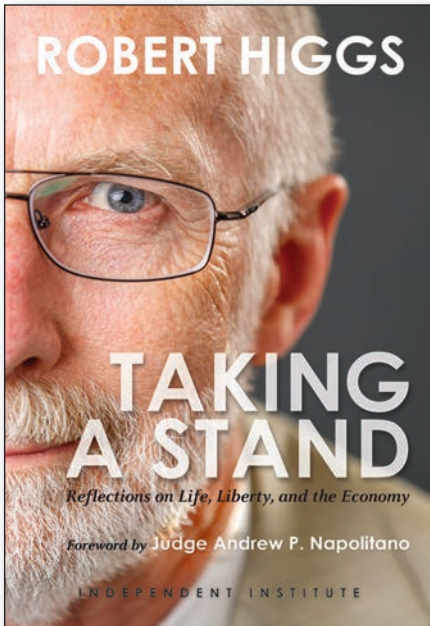


# TAKING A STAND

Reflections on Life, Liberty, and the Economy

BY ROBERT HIGGS

FOREWORD BY JUDGE ANDREW P. NAPOLITANO



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## Book Highlights

- **The welfare state neutralizes potential opponents:** “As the ranks of those dependent on the welfare state continue to grow, the need for the rulers to pay attention to the ruled population diminishes,” Robert Higgs writes in *Taking a Stand*. “The masters know full well that the sheep will not bolt the enclosure in which the shepherds are making it possible for them to survive.”
- **Partisan politics is a fool’s game:** “It’s all a fraud, designed to distract people from the overriding reality of political life, which is that the state and its principal supporters are constantly screwing the rest of us, regardless of which party happens to control the presidency and the Congress,” Higgs writes.
- **Does the U.S. government enjoy the consent of the governed? Not for Robert Higgs:** “For the record, I can state in complete candor that I do *not* approve of the manner in which I am being treated by the liars, thieves, and murderers who style themselves the Government of the United States of America or by those who constitute the tyrannical pyramid of state, local, and hybrid governments with which this country is massively infested.”
- **Did federal policymakers botch the economic recovery after the Great Recession bottomed out in 2009? Absolutely.** One way, according to Robert Higgs, was by proposing a flood of new regulations, boosting government spending, and threatening to worsen the tax burden. The resulting “regime uncertainty” caused business leaders to postpone making major investments, thus ensuring that net private investment—the engine of economic production and job growth—would not return to its pre-recession peak anytime soon. “If mainstream analysts continue to disregard the role of regime uncertainty in the major depressions of the modern era,” Higgs writes, “then they will only demonstrate the poverty of their mode of analysis.”
- **You can discern a lot about a person’s character by looking at who he chooses to revere.** For Robert Higgs, some of those heroes are scholars such as James M. Buchanan, Murray Rothbard, Anna J. Schwartz, and Thomas Szasz; leaders such as Manuel “Muso” Ayau and Siobahn Reynolds; and especially his parents, William and Doris Higgs. “I didn’t need any commandment to honor my father and mother,” he writes. “It never occurred to me to do otherwise, in view of the examples they set.”

### Synopsis

**Robert Higgs** may be the most outspoken scholar on the most pivotal development of our time: the growth of the state and the eclipse of individual liberty. Long known for his work on how national emergencies fueled the growth of American government and how the threat of state aggression can prolong economic stagnation, Higgs is equally insightful on the defects of Western democracy, the insidiousness of the welfare-warfare state, the mythmaking of political elites and entrenched bureaucrats, and the quirks and quacks of academia.

These strengths are on full display in *Taking a Stand: Reflections on Life, Liberty, and the Economy*, a collection of ninety-nine shorter pieces Higgs has written for the most part for *The Beacon* and *The Independent Review* over the past several years. Together, they show the depth and breadth of a writer who possesses both mastery over his subject matter and an uncanny knack for turning a phrase.

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About the Author

Readers will quickly perceive that *Taking a Stand* is Higgs's most diverse and most personal book yet—and perhaps his most compulsively readable. The book delves into topics as far afield as the hypocrisy of America's political establishment, the hidden causes of the U.S. economy's post-2009 malaise, the challenges facing liberty's advocates, Higgs's own personal and professional heroes, and even his journey from the muddy economic mainstream to the clear waters of Austrian economics (written in hilarious verse, no less).

