

Growth of the U.S. Government: 1915-2015

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Table of Contents

2	Introduction
2	Literature Review
11	Methodology
	Results
15	I. Recession Dates
19	II. War Dates
22	III. Legislation and Executive Orders
24	IV. Taxation
30	Conclusion
33	Figures and Tables
36	Works Cited

The Constitution vests the United States government with specific powers and authorities not given to any single citizen. As time has gone by, the U.S. government has not only used all of its powers but has pushed against the boundaries of what it can do, at certain times pushing past those barriers into new areas of authority. The impetus of government action is crisis, and with each new crisis, the government finds new channels of power to achieve its agenda. In our modern times, when it seems like a new crisis is around every corner, we need to realize what our government is gaining by crying emergency. The emergency atmosphere empowers the government to take bigger steps for the so-called good of the country. Mobilizing industrial resources, conscription, price-fixing, and increasing regulation are just some of the ways the government has expanded its power over the past century. As informed citizens, we have a legitimate right to investigate the complicated interworking of our government structure. We should know who pulls the strings of what government agencies, and when those strings are pulled the most. We should know the patterns of action of political actors and when those patterns create increases in government power and authority. This thesis attempts to pinpoint where most of the government growth has occurred over the past century, and what forms the growth of authority takes in the present day.

Literature Review

In *Crisis and the Leviathan*, Robert Higgs searches for reasons for and examples of government growth from 1880 to 1980. He delves into three major crises in American history: World War I, the Great Depression, and World War II. Dissecting each crisis by year and government branch involvement, Higgs consistently finds the same sources of

increases in governmental authority: executive orders and the Supreme Court’s approval of them; Congress’ authorizing legislation that approves action by the president; and citizens’ ideology of government action and intervention. Higgs points to ideology of the tastemakers and the propensity of government officials to define situations as emergencies as the driving forces of previously unwarranted action. The call of the citizens for the government to “do something, and to do it immediately” (Higgs 64) prods the government to hasty, stumbling action. This idea that crises give governments the criterion to gain authority is the Crisis Hypothesis.

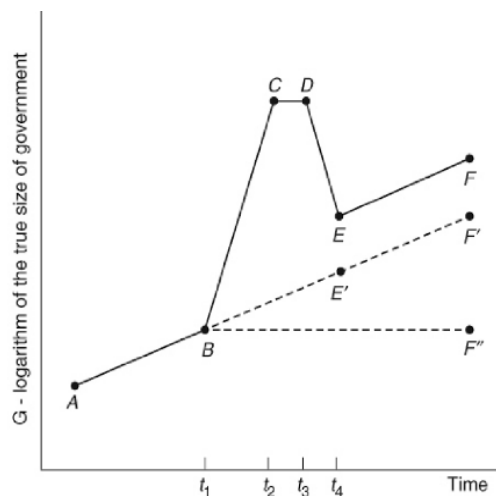


Figure 1 Schematic Representation of the Ratchet (Higgs 60)

The Crisis Hypothesis “maintains that under certain conditions national emergencies call forth extensions of governmental control over or outright replacement of the market economy” (Higgs 17). Higgs posits that “[i]n American history the most significant crises have taken two forms: war and business depression” (17). This Crisis Hypothesis can thus explain the

reason for the growth of a government’s authority by highlighting times in a country’s history that allow for an increase in governmental authority and by stressing the importance on the role of crises in government growth. “Conceivably, without a crisis to break down some of the obstacles to the ongoing growth of government, the secular forces would eventually lose their power to sustain the true growth of government” (Higgs 61).

The Crisis Hypothesis is manifested through the ratchet effect. This effect implies that a government will seize authority, shown by Higgs as spending power, during a crisis that it does not totally release after the emergency is over. Government entities seize control of markets during crises in order to expedite their goals, such as mobilizing for war or restoring the economy during a depression. After the crisis, the federal government does retrench spending and close offices, although not completely. Historically, Higgs found that federal government spending did follow the ratchet effect. Higgs illustrates the ratchet effect (Figure 1), where line BC is the increase in government authority during a crisis. Line DE is the release of authority after the crisis. The difference between point E and E' is the effect of the ratchet. Had there not been a crisis, Higgs assumes government authority would have increased at a constant rate and that the effect of the crisis boosts the constant rate of government authority growth.

Higgs explains expansion of government authority primarily as an expansion of the government's intervention in the economy, namely the free market system. To expand its authority Higgs finds that the government spends more to gain control of privately held institutions or functions, such as railroads or manufacturing. He proposes that the federal government first subverted the free market system during World War I. The Great War caused a need for the government to allocate resources necessary to mobilize for war, thus undermining the free market. Higgs also makes the point that the legislation that made the compulsory draft legal tipped the scales toward government intervention by taking away the personal freedom of men over their own persons. "[B]y drafting men instead of hiring them or by legally preempting the use of raw materials instead of purchasing them in the commodities market...a shift toward Big Government occurs"

(Higgs 62). The draft in WWI set the precedent for drafts in all wars until after the Vietnam War, an example of the federal government holding on to authority between and long after the major crises have passed. “The larger and longer is the war, the greater is the suppression of the market economy. Modern ‘total’ war...also encourages a lowering of the sturdiest barriers—constitutional limits and adverse public opinion—that normally obstruct the growth of government” (Higgs 17).

Though Higgs primarily uses government spending to measure quantitatively the ratchet effect for the first five decades of the twenty-first century, he also looks at qualitative measures such as presidential executive orders, expansive legislation, and creation of bureaus. The creation of committees and bureaus is a historical focus for Higgs, and he notices a pattern in bureaus created for emergency undertakings that pop up when a crisis occurs, withdraw when a crisis ends, and then return in the next crisis in the form of a bureau with more authority than before. He names as an example the War Finance Corporation, created in April of 1918, that “proved hard to kill” after World War I (Higgs 153). Not only was the actual WFC hard to kill, its responsibilities “as a capital-market rescue mission suggested to some...that it ought to be assigned new tasks” (Higgs 153). Even after the end of WWI, the WFC continued to lend to “agricultural cooperatives as well as to rural banks” until 1925 as a “rescue mission for the nation’s distressed farmers” (Higgs 154). This “transformation” of a war agency into one dealing with internal business crises shows that politicians recognized the power of the authority given to the agency to subvert and alter the free market. This recognition by the political tastemakers of the WFC’s importance as a government tool prompted the same type of agency to spring up in later years.

Congress and the President can delegate authority to agencies through legislation and presidential directives, showing that both branches have power to expand both the government employment and government authority. Presidential executive orders embody a broad range of powers, which places an immense amount of authority in the hands of one person. Historically, executive orders and other presidential directives have been used as extensions of the president's constitutional powers as Commander in Chief, Head of State, Chief Law Enforcement Officer, and Head of the Executive Branch (Gaziano 5). Franklin D. Roosevelt issued the most executive orders during his three terms and arguably did the most to set the precedent for the issuance of orders as a political tool. "During his time in office, President Franklin Roosevelt greatly expanded the use of executive orders, partly in response to the growth of government and partly in response to the demands placed on him as Commander in Chief during World War II" (Gaziano 7). For however much power executive orders represent, the Supreme Court has the power to determine the constitutionality of the president's orders and strike them down if necessary. FDR's aggressive presidential style fits "rule by executive order," and though he had considerable influence over the Supreme Court, the Court did get involved, striking down a few of his orders during the Great Depression. After 1935, the Court tacitly held back on involving itself in the legality of the president's actions during WWII. However, they struck down one of President Truman's orders, an action that "helped create a workable understanding regarding when a President's executive order authority is and is not valid" (Gaziano 7). Though the number of executive orders issued by recent presidents is nowhere near the amount during FDR's terms, "many of the executive orders issued by FDR might take some other form in a modern Administration.

