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Book Review. The Price of Progress: Public Services, Taxation and the American Corporate State, 1877-1929 by R. Rudy Higgens-Evenson

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The Price of Progress: Public Services, Taxation and the American Corporate State, 1877–1929. *By R. Rudy Higgens-Evenson.* Baltimore: Johns Hopkins University Press, 2003. x + 168 pp. Tables, appendix, notes, index. Cloth, $39.95. ISBN 0-801-87054-2.

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In the last few years, state and local governments across the United States have been besieged by fiscal crisis. Triggered by a weakening economy and the expenditure of surplus funds, recent budget woes have forced many state and local officials to slash spending and even to contemplate raising taxes. A similar, though more extended, fiscal crisis affected many state and local governments at the turn of the last century, when state and local spending on infrastructure, education, and public welfare far outstripped the revenue generated by an aging system of taxation. The economic, political, and social factors that influenced the responses by different states to this earlier fiscal crisis are the focus of *The Price of Progress*, R. Rudy Higgens-Evenson's carefully constructed and well-written analysis of state-level tax reform during the Gilded Age and the Progressive Era.

One of the central themes of Higgens-Evenson's broad structural investigation is the coevolution of corporate capitalism and the activist state. Building upon the work of Alfred Chandler and other business historians, as well as the scholarship of W. Elliot Brownlee and other chroniclers of American public finance, Higgens-Evenson claims that the creation of new tax policies and laws gave American businesses and state and local governments an opportunity to cultivate a symbiotic relationship. Activist governments that needed more money to provide new and increased goods and services to their citizens turned to corporations as a source of funding, and in return private businesses became more involved in the creation and administration of public policy.

Not all states, however, followed the historical path that culminated in a corporate tax state. In contrasting the approaches of different states to the challenge of providing services and extracting revenue from their citizens, which some managed to achieve by adopting an activist Hamiltonian perspective while others remained dedicated to a Jeffersonian vision of limited government, Higgens-Evenson traces the variations in state-level fiscal policies from the end of Reconstruction to the advent of the New Deal. His objective is to apply "the comparative method to state revenues and expenditures to explore why some states became corporate and some Jeffersonian" (p. 11).

As part of the explanation, Higgens-Evenson identifies three critical factors that influenced the direction taken by different states. First, the composition of its economy—whether it was primarily agricultural, industrial, or a mix of the two—helped determine its path. Northeast industrial states like New York veered toward the corporatist model, whereas the more agricultural states of the South and the Great Plains, like Kansas, remained resolutely Jeffersonian. Second, the political and institutional structure of a state became a critical factor. The relative autonomy of state actors and their agencies, the structural distribution of political power between a state and its local governments, and the expansion of direct democracy through state initiatives and referendums provided the framework within which tax policies could be accessed by corporate interests. Finally, political contingency in the form of shifting political power, widespread publicity about corporate tax-dodging, and the occasional scandal in underfunded social services often initiated change in a state's taxing and spending policies.

Although Higgens-Evenson sets out to explain the variations in state fiscal policies, he is largely concerned with analyzing the historical processes whereby nearly all states were becoming increasingly corporate; by 1930, he demonstrates, even the most Jeffersonian of states were influenced by business practices. In its most simplified form, the emergence of "the corporate state" can be explained as a multistep process—one that is mirrored by the chronological organization of *The Price of Progress*. Increased state spending in the late nineteenth century, primarily on education and insane asylums, Higgens-Evenson argues, forced states to reconsider their reliance on an obsolete property tax that could not capture the "intangible wealth" of stocks and bonds. Rather than attempt to fortify the existing system of taxation that targeted the owners of corporate capital, many states—trailblazers of the corporate model—attempted to tax corporations directly through a variety of measures. This, in turn, gave businesses an incentive to become more involved in creating new tax laws and shaping spending policies, while the increasing use of referendums and voter initiatives gave the business community an opportunity to express their economic interests.

By the second decade of the twentieth century, with state spending on education and highway construction soaring, the corporations that had become the source of state funds began to assert more pressure on the direction of state activities. "If business had to pay for an activist state," Higgens-Evenson tells us, "the activist state would have to be run like a business" (p. 108). In some cases, state actors welcomed such intervention as an opportunity to make government more efficient.

In supporting his claim about the parallel evolution of corporate capital and the activist state, Higgens-Evenson provides ample empirical evidence (including an impressive array of graphs in the appendix) of what states, in fact, were doing at the time. Through a nearly exhaustive analysis of published government documents from representative states, he illustrates the sources and uses of state and local funds. Yet his limited evidence from the perspective of owners and managers of corporate capital gives us only a glimpse of the second aspect of this symbiotic relationship. Using the National Tax Association (NTA) and its business members as a proxy for what corporate capital had to say about state tax policies is not likely to reflect the plans that were being conceived by most businessmen. Indeed, because the NTA consisted of a mix of academics, public servants, and businessmen, it was hardly the undifferentiated voice of corporate capital. Without more direct evidence, beyond the occasional published views of business leaders, it is difficult to discern the true intentions of corporate capital. Were the leaders of industry sincerely seeking to make government more businesslike, or were they simply resisting increased government regulation and taxation? Higgens-Evenson discounts the latter possibility, but his evidence for doing so is weak.

Though experts in the field will find much in this thin monograph that is already familiar, the analysis of how big business grew alongside, and attempted to interact with, the activist state is, nonetheless, a solid contribution to the history of American public finance. Moreover, in the current climate of state and local budget gloom, Higgens-Evenson's work is an important reminder that progress in the form of essential state services necessarily comes at a price.

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