

Government Growth in Antebellum America: Variation in the Size and Scope of State Governments, 1790-1860

Job Market Paper, October 2009

Jeremy Horpedahl
Visiting Assistant Professor
Department of Economics
St. Lawrence University
Hepburn Hall, Room 9
Canton, NY 13617
jhorpedahl@stlawu.edu

Abstract: The growth of government is a universally observed and often studied historical fact, though there is much debate regarding the causes of this growth. Using expenditure and taxation data for U.S. states prior to the Civil War, I present a comparative historical analysis of government growth to better understand this phenomenon. My focus is on the variation in growth across the states, both in terms of size and scope of government. I also survey theories of government growth and attempt to apply these theories to the historical record in the Antebellum United States.

The author wishes to thank Richard E. Wagner, Pete Boettke, Pete Leeson, Rosemarie Zagari, Christy Rhoton, Virgil Storr, Werner Troesken, Gordon Tullock, Karen Conway, Jason Briggeman, Dan D'Amico, Stewart Dompe, Adam Martin, Pedro Romero, David Skarbek, Michael Thomas, and Diana Weinert Thomas. Discussions with participants of the Back Row Seminar (George Mason University), Graduate Student Paper Workshop (Mercatus Center), and Public Choice Society were also helpful in developing this paper. The Mercatus Center at George Mason University provided generous research support.

This article examines the growth of U.S. state governments, in the years between the ratification of the federal Constitution and the Civil War. In particular, I focus on the variation across the states that emerged during this period. As demonstrated below, at the beginning of the period states were spending roughly the same amount in per capita terms, but by the end of the period some of the original states were spending four to five times as much as others. When the new states are included, the divergence is even greater.

A parallel development was the changing nature of government spending, with the extension beyond the core functions of defense, police, and the courts. Again we see variance across the states in terms of how spending changed over this time period. To analyze these changes, I distinguish between two manifestations of government growth: size and scope. Size refers to the amount of spending on the basic functions of government. Scope refers to the variety of activities the government is undertaking. Size and scope are both defined more precisely below.

The primary data used in my investigation comes from the dataset on U.S. state and local finance created by Richard Sylla, John Legler, and John Wallis.¹ While the authors consider this project an unfinished work in progress, the current version offers rich insights into the early history of state government finance. The dataset covers most states, sometimes back to the late eighteenth century, and offers detailed categorical breakdowns for both government spending and taxation. By using these categories, I am able to distinguish between increases in the size and scope of the state.

¹ Sylla, Legler, and Wallis, *Sources and Uses*.

THE GROWTH OF GOVERNMENT: THEORY AND HISTORY

Before proceeding to the data on U.S. states, I briefly review several economic theories of government growth. These theories are referred to throughout the following sections, not in an attempt to test the theories per se, but rather to provide some coherence to the historical facts outlined.

Both theory and history related to expansion of the voting franchise are discussed in more detail, since these expansions were taking place in the states throughout the period, primarily by removing property and wealth restrictions for white males. In many senses this was a dramatic change in the size and composition of the electorate. Estimates of the percentage of adult white males that were eligible to vote in the U.S. around 1790 vary widely, but most range from just under 50% to around 75%.² Thus at the upper bound, this change was just as important proportionally as the granting of the franchise to women.

Franchise Changes and the Growth of Government

Allan Meltzer and Scott Richard provide a simple model to explain the growth of government, in which voters are both rational and self-interested.³ If new voters are included in the electorate, and these new voters have incomes below the median income, they will use their new voting power to redistribute income to themselves. More precisely, in a basic median voter model, an expansion of the franchise alters the decisive voter, and often the new voter will have income below the mean income. The distribution of income, as expressed in the ratio of mean to median income, is a key variable in their results.

² The 50% estimate is from Soltow, “Wealth Inequality” and the 75% estimate is from Main, *Social Structure*. Williamson, *American Suffrage*, p. 38 and Bailyn, *Origins*, p. 87 agree with the range of 50-75% of white males, though there is considerable variation across states and localities. See Lutz, “Political Participation,” pp. 23-24 for further discussion of these estimates.

³ Meltzer and Richard, “Rational Theory” and “Tests.”

Several papers have examined franchise expansions in the United States in different historical periods using the Meltzer and Richard framework, but the focus has been almost exclusively on the twentieth century. Thomas Husted and Lawrence Kenny examine the removal of poll taxes and literacy tests in southern states during the mid-twentieth century.⁴ They find that the removal of these restrictions on suffrage increased the size of the electorate while making the median voter poorer. This resulted in an increase in redistributive state and local expenditures, but no change in non-redistributive spending, which is consistent with the Meltzer and Richard model. John Lott and Kenny perform a similar analysis for women’s suffrage in the early twentieth century and find results in line with the theoretical model.⁵ In both of these studies, the change in voting rights is exogenous to policy for many states, since it was forcibly imposed by the federal government.