Many of these same considerations apply to other Presidents in the early and mid-20th century” (Gaziano 13).

Also during times of war and recession, Congress passes acts more quickly, spurred on by crisis. Unlike the executive branch, the legislative branch contains many state and regional representatives from across the United States and finding one ideological figurehead for that large group of people proves difficult. The scope of congressional powers endowed by the Constitution includes taxation, copyrights, foreign

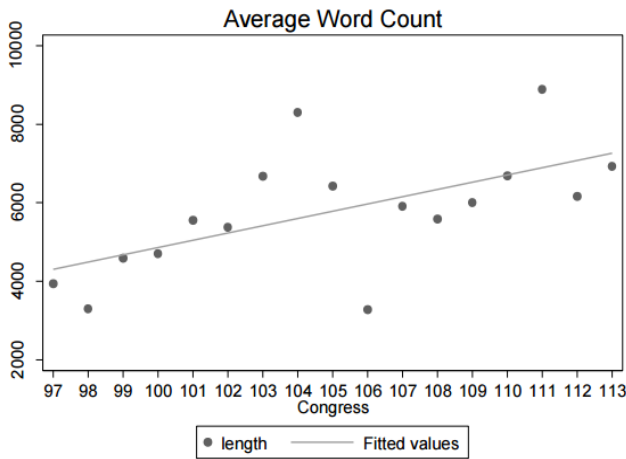


Figure 2: Average word count of acts passed during sessions 97-113, years 1981-2013 (Fitchner)

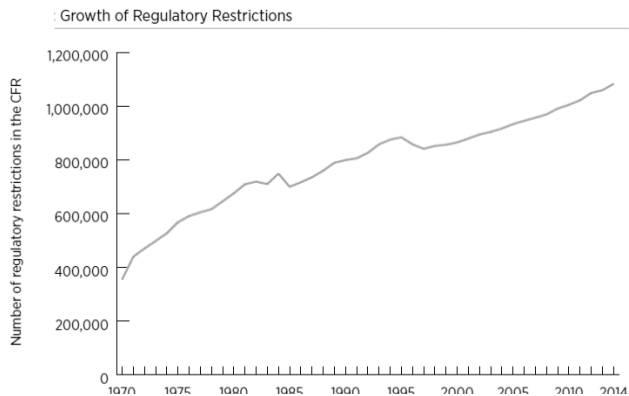


Figure 3: Growth of Regulatory Restrictions in the CFR, 1970-2014 (Fitchner)

relations, war, national measurements, the Post Office, governance over territories, and more (O’Sullivan). Congress therefore has its hands in almost every aspect of the U.S. and has the authority to regulate any and everything within its congressional purview, from the economy to war. This means Congress has played an immense role in passing acts that create regulation and agencies that increase the authority of the federal government. As with tax code, “recent acts of Congress have grown in length and

complexity” (Fichtner 5). Figure 2 shows the average word count for acts passed in congressional sessions 97–113 in the years 1981–2013. With a few outliers, the word count has increased on average by almost 50 percent. The legislative complexity is only one part of the growth of authority. As previously mentioned, Congress has the power to regulate, and regulation can cause major impacts in the lives of citizens and in businesses, increasing the scope of the federal government. Figure 3 shows the increase in restrictions contained in the Code of Federal Regulations. “Legislation and regulation both inevitably yield unintended consequences... These unintended consequences are a function of the size, scope, complexity, and design of the public law and the regulations that it authorizes” (Fichtner 5).

Federal government taxation has long been the primary method for the government to finance its operations and the most widespread influence of the

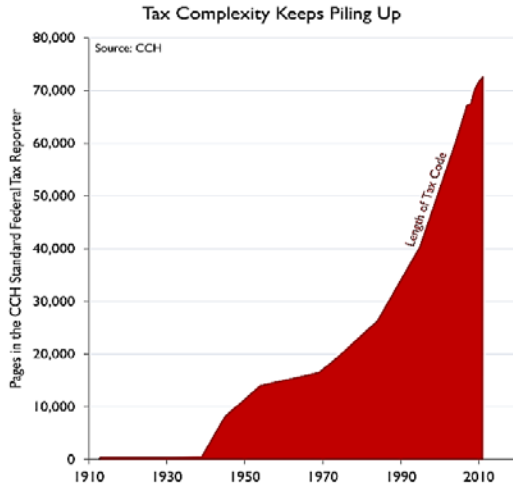


Figure 4: Tax Complexity Increases (Hodge)

government in the private lives of citizens and corporations. In the light of income tax, the government sets up taxation to equalize the after-tax income of citizens, and because of this “the most dramatic changes in federal tax system progressivity almost always take place within the top 1 percent of income earners, with relatively small changes

occurring below the top percentile” (Piketty 23). The fact that the federal government can consistently change one bracket of tax rates to change the amount of tax receipts and the post-tax income of American citizens shows the authority that the government exercises

with taxation, authority to choose how the income of the citizens should be distributed. As with many other aspects of modern government, World War I set the precedent for taxation in the United States. Higgs states that “the war produced a permanent shift in the sources of federal revenue, away from consumption taxes and toward income, profit, and estate taxes disproportionately laid on those with high income and wealth” (Higgs 152). With the increase in the tax burden on the highest income earners came an increase in the complexity of tax code. Shown by Figure 4, the complexity began around 1940; making the code more difficult to decipher, and thus increasing the effort for the individual or corporation to take every benefit the tax code offers, if it offers any.

Often, says Higgs, the federal government hides the true cost of its spending and decisions to win support for future governmental actions, and the costs do not always have to be monetary. During WWI, “when the government committed the nation to waging full-scale war it became obvious that raising taxes enough to cover the full market cost of the resources the administration proposed to employ for war purposes would generate immense resistance” (Higgs 157). While Wilson’s administration bent the market economy to the will of the federal government, it proposed “an enormous propaganda campaign to stir up patriotic emotion” to “divert attention from the real costs of these actions (Higgs 157). This push led to the federal government introducing community draft boards and “inventing offsetting psychological benefits” of conscription (Higgs 132).

In modern times as pressures for a decrease in taxes while increasing the scope of government programs have gotten more prominent, the federal government goes to great lengths to hide true costs. One example of this is Congress approving unfunded

mandates, which allow the government to continue with programs while shifting the costs to the states and private sectors. As I will show later, state and local spending, as a percent of GDP, has grown at a faster rate than the federal government spending, so the federal government has still been using its authority to spend but transferring the costs from its own budget.

