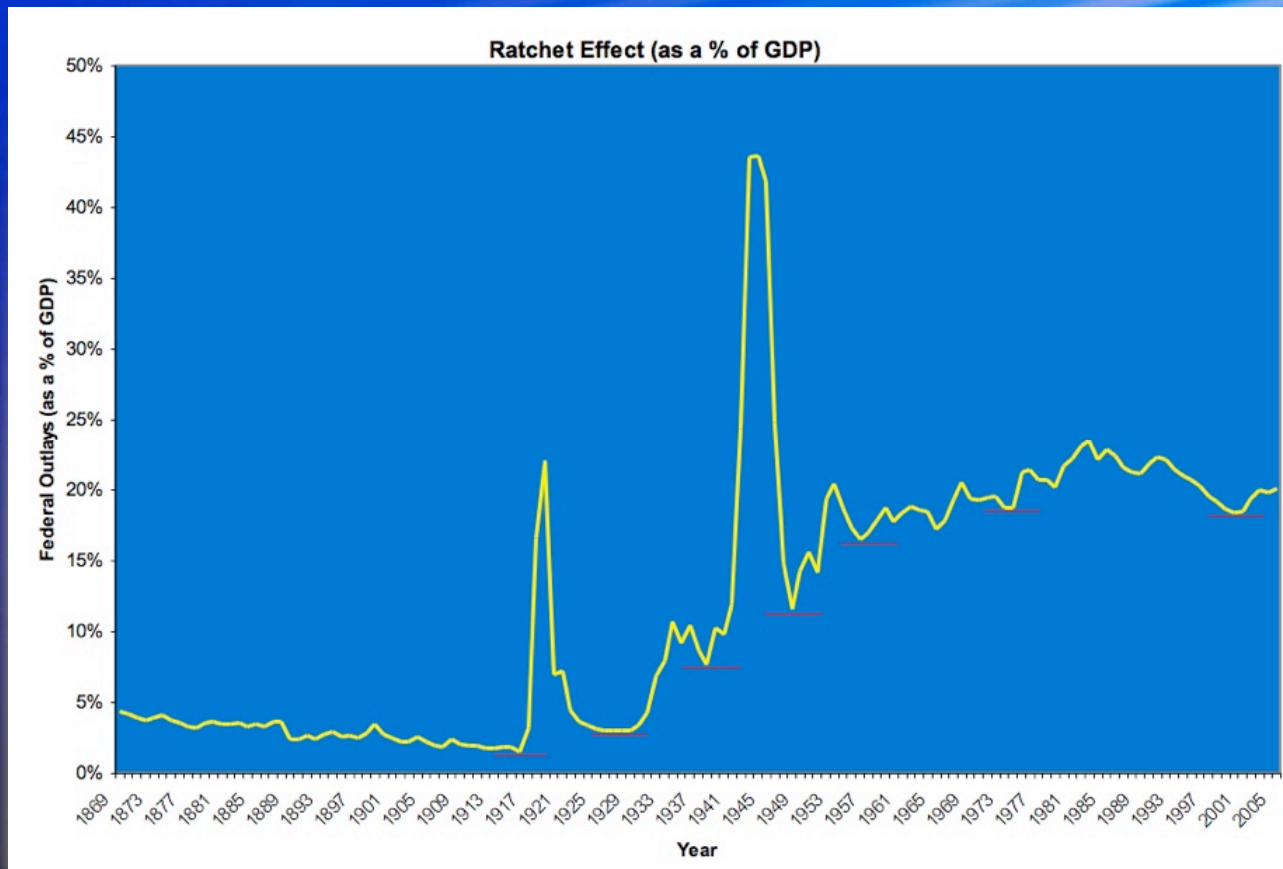
# A Little Perspective:



**Ok, Government Has Grown,  
But So Has:**

The Population  
The Economy

# So Let's Look at the Federal Budget as a Percentage of GDP

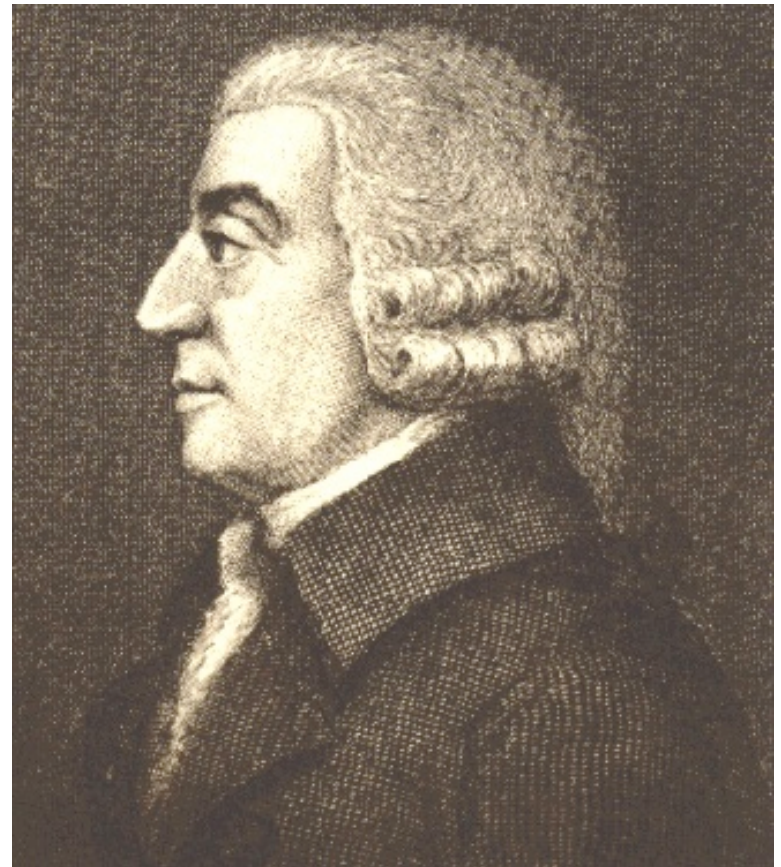


- U.S. Federal Budget, 1869 to 2005, as % of GDP

# Why Are Crises So Important to the Growth of Government?

- “When a nation is already overburdened with taxes, nothing but the necessities of a new war, nothing but either the animosity of national vengeance, or the anxiety for national security, can induce the people to submit, with tolerable patience, to a new tax.”