Democratization in Europe has also been studied for changes in policy following the expansion of the franchise. Moshe Justman and Mark Gradstein examine the gradual expansion of male suffrage in Britain in the late nineteenth century, and find that it contributed to the growth of redistributive fiscal policies.⁶ Burton Abrams and Russell Settle look at Switzerland’s granting of voting rights to women, which did not come until 1971.⁷ They also find confirmation of the Meltzer-Richard model, as women’s suffrage in Switzerland was followed by significant increases in welfare spending.

In contrast to the above single country studies, T.S. Aidt, Jayasri Dutta, and Elena Loukoianova examine a panel of 12 Western European countries from 1830-1938.⁸ They find quite different results from the above papers on the United States. The expansion of the male

⁴ Husted and Kenny, “Effect.”

⁵ Lott and Kenny, “Did Women’s Suffrage?”

⁶ Justman and Gradstein, “Industrial Revolution.”

⁷ Abrams and Settle, “Women’s Suffrage.”

⁸ Aidt, Dutta, and Loukoianova, “Democracy.”

franchise did lead to increased spending on public goods, but they find no increase in redistribution. This result is consistent with the predictions of the model in Alessandro Lizzeri and Nicola Persico, where elites are forced to focus on providing public goods through electoral competition after a franchise expansion.⁹ Aidt and Bianaca Dallal use the same data as Aidt, et al. to focus on the expansion of voting rights to women.¹⁰ Here they do find an increase in social spending when women are enfranchised, consistent with the Meltzer-Richard prediction.

Other Theories of Government Growth

In addition to the Meltzer-Richard and related models discussed above, several models of government growth do not require a change in the electorate for growth to occur. Several important theories with possible implications for the nineteenth century U.S. are outlined here as well.

A classic theory in public finance on the growth of government is found in “Wagner’s Law of Expanding State Activity.” Attributed to nineteenth century German political economist Adolph Wagner, it is the widely observed phenomenon that government tends to grow over time and does so at a rate greater than personal income. The recent empirical literature on Wagner’s Law is reviewed and criticized by Alan Peacock and Alex Scott, and I make no attempt at a similar exercise here.¹¹ As Peacock and Scott note, Wagner’s Law was originally more of an observation than a theory of why we observe this regularity. And furthermore, as Richard Wagner and Warren Weber have pointed out, it is actually a tendency rather than a Law, since it

⁹ Lizzeri and Persico, “Why Did the Elites?”

¹⁰ Aidt and Dallal, “Female Voting Power.”

¹¹ Peacock and Scott, “Curious Attraction.”

does not hold for all countries at all times.¹² Nevertheless, taking Wagner’s observation as a baseline, the interesting question is why it does not hold for certain cases.

Robert Higgs identifies a mechanism by which government growth can occur: wars and other social crises.¹³ Government certainly grows temporarily during wars and crises, but Higgs’ insight is that following the crisis government will not shrink back to its previous size. While government will shrink from its crisis peak, it does not fully return to pre-crisis levels. Instead, it will ratchet up to a permanently higher spending plateau. Higgs applies this theory to the growth of the federal government in the U.S., primarily for the twentieth century. The theory does fit well with the history for the period Higgs analyzed, but we also need an explanation of why big government did not emerge in earlier eras. Crises were certainly not new to the twentieth century; it is the political reaction that took a new form, as Higgs documents.

Randall Holcombe casts some doubt on Higgs’ ratchet hypothesis and presents a broader theory of his own, specifically that the movement from liberty to democracy has produced bigger government. By movements from liberty to democracy, Holcombe means any change in ideology about democracy or the expansion of democratic institutions to more areas. This view is not mutually exclusive from Higgs’ crisis-and-ratchet hypothesis, since as Higgs himself notes, the ratchet phenomenon only occurs when there is also a change in ideology. Holcombe traces the various changes from liberty to democracy throughout U.S. history, but only mentions the

¹² Wagner and Weber, “Wagner’s Law.” Adolph Wagner himself was much more careful in this regard, as Peacock and Scott (“Curious Attraction,” pp. 2-3) point out. The use of econometric tests for the Law also seems to lead to confusion about the interpretation of the results. For instance, Yousefi and Abizadeh (“Wagner’s Law”) look at the growth of government in U.S. states from 1950-85, showing that income elasticity of demand for public expenditures is greater than one (a formulation of the Law) for twenty-one of thirty randomly selected states. While an interesting observation, they then conclude that “Wagner’s law is confirmed.” It seems odd to claim that something is a law which does not hold for one-third of the cases observed.