In the mid-1990s, the state and local governments called for the federal government to retrench its spending authority over the states. This attempted retrenchment led to the passing of the Unfunded Mandates Reform Act. Before Congress passed the act in 1995, the federal government had been issuing unfunded mandates to states in order to keep its own budget in check. In 1994, local governments banded together and hired a private firm to assess the costs of federal mandates. “The firm estimated that unfunded federal mandates cost localities approximately \$11.3 billion in the fiscal year 1993” (Gullo 380). This report became the cornerstone of the UMRA, and one of the goals of the act is to “improve the information Congress receives about the effect of federal legislation on state, local, and tribal governments, and the private sector” (Gullo 380). To achieve this goal, Congress endowed the Congressional Budget Office with more authority as well as an initial budget increase of \$1.1 million, and the CBO itself “created the State and Local Government Cost Estimates Unit within its Budget Analysis Division” (Gullo 381) and hired employees to handle its new duties. Even when trying to cut back on forced spending, the federal government continues to add more authority, seen here as money and responsibility, to existing government agencies. This exemplifies the trend that Higgs saw where the government regularly gives authority to new or existing agencies. Not only that, the act has little bite itself to enforce the

unfunded mandate rules. The act states that mandates that affect the public and private sectors above the amounts of \$50 million and \$100 million, respectively, should not be taken lightly during sessions of Congress. To that end, the act allows a member of Congress to bring up a “point of order” (Gullo 381) during sessions to revive in the mind of the political body the effective costs of the mandates. Nowhere, however, does the UMRA state that Congress cannot approve mandates above the stated amounts, so the effects of the act have apparently remained minimal.

In an effort to understand the increased authority of the federal government, I will examine government spending, legislation and executive orders, and tax rates over the past 100 years. A history of how the federal government has expanded over the past century reveals the stages and activations of the government’s authority, and understanding that evolution leads to understanding how the American government has grown to its current size. While US federal government authority may show itself now in a different way than in 1915 or 1943, I still expect evidence for an increase in government authority over our modern economy.

Methodology

Because Higgs focuses on the years prior to the end of World War II, I will focus my attention on the years after 1947. This is fortunate, because some of my data measures begin in 1947. Continuing Higgs’ look at business depression and war times, I have separated out the recessions and the stated times of the United States’ involvement in war as periods of interest.

Table 1: Recession and War Periods

Recession Dates	Severity Rank	War Dates	War Name	Length Rank
1948Q4 to 1949Q4	3	1941 to 1945	WWII	3
1953Q3 to 1954Q2	10	1950 to 1953	Korea	4
1957Q3 to 1958Q2	7	1965 to 1973	Vietnam	2
1960Q2 to 1961Q1	11	1990 to 1991	Gulf	5
1969Q4 to 1970Q4	6	2001 to 2013	Iraq/ Afghanistan	1
1973Q4 to 1975Q1	4			
1980Q1 to 1980Q3	5			
1981Q3 to 1982Q4	1			
1990Q3 to 1991Q1	9			
2001Q1 to 2001Q4	8			
2007Q4 to 2009Q2	2			

The recession dates and war dates in the above table do not include years before 1941, thus excluding WWI and the Great Depression. For the ranks, 1 is the most severe and represents the greatest length.

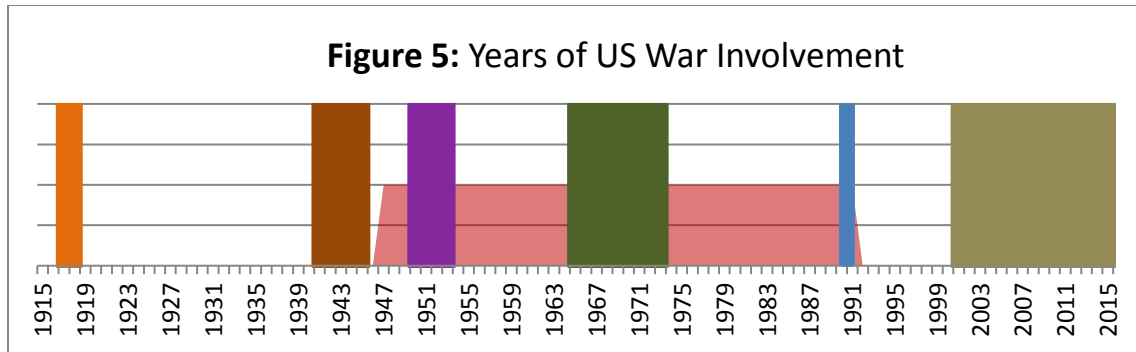
I examined recession dates and war dates as independent periods in this study, although they overlap and may influence each other. Using the ratchet effect as a measurement of the Crisis Hypothesis, I have analyzed the percentage of GDP taken up by various aspect of government spending. I measured the percentages before the crisis, during, and after. If the Crisis Hypothesis holds in the years after the end of World War II, the amount of government spending will be highest during the crisis, then lower after the crisis, and lowest before the crisis occurred.

In Table 1, the severity rank is based on the change in the percentage of GDP growth during the periods of recession, where the average growth during the past century remained around 3%. Two to three percent is now generally considered a healthy GDP growth (Amadeo). The length rank is based on the years spent in the war. Ranking the severity of the recessions based on GDP growth shows a historical look at when the economy was most primed for an expansion of government authority.

I took a special interest in federal government spending versus state and local around the year 1995, the year Congress passed the UMRA. This act serves as one example of federal government retrenchment of its authority, though it does not represent all acts supposed to scale back on authority. In passing the UMRA the federal government truly wanted to decrease the amount it forced state and local governments to spend, and one would therefore expect state and local governments' share of GDP to decrease. Looking more closely at the effects of this retrenchment act should reveal the act's success.

Though government spending is the main measurement of interest, I will also look at the changes in average numbers of major acts passed and executive orders issued during crises against the average number during normal periods. Increases in frequency of acts and executive orders indicate times when political action needs to happen quickly due to a crisis. I predict the number of acts will be greater during recessions, and the number of executive orders will be greater during times of war.

Finally, I will examine the tax rates during crises. Changing the tax rates involves Congress, and Congress' power over the distribution of the tax burden shows authority over the economic situation of individuals and corporations. Preferring one group over another shows the federal government's bias, and when the government prefers one group over another, it shows its authority to determine after-tax wealth.

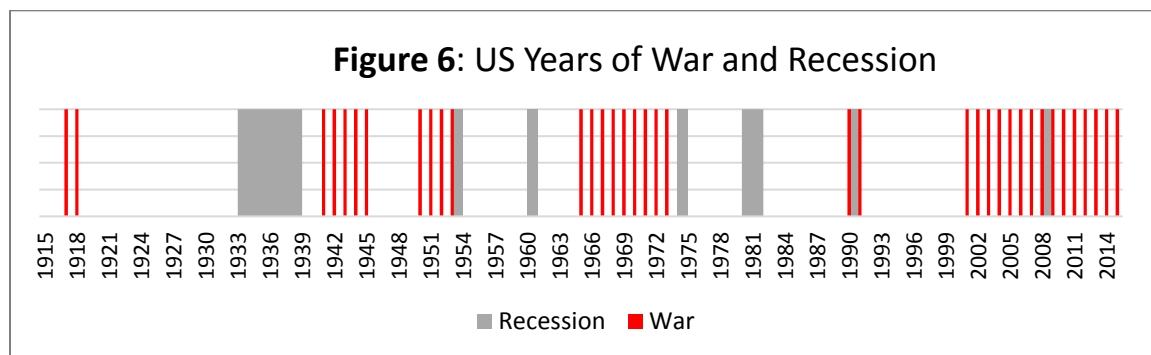


In Figure 5, the wars are (in order) WWI, WWII, Korean War, Vietnam War, Gulf War, Afghanistan/Iraq War. The shading is the length of the Cold War.