The following summarizes *Taking a Stand*, but readers should keep in mind that a brief rundown can offer only a selective look at this large and remarkable book.

### Politics and the State

*Taking a Stand* kicks off with Robert Higgs's devastating critique of widespread assumptions in Western political culture, especially rosy notions about democracy in America. In his first chapter, "It's Who You Know," Higgs exposes the oversized and largely neglected role that political elites have played in government policymaking, especially in defense and foreign policy. Using the example of Henry Stimson, a member of the cabinets of William Taft, Herbert Hoover, Franklin Delano Roosevelt, and Harry Truman, he argues that political elites almost always promote their own narrow interests at the expense of peace, prosperity, and liberty for ordinary Americans.

One reason that elites have dominated in a nation whose culture pays much lip service to self-rule, Higgs explains, is that the American people have swallowed a host of myths about "consent," "legitimacy," and "authority," the subjects of other chapters in the book's first section. The almost narcotic-like power of these myths helps explain why, for example, public protests against U.S. military adventurism have failed to bring about lasting change.

Ironically, the solution to most political problems may be for people to stop searching for political solutions altogether. Paraphrasing an infamous early member of the Black Panther Party, Eldridge Cleaver, Higgs writes: "You're either part of the solution (by abandoning participation in politics) or you're part of the problem (of endless political conflict)."

### On Doing Analysis in Political Economy

In Part II of *Taking a Stand*, Higgs offers several insights at the intersection of economics and politics.

Economists have played a growing role in government policymaking since the mid-twentieth century, a period when their discipline increasingly emphasized mathematical prowess and quantitative rigor. Unfortunately, both trends neglected important truths about the limitations of politics. As Higgs explains in his chapter "Ten Rules for Understanding Economic Development," some of the profession's worst shortcomings contributed to the travails of the poor in less-developed countries, who served as human guinea pigs for faddish policy prescriptions based on misdiagnosis of their economic ailments.

In subsequent chapters, Higgs explains that economists have also fallen prey to misconceptions about the growth of government during national crises—what he calls "the ratchet effect." Try as they might, economists cannot fully understand this phenomenon without delving into what many seem to reflexively disdain: narrative history, with its emphasis on individual actors and their perceptions and motivations.

Similarly, economic and political analysts often hold naive notions about the march of big government. Many advocates of limited government, for example, offer "cures" such as a flat tax, term limits, constitutional amendments, and the abolition of the Federal Reserve. Unfortunately, these prescriptions (taken alone or together) fail to address the role of ideological change and therefore, according to Higgs, would prove futile in constraining Leviathan.

### Money, Debt, Interest Rates, and Prices

Macroeconomists try to focus on the forest rather than the trees, but too often they suffer from a myopia that impairs their ability to grasp important relationships of economic cause and effect. Moreover, according to Higgs, their simplifying assumptions and overly aggregative framework often lead them to overlook key drivers of the business cycle: short-sighted monetary policies that induce malinvestment and destabilize the economy.

They also usually fail to appreciate that when investors and business leaders have doubts about the security of property rights and economic liberties, the consequences can be disastrous for economic recoveries. Indeed, such uncertainty likely boosted the demand for cash holdings following the financial debacle of 2008–2009. Fortunately, this helped prevent hyperinflation from materializing in the wake of the Federal Reserve’s massive increases in the monetary base and policy of pushing interest rates near zero (a policy that, Higgs explains, severely penalized all who live on interest earnings).

## Investment and Regime Uncertainty

In 1997, Robert Higgs wrote a major article for *The Independent Review* (reprinted in his collection *Depression, War, and Cold War*) in which he showed that the Great Depression lasted so long largely because investors and business leaders were discouraged from making investments due a series of New Deal policies and court decisions they feared had weakened property-rights protections. He calls this phenomenon *regime uncertainty*, and his thesis has garnered much interest in the academic and business worlds.