– Adam Smith, *The Wealth of Nations*, Book V, Chapter 3



# Crises -- especially Wars -- Distract Attention from Domestic Problems and Unify Factions Behind the Leadership

- “Therefore, my Harry, Be it thy course to busy giddy minds With foreign quarrels, that action, hence borne out, May waste the memory of the former days.”
  - King Henry IV, as portrayed by William Shakespeare, *King Henry IV, Part 2, Act IV, Scene 5*



# Crises Call for “National Unity,” i.e., “Shut Up”

- “...to those who scare peace-loving people with phantoms of lost liberty; my message is this: Your tactics only aid terrorists, for they erode our national unity and diminish our resolve. They give ammunition to America's enemies, and pause to America's friends.”
  - Former Attorney General John Ashcroft, in Senate Testimony on behalf of the “USA PATRIOT” Act, November 6, 2001





# Government Lock-In

- The Tyranny of the Status Quo
  - Once a Government Program Is Instituted, More Interests Are Created for Its Continuation than for Its Elimination

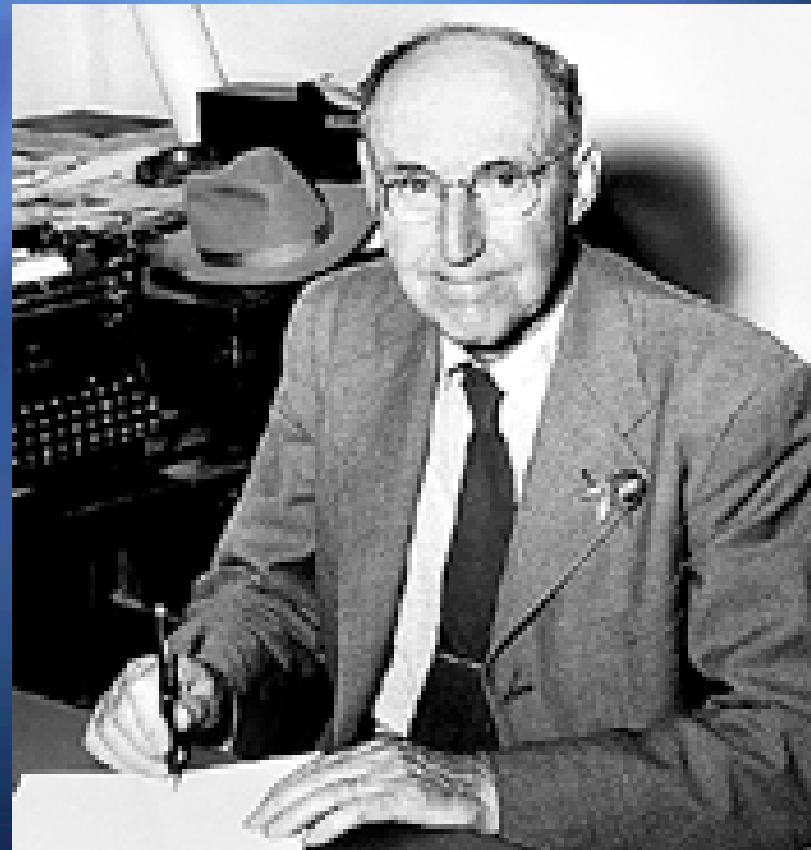


# *What Role Do the Media Play*

- ⊕ The Media Can Contribute to the Unjustified Growth of Government, by:
  - ⊕ Focusing Only on the "Seen" Benefits and not the "Unseen" Costs
  - ⊕ Fostering Public Anxiety
    - ⊕ Bad News Is Good News
    - ⊕ Creation of "Emergencies" and "Gaps"
      - ⊕ Problems Sometimes Become Media Causes Only as Social Forces Are Eliminating Them
  - ⊕ Calls to "Do Something" -- Anything

## *Sound Journalism Can At Least Balance the Discussion and Introduce Some Rationality*

- ⊕ "Figures compiled by the California Taxpayers Association should be a warning to every official in every city, county and board of education in Orange County. The report says that Orange County has the third highest per-capita tax in the state of California ... \$53.19 for every man, woman and child ... an unbearable load crushing the spirit and the sustenance out of" taxpayers. (Nov. 28, 1939)
- ⊕ "We cannot help but believe that we would shorten the war and lose fewer lives and less property if we would rescind the order and let the Japanese return and go to work, until such time as we have reason to suspect any individuals of being guilty of being disloyal to America." (Oct. 14, 1943)
- ⊕ R. C. Hoiles



# *A Role for Values in Journalism*



- ⊕ Promoting Reason and Rational Discourse
  - ⊕ Benefits and Costs: What Is Gained and What Is Lost
- ⊕ Promoting the Value of Freedom and the Dignity of the Individual Human Being, the Foundation of Rational Discourse
- ⊕ Speaking Truth to Power
  - ⊕ Calling Politicians to Account and Applying to them the Standards We Apply to Other Citizens