One challenging aspect of measuring the effects of involvement in war over the past hundred years is that after WWI and WWII, the United States seemed to be constantly involved in war, as shown by Figure 5. Over the Asiatic wars, the Gulf War, and various other minor conflicts stands the Cold War, the impetus for many American involvements overseas. In fact, if one includes the Cold War, there were only 29 years during the past century when the United States was not at war. Because almost constant war has become a way of American life, the provoking effect of war emergency may not be as strong as it was during the world wars. Initially in WWI and even in WWII, possible involvement in conflicts across the globe made Americans hesitate. The government propaganda and acts such as the Espionage Act of 1917 that were prominent during those times serve as proof that Americans had to be coerced and heavily persuaded to support the massive mobilizations for war. In the past fifteen years, war across the globe does not have the same impact on Americans; the emergency factor has diminished. However, during the world wars, the government imposed conscription, making the relevancy of war a reality in the lives of draftees. In modern times sans draft, the reality of war takes on the form of domestic terrorism, but America has had this type of attack for so long that it has almost become normal. In this way, because of the change

in the type of war that America is fighting, measuring distinct effects of the wars is difficult.

Similarly, some of the periods of war and periods of recession overlap, making it difficult to glean the reason for the increase in the measured variable. Shown in Figure 6, there are periods where war and recessions coincide. The overlapping years are 1953, 1970, 1990-1991, 2001, and 2008-2009. These years represent a new layer of variables that can be observed separately from the rest of the variables in order to determine if there are increasing effects by compounding the effects of the crisis environment.



In Figure 6, the years the U.S. has been at war is 34, not counting the Cold War. The quarters the U.S. has been in a recession is 91, which is 23% of the past 100 years. This number is high because of the length of the Great Depression, which is not represented in my testable data.

Another caveat to the data appears as the lack of data on GDP and other variables before 1947. Some data does go back to 1930, such as percent change from preceding period, but it is not seasonally adjusted. As a result, I focus my attention on the data after 1947, since Higgs explains that the ratcheting effect that definitely existed during World War I and the Great Depression, setting the stage for future growth of the U.S. government.

Results

I. Recession Dates

Since spending is my main measurement of government authority, I have separated the government spending results by type of crisis. Periods of recession results are in Table 2. I described government spending by five dimensions: National Defense, Federal Nondefense, State and Local, Federal Social Insurance Transfer Payments, and finally State and Local Social Insurance Transfer Payments. Government spending is measured in billions of dollars divided by GDP in billions of dollars. I am interested in the increase in the social benefit payments as another layer to government authority by distribution.

Table 2: Recession Alignments and Increases in Spending as a Percent of GDP

Reces. Period	National Defense	Nondefense	State and Local	Fed Ben	SL Ben
1937 to 1938	Incr	Ratc down	Decr	Decr	Ratc down
1945 to 1945	Ratc down	Fall dur	Fall dur	Incr	Fall dur
1948 to 1949	Incr	Ratchet	Ratchet	Decr	Ratc down
1953 to 1954	Ratchet	Ratc down	Incr	Fall dur	Decr
1957 to 1958	Ratc down	Fall dur	Incr	Incr	Incr
1960 to 1961	Decr	Fall dur	Incr	Incr	Incr
1969 to 1970	Decr	Incr	Incr	Incr	Incr
1973 to 1975	Decr	Incr	Ratchet	Incr	Incr
1980 to 1980	Fall dur	Ratc down	Decr	Incr	Incr
1981 to 1982	Incr	Decr	Decr	Ratc down	Incr
1990 to 1991	Decr	Decr	Ratchet	Incr	Incr
2001 to 2001	Fall dur	Fall dur	Ratchet	Fall dur	Incr
2007 to 2009	Ratchet	Incr	Ratc down	Incr	Incr

Ratchet represents the ratcheting effect and Incr is overall increase. Both confirm Higgs' predictions, ratcheting because it shows government authority increases during a crisis and total increases because they show a pattern of constant increasing in government authority without retrenchment. Decr is overall decrease, Fall dur is a fall during, and Ratc down is an opposite ratchet effect. The dimension Fed Ben is federal social insurance transfer payments to persons, and SL Ben is the same payments but paid by state and local government.

Table 2 shows the specific dimensions where ratcheting is evident in each of the recession periods. Generally, the data falls into five patterns: ratcheting, overall increase, overall decrease, ratcheting down, and fall during. The two that show increases in the scope of the government are the ratchet and the overall increase. Over all the recession periods and their dimensions, the ratchet effect shows up about 13% of the time. State and local spending saw the effect in the most recession periods at 36%. The next highest is national defense spending at 18%. Nondefense spending only shows the ratchet in the 1948 recession. Because state and local spending shows the most periods with the ratchet effect, I can assume that recession spending was carried out heavily on the state and local level. The 1948 recession is the only period that has two dimensions that show ratcheting, nondefense and state and local.

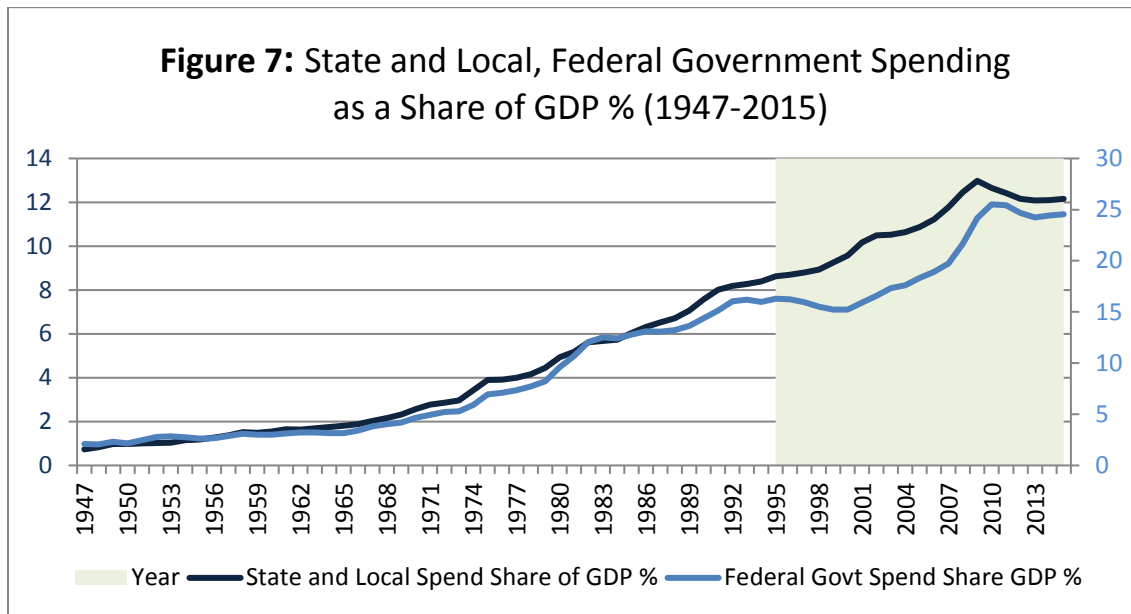
Overall growth appears much more frequently than the ratchet. Over all the recession periods and their dimensions, growth shows up about 45% of the time. Both federal and state and local social transfer payments show increasing more than any of the other dimensions. State and local spending had the next most consistent growth at 36% of the recession periods. Nondefense spending was next at 27% of the periods. National defense had two periods that saw overall period growth.