In Part IV of *Taking a Stand*, he clarifies various misconceptions about regime uncertainty and also shows how the concept helps explain the sluggishness of the post-2009 economic recovery. The questions he answers sound esoteric, but they have profound consequences for economic growth and employment.

Higgs also sheds light on one of the economy’s leading indicators: changes in private investment. This elucidation helps explain why total output and employment did not quickly recover after the economy bottomed out in 2009, and it reveals fundamental flaws of Keynesian macroeconomic analysis.

## Boom, Bust, and Macroeconomic Policy

People are drawn to historical analogies, and policymakers are no exception. Unfortunately, when they misunderstand the lessons of history, they usually end up prescribing “cures” that do more harm than good. Such is the case with the common misconception that high levels

of government spending during World War II pulled the U.S. economy out of the Great Depression.

In fact, during the war Americans suffered numerous deprivations (including the outrage of conscription). Living standards didn’t recover until after the war ended, when vast amounts of labor and capital were released from military production and redeployed to the civilian economy.

Those who advocated increasing government spending to end the Great Recession of 2008–2009 often repeated the myth of the “Keynesian miracle” of World War II. This mistake, Higgs explains, stems in part from their overemphasis on the role that consumer spending plays in economic growth and their neglect of the importance of private investment and capital formation.

## Labor Markets

Because unemployment is a leading concern people have about the economy, the periodic release of official labor-market data is often greeted with feverish anticipation. Employment statistics, however, are easy to misinterpret: some measures overstate joblessness and under-employment, whereas others understate them.

Moreover, Higgs explains, focusing on labor markets as a whole can foster false impressions about trends within subsets of labor markets demarcated by age, gender, industry, and other categories. Other misunderstandings, he shows, arise from looking only at recent employment trends and ignoring longer-term ones.

## Libertarianism

Ten chapters in *Taking a Stand* address topics especially relevant to those who champion both economic and civil liberties. The first deals with an issue of supreme importance: war and peace. War-making, Higgs argues, is the state’s “master key,” effectively allowing it to open any and all doors and override all other concerns, including people’s most basic rights. Opposing war is therefore an imperative for all who claim to cherish liberty.

Other chapters look at the need to invoke moral principles when campaigning for liberty; how the expansion of government programs makes it harder for people to see the path toward

self-reliance; the impossible dream of classical liberalism; why the precautionary principle counsels us to renounce statism; and the need for freedom’s advocates to avoid in-fighting.

## Remembrances of Parents, Teachers, Colleagues, and Comrades

*Taking a Stand* is Robert Higgs’s most personal work, and this is especially true when he discusses fifteen individuals—personal heroes who left an indelible mark on his life and people whose work helped inspire his own. Some are famous and some are not, but all possessed a unique greatness that Higgs illuminates with his engaging storytelling.

The best known are the scholars Murray Rothbard, James M. Buchanan, Anna J. Schwarz, Thomas Szasz, and Robert Fogel. But Higgs’s most moving profiles are those of his parents, Oklahoma natives William and Doris Higgs, remembrances that shed light on the development of his sensibilities and convictions.

## Just for Fun

Until the final section, Higgs treats his subject matter with utmost seriousness, but he closes *Taking a Stand* by sharing his efforts at light-hearted verse. Poking fun at academic economics in general and Keynesian doctrine in particular, Higgs remakes works by Edgar Allan Poe, Don McLean, and even Bobby “Boris” Picket.

As is always the case with Higgs, the results are both stylish and substantive. Here is playful poetry that manages to nourish the mind and tickle the funny bone.

\* \* \*

No scholar in recent times has exposed the causes and consequences of the U.S. government’s misbehavior with more academic clarity and pitch-perfect flair than Robert Higgs. *Taking a Stand* continues this enviable record, often in a casual style. In his Foreword to the book, Judge Andrew P. Napolitano writes, “Be prepared for Bob with his hair let down; for here are essays that show a whimsical, introspective, and personal Bob Higgs.” And be prepared to learn more wisdom in five pages than what other authors convey in five books.