¹³ Higgs, “Crisis, Bigger Government” and *Crisis and Leviathan*. This displacement or ratchet effect was earlier mentioned by Peacock and Jack Wiseman (*Growth*, pp. 24-34) in the context of twentieth century government growth in the United Kingdom, but Higgs further developed the hypothesis in detail.

extension of the voting franchise briefly. He does so a few times in broad terms and once in the context of the 1965 Voting Rights Act.¹⁴

GOVERNMENT GROWTH IN U.S. STATES IN THE EARLY NINETEENTH CENTURY

Measuring the growth of government is an inherently difficult task. Robert Higgs has not only studied the growth of government in the U.S. extensively, he has also detailed the many problems involved in trying to accurately measure the size of government. The main error Higgs identifies is that scholars tend to focus on one measure of government instead of a variety of measures. Furthermore, Higgs claims that “one can describe a large part of the recent research on the growth of government as attempts by researchers who neither know nor care much about history to discover laws of history.”¹⁵

The primary problem involves the choice of data or other evidence to demonstrate government growth. The dollar amount of government spending and taxation are a common metric, and they are the main type used in my analysis. However it is important to recognize that these measures is not perfect, even when put on a per capita, inflation-adjusted basis. Other measures are possible, such as the number of government employees, either in absolute terms or relative to private employment. Some important forms of government growth are even difficult to quantify, such as regulations, although we can count the number of regulations or estimate the dollar value of the regulatory burden.

The focus in my analysis is on the growth in government expenditures, though I also make some remarks about the changing nature of taxation. Unless otherwise noted, all dollar figures

¹⁴ Holcombe, “Are There Ratchets?” and *From Liberty*, p. 8, 240, and 246.

¹⁵ Higgs, “Eighteen Problematic Propositions,” p.33.

are put on a per capita basis and adjusted for inflation.¹⁶ Ideally the size of government should be compared to some measure of income, since as explained below we expect some government growth along with growing wealth. Unfortunately the only income statistics available for this era are for the nation as a whole, and even these are rough estimates reconstructed using various historical data sources.

Overview of Government Growth Before the Civil War

To properly assess the growth in state government spending, some baseline must be established for comparison. While comparing the states to each other is a useful method which will be employed below, it is helpful to have other methods. Two such comparisons are the growth in federal spending and the growth in national income. Starting from the assumption that government is a normal good, we would expect it to grow along with the growth in income. This growth should show up in both federal and state spending alike. Figure 1 shows the growth of federal spending, state spending, and per capita income from 1792 to 1860. All dollar figures are per capita, in real 1860 dollars, normalized to equal 1 in 1792.¹⁷ One important observation to be taken from Figure 1 is that these three measures all roughly doubled from 1792 to 1860: federal spending per capita from \$1.05 to \$2.00; state spending per capita \$0.86 to \$1.70; and GDP per capita¹⁸ from \$78 to \$142.

Several points about this data should be emphasized. First, the state-level figures are combined for all states and then placed on a per capita basis (for states where data was

¹⁶ Inflation adjustments are in 1860 dollars using the David-Solar index from Carter, et al., *Historical Statistics*, Table Cc1-2, unless otherwise noted.

¹⁷ The year 1792 is chosen as the starting point because this is the first full year in which federal spending is available. State expenditures from Sylla, Legler, and Wallis, *Sources and Uses*; federal expenditures from Carter, et al., *Historical Statistics*, Table Ea636-643; annual national population estimates from *ibid.*, Table Aa6-8; state population from *ibid.*, Tables Aa2244-2340 through Aa6500-6550 (intercensal years are interpolated); GDP per capita from *ibid.*, Series Ca11; inflation adjustment from *ibid.*, Table Cc1-2 (David-Solar-based series).

¹⁸ There are a variety of GDP estimates for this era, but the doubling of GDP per capita holds regardless of which series is used from Carter, et al., *Historical Statistics*, Table Ca9-19.

available). There is considerable variation in growth rates across states, a fact which will be examined in detail below. Also, both federal and state expenditures include interest and debt repayment, which comprised the major proportion (around 60%) of spending in the first decade of the new republic, due primarily to the Revolutionary War debts. If interest, debt repayment, and related categories are excluded (to focus on current period expenditures), the increase in spending is much more pronounced: close to five-fold for federal and over three-fold for the states. Figure 2 shows the spending trends removing the interest-type categories (note that the y-axis must be drastically revised to capture this growth).