State and local spending shows either the ratchet effect or a pattern of overall growth in about 73% of the recession periods. This means that state and local government since 1948 is more receptive to recession influence than most of the other dimensions. As previously mentioned, state and local governments' spending as a share of GDP has grown at a higher rate since 1947 than the share of GDP represented by federal government spending. The average rate of change per year for state and local government

spending is 4.3% and the rate of change for federal government spending is 3.8% per year. This slight yet constant increase in state and local spending over federal spending could indicate a lack of effectiveness of the Unfunded Mandate Reform Act. Congress passed the act in 1995. This ineffectiveness is backed by the continued growth of state and local spending in the years after the act went into effect. As shown in Figure 7, the act did not decrease state and local spending. Only federal government spending decreases, which means that the UMRA did not change the burden of its unfunded mandates on the states. The act would have been effective if federal spending had gone up while state and local spending went down. These results augment the results stated above, where state and local government spending experiences the most periods of recession that fall in line with the Crisis Hypothesis. The average change per year for state and local spending as a share of GDP in the recession periods jumped up to 9%, while federal government spending during recessions was 8.7%. After 1995 in the periods of recession, state and local growth spending was 5.4% and federal government was 8.7%. Because the percentage of spending after 1995 in the recession periods was greater than the average change for state and local spending, the UMRA did not have the intended effect.

The evidence that the UMRA had any effect is in the difference in percent change from the recession state and local spending compared to the recession spending after the act was passed, 9% to 5.4%. This means that growth rate of recession spending after 1995 slowed down compared to the average rate of recession spending for state and local governments. Federal government spending remained at the same rate before and after 1995, so it makes sense that the UMRA had an effect in slowing down the growth rate of

state and local government spending. In slowing down the rate, however, the actual spending amount continued to increase.



In Figure 7, the left vertical axis applies to the state and local spending and the right applies to federal spending. The shading begins in 1995, the year the UMRA went into effect. This graph is not meant to show that state and local is higher than federal spending, only that state and local is growing at a higher rate and is more consistent.

II. War dates

Table 3: War Alignments and Increases in Spending as a Percent of GDP

War Period	National Defense	Nondefense	State and Local	Fed Benefit	SL Benefit
1941 to 1945	Ratchet	Fall dur	Fall dur	Incr	Incr
1950 to 1953	Ratchet	Fall dur	Incr	Incr	Incr
1965 to 1973	Decr	Ratchet	Incr	Incr	Incr
1990 to 1991	Decr	Decr	Ratchet	Incr	Incr
2001 to 2013	Ratc down	Ratchet	Ratc down	Incr	Incr

Again, Ratchet represents the ratchet effect, and Incr represents total increases. Fed Benefit is Federal social benefit transfers to persons. SL Benefit is state and local social benefit transfers to persons.

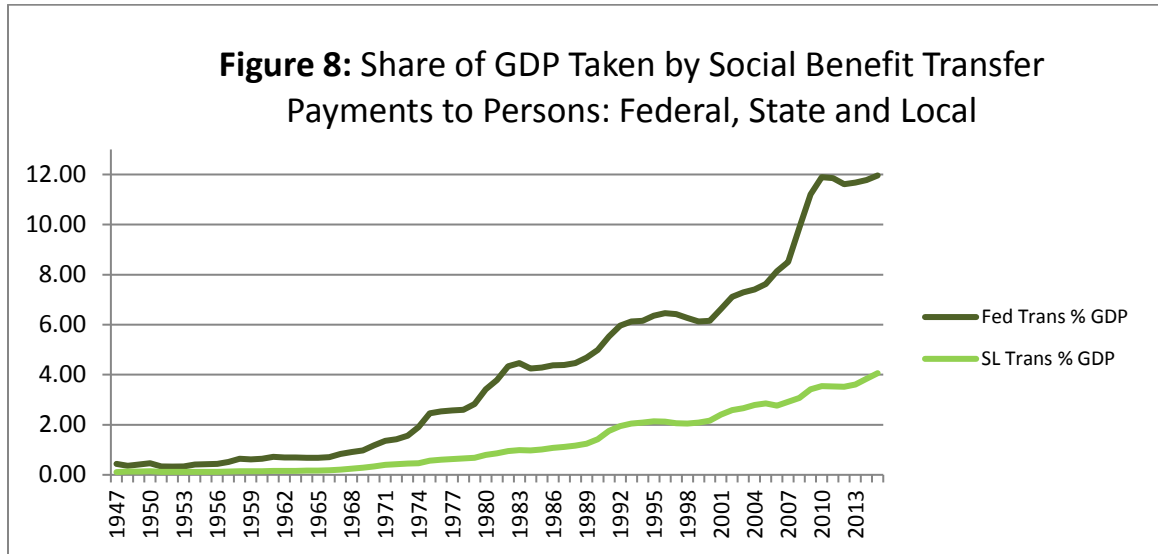
In every one of the periods of war shown in Table 3, only one of their five dimensions shows the ratcheting effect. Interestingly, national defense spending only shows ratcheting in two periods. Nondefense spending also only has two periods showing

the ratchet effect. State and local spending shows ratcheting once in the 1990s. However, state and local spending increases overall in two periods of war. Both of the social benefit transfer dimensions show increasing amounts of spending in all periods of war.

In the above periods of war, average percent of GDP represented by federal government spending is 12.5%, and during periods of nonwar, the average was 9.7%. The difference between the two is 28.5%. The trend of federal government spending is a steady increase, growing at times of war and non-war. Because the United States has been at war for the last fifteen years, the last and greatest percentages of government spending are more heavily weighted into the average for war years. If the greatest amount of war years had been near the beginning of the studied century, the average between government spending in war year and non-war years would likely be less pronounced.

Government social insurance benefit transfer payments represent another dimension of the government's participation in the lives of citizens. Government transfer payments are "payments for which no current services are performed and are a component of personal income" ("Government"). Since both periods of war and recession show immense increases in social benefit payments on the federal and state and local level, this shows that the government has been increasing its involvement in the welfare system since the end of World War I. The federal transfer payments are not as steady as the state and local payments, which fits in with Romer and Romer's findings about Social Security. They hold that because the "Social Security benefit increases over the period 1952–1991 were highly irregular in timing and size" there is "evidence that most of the increases were not taken in response to current or prospective macroeconomic developments or as part of larger policy programs" (Romer and Romer

