

## ***Depression, War, and Cold War: Studies in Political Economy.* By Robert Higgs**

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This book is a collection of ten previously published essays that address some of the most important questions of twentieth-century America. Robert Higgs provides detailed answers that challenge government propaganda of our past and provides ammunition for present and future policy deliberations. I highly recommend this book for *every* economist and the general public. The essays are well-written, easily accessible, and to the point. The book will appeal to conservatives, liberals, and libertarians.

Picking up where Rothbard left off in *America's Great Depression* Higgs addresses the question: why did the Great Depression last so long, and why did prosperity only return after World War II? His answer is "regime uncertainty." Roosevelt and the New Dealers represented a high risk to investors which created uncertain property rights over capital and thus stymied capital formation and prosperity. Over time, Roosevelt was forced to replace the socialist New Dealers in his administration with pro-business leaders in order to fight World War II. The combination of peace and Roosevelt's death led to a boom in private investment and recovery from the Great Depression. While Keynesians were surprised at the postwar recovery, Higgs shows in Chapter 5 that moving the economy back toward its market orientation was responsible for the prosperity.

Chapter 3 opens with a quote from Ludwig von Mises: "War prosperity is like the prosperity that an earthquake or a plague brings." Higgs reexamines the consensus view that World War II created a prosperous economy which was later threatened by a return to peace. The unemployment rate did fall in World War II, but that was caused by the military draft. The percentage of the workforce producing food, clothing, and shelter actually fell by more than 20%. Real personal consumption per capita remained at the same levels as the Great Depression and only increased after the war. In Chapter 4, Higgs explains that most of the so-called capital formation

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during World War II was military structures and equipment, most of which was destroyed, highly depreciated, or quickly outdated.

Of course Higgs has previously shown in *Crisis and Leviathan* (1987) that wars have had a “racket effect” that results in a big increase in the size of government and in Chapter 2 he shows that World War II established the military–industrial complex. Rather than buying military goods in the market using a competitive bidding structure, we now have a small fraternity of defense contractors who enjoy large profits, but where the taxpayer bears the burden of all the risks. It is interesting to note that Roosevelt set the system up in 1940 long before the USA entered the war. In Chapter 9 Higgs shows that the owners of defense contractors continue to receive rates of return that far exceed those of similar firms.

Higgs investigates the opportunity cost of the Cold War in Chapter 6. In the spirit of Rothbard’s substitute for GDP, Private Product Remaining, or PPR, Higgs deducts military spending—which was several times normal peacetime levels—from GDP to reveal a huge opportunity cost of the Cold War to the American public. Like the invasion of Iraq, the Cold War was based on claims of military necessity that turned out to be greatly exaggerated or nonexistent.

Chapters 8 and 9 provide the reader with two highly specific examples of how the government is just plain wasting tax money and why they do it on a systematic basis—to please us. The final chapter shows that public opinion is an important determinate of military spending. Our ideology, molded by the propaganda of politicians and policy advocates gives the government the sanction to take more or less of our money. The events subsequent to 9/11 have been a vivid demonstration of this point and the high cost of bad ideology.

Higgs’s book is a great antistate tonic that is a direct challenge to government propaganda where history is shown to conform nicely to economic logic. I have drawn on several of papers that form this book for various classroom lectures and my only suggestion for the publisher is to include a set of electronic slides of the graphs, tables, and quotes from the book that can be used for classroom lectures, or provide a website where they can be downloaded.