## In Praise of Robert Higgs's *Taking a Stand*

“Robert Higgs begins *Taking a Stand* by thanking his students. But his list is much too short, for we are all his students. Often funny, and usually subversive of the conventional wisdom, . . . chapters range from serious engagements with economic affairs to heartfelt eulogies—Bob’s ‘goodbye’ to Manuel Ayau cannot be read without tearing up—to parodies of the rock song ‘American Pie’ and the poem ‘The Raven.’ It is hard to convey the depth and value of this timely yet timeless book. But if Francis Bacon could be crossed with P. J. O’Rourke, that would come close.”

—**Michael C. Munger**, Professor of Political Science, Economics and Public Policy, and Director of the Philosophy, Politics, and Economics Program at Duke University

“In his latest book *Taking a Stand*, Robert Higgs laments that his mother should not have let him become an economic historian. That’s the only error he makes in 99 pithy chapters that debug a virtual database of statist fallacies for government controls. . . . Everyone interested in freedom should read this book to understand clearly how economic reasoning and political realism apply to ongoing debates over the ever-increasing control that government exerts on our lives.”

—**T.J. Rodgers**, Founder, President and Chief Executive Officer, Cypress Semiconductor Corporation

“No voice today for peace and liberty is as clear, as consistent, as learned, as insightful, and—this is important—as passionate and resonant as that of Robert Higgs. The pages of *Taking a Stand* prove me correct.”

—**Donald J. Boudreaux**, Professor of Economics and Director of the Center for the Study of Public Choice, George Mason University; Co-Editor, *Café Hayek*

“Robert Higgs has been pounding Leviathan since before most of today’s libertarians were born. He has awakened new generations of students to the perils of unleashed politicians and lawless bureaucrats. In *Taking a Stand*, his passion and principles continue to fire folks up to stand up for their rights and liberties.”

—**James Bovard**, author, *Freedom in Chains*, *Lost Rights*, and *Terrorism and Tyranny*

## About the Author



**ROBERT HIGGS** is Senior Fellow in Political Economy for the Independent Institute and Editor at Large of the Institute’s quarterly journal *The Independent Review*. He received his Ph.D. in economics from Johns Hopkins University, and he has taught at the University of Washington, Lafayette College, Seattle University, and the University of Economics, Prague. He has been a visiting scholar at Oxford University and Stanford University, and a fellow for the Hoover Institution and the National Science Foundation.

Dr. Higgs is the author of *Delusions of Power*, *Depression, War, and Cold War*, *Neither Liberty Nor Safety*, *Resurgence of the Warfare State*, *Against Leviathan*, *The Transformation of the American Economy 1865–1914*, *Competition and Coercion: Blacks in the American Economy, 1865–1914*, and *Crisis and Leviathan*. A contributor to numerous scholarly volumes, he is the author of more than 100 articles and reviews in academic journals. He is also the editor of the Independent Institute books *Opposing the Crusader State*, *The Challenge of Liberty*, *Re-Thinking Green*, *Hazardous to Our Health?* and *Arms, Politics, and the Economy*, plus the volume *Emergence of the Modern Political Economy*.

His popular articles have appeared in *The Wall Street Journal*, *Los Angeles Times*, *Providence Journal*, *Chicago Tribune*, *San Francisco Examiner*, *San Francisco Chronicle*, *Society*, *Reason*, AlterNet, and many other publications and Web sites, and he has appeared on Fox News, NPR, NBC, ABC, C-SPAN, CBN, CNBC, America’s Talking Television, Radio America Network, Radio Free Europe, Talk Radio Network, Voice of America, Newstalk TV, the Organization of American Historians’ public radio program, and scores of local radio and television stations. He has also been interviewed for articles in the *New York Times*, *Washington Post*, UPI, *Orlando Sentinel*, *Seattle Times*, *Chicago Tribune*, *National Journal*, *Reason*, *Washington Times*, *WorldNetDaily*, *Financial Times*, and elsewhere.

Dr. Higgs has spoken at more than 100 colleges and universities and at the meetings of such professional organizations as the Economic History Association, Western Economic Association, Population Association of America, Southern Economic Association, International Economic History Congress, Public Choice Society, International Studies Association, Cliometric Society, Allied Social Sciences Association, American Political Science Association, American Historical Association, and others.

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