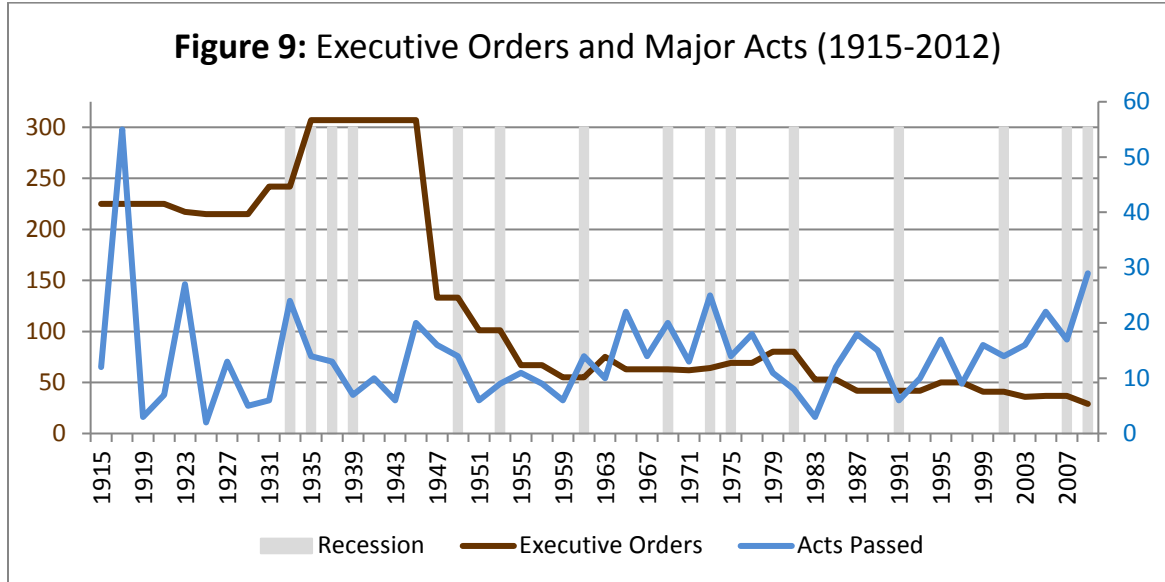
38). Whether they were part of developments or policies may be only a secondary point, the first being that Social Security payments and their counterparts have increased substantially since they began.



“Government payments to individuals include retirement and disability insurance benefits, medical benefits, income maintenance benefits, unemployment insurance compensation, veterans benefits, and federal education and training assistance” (“Government”).

Federal and state and local transfer payments together take up an average of 5.4% of GDP across the past century. Federal transfer payments make up most of the 5.4% combined average, at about three quarters of the whole. Both federal and state and local payments, however, increase during times of war by about 50%. However, the opposite is true during periods of recession. Both federal and state and local transfer payments decrease during times of times of recession by about twenty percent. This may mean that transfer payments are cut during recessions, which runs counter to the thought that more people would draw unemployment during recessions.

III. Legislation and executive orders



In Figure 9, the left vertical axis applies to executive orders and the right axis applies to acts passed. Executive orders show a sharp decreasing trend, while major acts show an almost-level decreasing trend.

On average since 1915, presidents issued 120 executive orders per year and Congress passed about 14 major acts per session. During recession periods, presidents issued 125 orders per year; while in non-recession periods, they issued 127 orders. The difference between the two is -1.8%. During recession periods, Congress passed 15 acts, and in non-recession years, it passed 13. The difference between the two is 14%. The number of major acts passed by Congress is more receptive to recession conditions than the number of executive orders. An important aspect of government to note is that when one party controls the House, the Senate, and the Executive branch more collaboration is achieved and more legislation is approved. According to the data, this supposition is true. There were five periods during American history where one party has had control across the board. During those times, Congress passed 31.6% more major acts, from 13 to 18 per session.

However, I predicted that executive orders will be more receptive to war dates, because “a wartime period will likely reflect many mobilization orders that are not

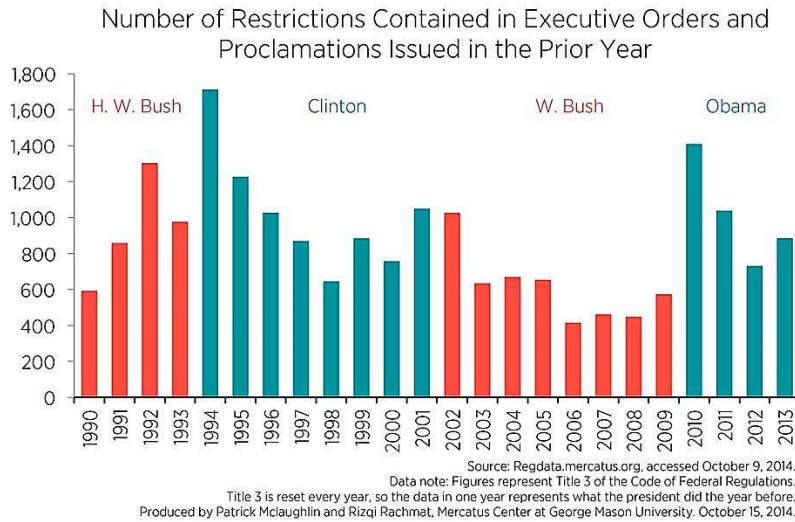


Figure 10: Restrictions in Executive Orders and Proclamations 1990-2013 (McLaughlin)

applicable in other periods” (Gaziano 13). If the data for executive orders are not separated by content, it does not help to compare executive orders between war periods and non-war periods over the

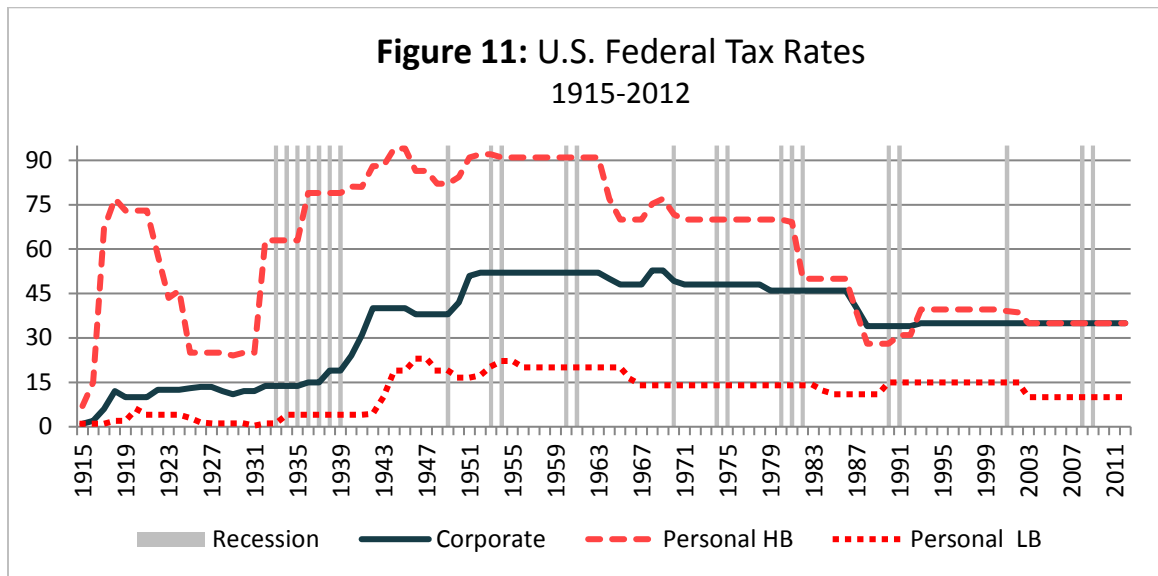
past century. In fact, the comparison of this unsorted data goes against the prediction.

What I found is that the number of executive orders does not depend on whether the country is in a crisis. Rather, the frequency of presidential orders depends on the president himself. For example, “Former President Bill Clinton proudly publicized his use of executive decrees in situations where he failed to achieve a legislative objective” (Gaziano 2). The average number of executive orders per year since 1915 is 120, while the average number in years of war is about 95, a change of -21%. This decrease does not make sense on the surface, but delving into each executive order’s intention and scope through the past century, though important, is outside the bounds of this paper. The reduction of presidential executive orders over time suppresses the realization of the effect of war on executive orders.

Even though the number of executive orders has decreased significantly, looking at the regulatory aspects of executive orders can similarly exemplify presidential power. Patrick McLaughlin quotes John Hudak as saying, “not all executive orders are created equal. Some are quite forceful, making dramatic changes to policy. Others are more routine, housekeeping issues. To say that one president issued more executive orders than another, tells us little about the scope of those orders or the impact they have on policy” (McLaughlin). Figure 11 above shows the executive orders and other presidential proclamations that contain restrictions for the past four presidents.

IV. Taxation

According to Piketty, changes in tax rates most often affect the top tax bracket. Shown by the graph below, this is true. Not only does the top tax bracket receive the most government legislation attention, personal taxpayers in the top bracket receive most of the effects during recessions.



In Figure 11, the Tax Reform Act of 1986 greatly reduced the top tax bracket rate for personal and corporate taxpayers alike. In 1991, the personal rate first increases.

Figure 11 shows the highest and lowest bracket tax rates for personal taxpayers, and the highest bracket rate for corporations. Piketty's proposal that the highest bracket rate receives more legislative attention is true, if one counts the changes in the personal rate and not the rate itself. The highest bracket rate for personal taxpayers increases 14 times and decreases 13, while the lowest bracket rate increases and decreases only 8 times. Both personal and corporate highest bracket rates are the same beginning in 1991 due to an across-the-board increase in personal tax rates led by George H.W. Bush.

Figure 11 shows the difference between the highest bracket rates of corporate and personal taxpayers, illustrating the huge difference between the rates until 1986. The only time corporate tax rates were higher than personal was in the years 1988-1992. This is because Reagan's 1986 Tax Reform Act "shifted the tax burden to business" (Novack). Under Reagan, personal tax rates were lower than they had been since 1916. The effects were short-lived, because in 1992, personal tax rates increased to 31% under George H.W. Bush.

Table 4: Recession Annual Data for Tax Rates

Years	Corporate income tax rate	Individual tax rate: highest bracket	Individual tax rate: lowest bracket
1910-1914	Incr	NA	NA
1918-1921	Incr	Ratchet	Ratchet
1923-1924	Constant	Decr	Decr
1926-1927	Ratc down	Constant	Constant
1929-1933	Incr	Incr	Incr
1937-1938	Incr	Incr	Incr
1945-1945	Ratch	Ratchet	Ratch
1948-1949	Incr	Fall dur	Fall dur
1953-1954	Incr	Ratch	oth
1957-1958	Constant	Constant	Constant
1960-1961	Decr	Decr	Decr
1969-1970	Decr	Decr	Decr
1973-1975	Decr	Constant	Constant
1980-1982	Incr	Decr	Decr
1990-1991	Fall dur	Fall dur	Incr
2001-2001	Incr	Ratc down	Decr
2007-2009	Constant	Fall dur	Constant

Table 4 shows the effect of the recession periods on corporate income tax rate and the tax rates for the individual taxpayer, both in the highest and the lowest brackets. All categories correspond to previous tables, with the exception of the new category Constant, which indicates that the tax rate did not change from the year before to the year of the recession.

Often the tax rates for the highest bracket and the lowest bracket for personal taxpayers move in the same way. This is opposite to Piketty's supposition that the highest bracket is changed more than the lowest bracket. Only in 1953-1954 and the periods of recession after 1990 show them moving in opposite directions. Also surprising is the fact that corporate and personal tax rates move together; however, they move converse to each other in the periods starting in 1957, 1980, and 2001. In these periods, the corporate rate increases while the personal rates decrease, fall during the recession, or stay constant.

In fact, corporate rates have the most periods that increase at 47% of the 17 recession periods. However, the highest bracket personal tax rate shows the most periods that represent the ratchet effect, at 18% of the periods. Both the highest and the lowest

bracket rates show periods of the ratchet effect or overall increase in about 30% of the recessions. That corporate rates show the most increases and ratcheting reflects the fact that corporate tax receipts (shown in the following Figure 12) are almost always higher than personal tax receipts.

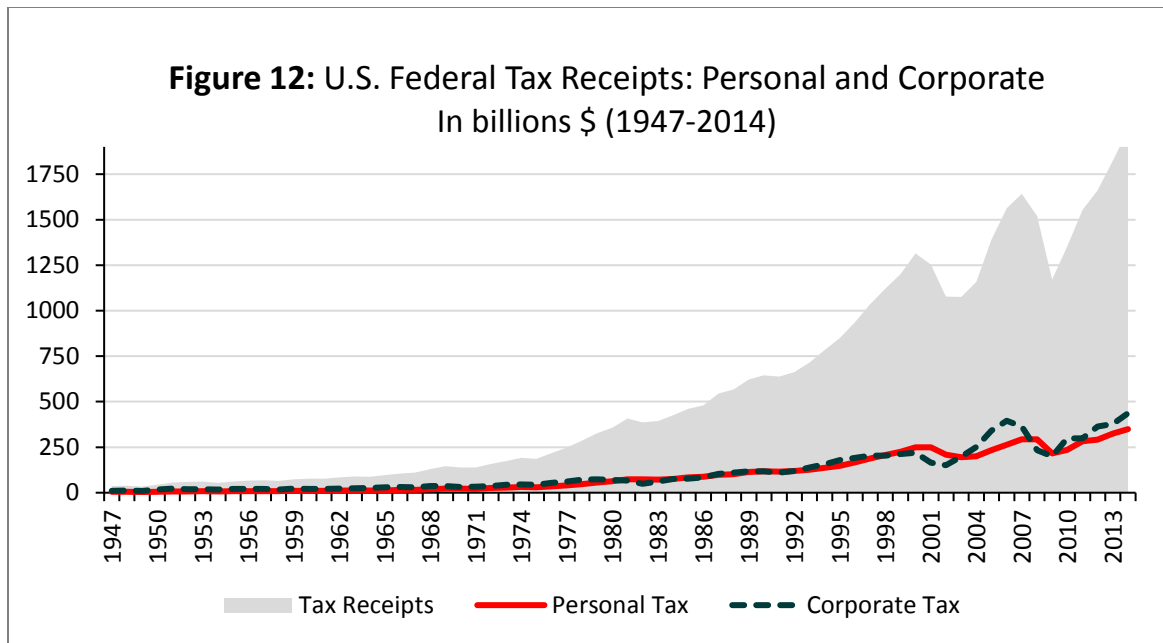
Table 5: War Annual Data For Tax Rates

Year	Corporate income tax rate	Individual tax rate: highest bracket	Individual tax rate: lowest bracket
WorldWarI	Incr	Ratchet	Ratchet
WorldWarII	Ratchet	Ratchet	Ratchet
KoreanWar	Incr	Ratchet	Ratchet
VietnamWar	Decr	Decr	Decr
GulfWar	Fall dur	Fall dur	Incr
WarinWestAsia	NA	Fall dur	Decr

Table 5 shows the effect of the war periods on corporate income tax rate and the tax rates for the individual taxpayer, both in the highest and the lowest brackets. All categories correspond to previous tables.

The war data, though there are fewer periods than the recession data, show more consistency than the recession periods. The first three wars show either increases or the ratchet effect across all three tax rates, while the last three generally show decreases or falls. The three rates generally move together, with the exception of the Gulf War when the lowest bracket rate increased converse to the other rates falling.

Both the highest and the lowest personal tax rates show the same ratchet effect in three of the six war periods. The corporate tax rate only shows one periods of the ratchet effect, while showing two periods of overall increase. The lowest individual bracket rate shows the most periods of the ratchet effect or of overall increase at 67% of the war periods.



In Figure 12, personal and corporate tax receipts do not make up the entire amount of tax receipts, but I included the entire tax receipt amount to see the years where receipts significantly decreased and whether personal and corporate receipts similarly decreased.

In Figure 12, corporate tax receipts are usually higher than personal, but there are a few exceptions and of those periods, three overlap with recession periods. During those three periods, personal tax receipts exceeded receipts by corporations by 13-19%, as shown in Table 6. However, this does not mean that personal receipts increased; instead, it means that corporate receipts decreased during those years. The most likely explanation for this decrease is that during recessions, corporations may lose money and therefore have less taxable income. The only period where personal tax receipts actually increased relative to corporate receipts during a non-recession period was in 1991, the year George H.W. Bush raised the tax rates for top bracket personal taxpayers. The increase is small in comparison with the years overlapping with a recession, but it is significant in that the 2.8% increase came directly from the personal taxpayer. The increase caused a significant

change in the dollar amount of personal tax receipts, meaning that tax code can have a major effect on the lives of the effected taxpayer.

Table 6: Years When Personal Tax Receipts Exceed Corporate Receipts

Years personal tax receipts exceeded corporate tax receipts:	Average percentage C<P :	Corresponding Recession Date
1981-1986	13.20%	1981-1982
1991-1992	2.80%	
1998-2002	19.70%	2001-2001
2008-2009	17.40%	2007-2009

Conclusion

I have discovered that the overt measures of increases in government authority that characterized the first five decades after 1915 are not the same measures that characterize the increases in the last five decades. The beginning of World War I saw the setting of precedents for the expansion of government authority, some of which have expanded and some that have hidden within other ways of exercising authority. During WWI, the Wilson administration first used political clout to mobilize industry resources for war and sensationalize the war to offset the psychological negativities of conscription. During the Great Depression, FDR and Congress expanded the government's authority to allow it to break the United States economy from the free market system. FDR carried that same mindset into World War II, when he aggressively promoted government expansion to aid in fighting the global war. This kind of obvious and brazen use of presidential power that characterized the administrations of the first two world wars is not seen in later years. Instead, the number of presidential executive orders decreases at a sharp rate, while the amount of orders containing regulations has increased. The number of major acts passed in Congress, however, remains fairly steady, implying that the

number of executive orders is based on the president himself and not if the country is at war or in a recession.

Because of pressure for a balanced budget and high overt spending numbers, hidden costs have become the norm for federal government, and the passing of unfunded mandates eventually had to be reined in by state and local governments' concerns for their own budgets. The voluntary act, the Unfunded Mandate Reform Act, did not in itself tie the hands of any policy-makers. Instead, the state and local governments, by investigating the passing of unfunded mandates, brought the grievance to light in Congress, letting it know that state and local governments would no longer stand by and let the federal government shift the spending cost onto its local counterparts. However, state and local government spending has increased at a higher rate than the federal government spending rate. Both federal and state and local spending have grown steadily since after WWII, with very few periods of retrenchment. This indicates a trend of constant spending increase based on offering new programs to businesses and individuals. One marker of this increase is the rapid increase of social benefit payments to individuals, both on the state and the federal level.

Recessions and wars affect the tax rates of the top brackets for corporations and personal taxpayers more than the other brackets, though the lowest bracket does show increases during war years. As taxation is a core source of government revenue, tax rates and tax code reflect the government's need for funds. The government can shift the burden of taxation on whomever it wants, though the personal taxpayers in the highest bracket often get the impact of changes in tax code. The most changes in tax rates for both lowest and highest brackets occur during years of war.

In conclusion, the government continues to increase, in spending and in regulatory power over peoples' lives. The causes of increasing authority do not present themselves easily after the 1990s, as if overt government action takes a backseat to hidden action. War is a common context in increases for tax rates, government spending, and legislation, while regulation has become the way the executive and legislative branches have increased their scope into new areas of authority. Increasing regulation causes an increase in government-sponsored agencies and an increase in employees on the government payroll, another creeping of the government into the private sector of employment. Beginning after World War II, a trend of overall increase accompanied the ratchet effect that had its hold in the years prior to 1947, suggesting that the authority of the federal government increases steadily oftentimes regardless of crisis. Recession periods do show increases in spending, taxation, and legislation; however, periods of war show increases that exceed those during recessions. With this in mind, the public's call for government action during times of war or recession should be tempered by the knowledge that the government will expand its scope during crises, without ever releasing the authority it gains.

Figures and Tables:

Figures

1. **Schematic Representation of the Ratchet Effect** – page 3 (Higgs)
2. **Average Word Count of Acts Passed During Sessions 97-113, 1981-2013** – page 7 (Fitchner)
3. **Growth of Regulatory Restrictions in the CFR, 1970-2014** – page 7 (Fitchner)
4. **Tax Complexity Increases** – page 8 (Hodge)
5. **Years of U.S. War Involvement, 1915-2015** – page 14
6. **U.S. Years of War and Recession, 1915-2015** – page 15
7. **State and Local, Federal Government Spending as a % of GDP, 1947-2015** – page 19
 - Shares of gross domestic product: Government consumption expenditures and gross investment: Federal
 - Shares of gross domestic product: Government consumption expenditures and gross investment: State and local
8. **Share of GDP Taken by Social Benefit Transfer Payments to Persons: State and Local, 1947-2015** – page 21
 - State and local government current receipts: Government social benefit payments to persons
9. **Executive Orders and Major Acts, 1915-2012** – page 22 (Woolley, “Party Divisions of the House of Representatives,” “Party Division in the Senate”)
10. **Restrictions in Executive Orders and Proclamations, 1990-2013** – page 23 (McLaughlin)

11. **U.S. Federal Tax Rates: 1915-2012** – page 24 (“Federal Corporate Income Tax Rates,” “U.S. Individual Income Tax.”)

12. **U.S. Federal Tax Receipts: Personal and Corporate Receipts** – page 28

Federal government current tax receipts

Federal government current tax receipts: Personal current taxes

Federal government current tax receipts: Taxes on corporate income

Tables

1. **Recession and War Periods** – page 12

2. **Recession Alignments and Increases in Spending as a Percent of GDP** – page 16

Shares of gross domestic product: Government consumption expenditures and gross investment: Federal: National defense

Shares of gross domestic product: Government consumption expenditures and gross investment: Federal: Nondefense

Shares of gross domestic product: Government consumption expenditures and gross investment: State and local

Federal government current transfer payments: Government social benefits: To persons.

State and local government current receipts: Government social benefit payments to persons.

3. **War Alignments and Increases in Spending as a Percent of GDP** – page 19

Shares of gross domestic product: Government consumption expenditures and gross investment: Federal: National defense

Shares of gross domestic product: Government consumption expenditures
and gross investment: Federal: Nondefense

Shares of gross domestic product: Government consumption expenditures
and gross investment: State and local

Federal government current transfer payments: Government social
benefits: To persons.

State and local government current receipts: Government social benefit
payments to persons.

- 4. Recession Annual Data for Tax Rates – page 26**
- 5. War Annual Data for Tax Rates – page 27**
- 6. Years When Personal Tax Receipts Exceeded Corporate Receipts – page 29**

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