Finally, it should be noted that local government spending is not included in my analysis due to lack of data coverage across both geography and time. This is unfortunate since local spending emerged as an important level of government towards the end of this period and was the dominant form (in dollar terms) from the end of the Civil War through World War I.¹⁹

The data presented in Figures 1 and 2 lends partial support to several of the theories discussed above. As discussed further below, this period was one of a general broadening of the voting franchise, and the growth of the government observed may be due to this factor. It is important to recognize that these changes in the electorate came about at the state-level, thus we must delve further into the history of how and when the changes came about. The composition of the spending, whether it is for core public goods or more redistributive activities, is also an important concern for the theories regarding franchise expansions.

With regards to Wagner’s Law, the evidence is mixed in this era. Recall that the modern interpretation of Wagner’s Law is that government spending will increase faster than income. Compared with national income, total government spending essentially increased proportionally as shown in Figure 1. However, if the narrower definition of spending from Figure 2 (which

¹⁹ Wallis, “American Government Finance”; Holcombe and Lacombe, “Growth.”

removes repayment of past debts and similar categories) is used, government spending increases at a much faster rate than national income. Thus, depending on how one interprets the Law and the data, there is evidence both for and against modern formulations of Wagner’s Law.

The crisis hypothesis of government growth states that governments not only expand during a crisis, but following the crisis government will not shrink back to its previous size. Again the results are somewhat mixed. Major crises during this era are the War of 1812, the Mexican American War (1846-1848), and the financial Panics of 1819, 1837, and 1857. Other localized crises also took place, such as the Dorr Rebellion (1841/42) in Rhode Island, but the two wars and three Panics can be viewed as the main national crises. While more sophisticated techniques could be used, a cursory look at Figures 1 and 2 reveals an increase in the growth rate of the federal and state governments shortly after the War of 1812. No other breaks in trend stand out, though as with franchise changes, a more detailed look at state-level spending patterns is more appropriate for this era.

Core and Total Spending Categories

Before proceeding, some remarks on the Sylla, Legler, and Wallis dataset are in order. The spending data contains several categorical breakdowns, and I will focus on six of those in my analysis. These six broad categories of government spending are: government administration; public safety; education; transportation; environmental and housing; and social services and welfare. In the following discussion I refer to this group of six categories as “total spending,” though it is important to note that this excludes several categories of spending such as those related to repayment of debts.²⁰

²⁰ The group of six spending categories excludes several areas of government spending: public service enterprises, insurance trust, interest, sinking funds and debt repayment, and spending not elsewhere classified in the dataset. These categories are excluded because either they were used by a small group of states (first two) or their

The order in which I have listed the six categories in the previous paragraph is on a continuum from public goods to private goods, or approximately from the least to most redistributive.²¹ Of course, no goods fit either end of the continuum exactly, and perhaps this is not even the ideal ordering of these categories. Nonetheless, the vast majority of economic work on government spending uses this public-private distinction, and it is a useful heuristic.

A subset of the total spending category is also used below. This subset consists of just two categories: government administration and public safety. I refer to these two categories as “core spending,” and they are singled out because they are the closest to meeting the theoretical category of a public good. Public safety spending includes police and militia, while government administration spending includes courts and the legislature. The other four categories have some identifiable redistributive aspect due to being relatively closer to the private end of the public-private continuum.²² The core spending category roughly corresponds to the mythical “night watchman state,” although this was not entirely a myth in the very early nineteenth century.

Figure 3 shows the changes over time in these six spending categories. Essentially, Figure 3 takes the State Spending line from Figure 2 and give details on the composition of the expenditures. The categories are arranged along the public-private continuum described above, with the public goods (the “core spending” subset) starting at the bottom. The data is once again an aggregation of all the states, and as we move through time more states are included due to

redistributive character is not clear (last three). Ideally we would want to allocate interest and debt payments to the categories for which the debt was accrued, but a lack of data going back in time prevents such an exercise.

²¹ The ordering I present is not to be taken as definitive. For instance, the order of transportation and environmental/housing could be reversed, especially for certain subcategories of the latter group such as sewerage and sanitation.

²² North and Wallis, “American Government Expenditure,” use a similar two-part division of government activity, between transfer and nontransfer activities. Of course, all government spending has some redistributive character, in the sense that money is transferred from taxpayers to government employees and sometimes back to other taxpayers and non-taxpayers. I make the distinction because it is useful to also identify whether spending promotes the general welfare or specific groups. That said, even public safety spending can benefit specific groups if it is targeted geographically, but viewed on a continuum this category comes closer to public good than others.

states entering the union and increasing data availability. For example, in 1789 data is only available for one state, New York, with Virginia’s data being available the following year in 1790. I start with 1792 in Figure 3 for consistency with Figures 1 and 2.

While the general trend of increased spending (in real, per capita terms) is clearly evident in Figure 3, most of the increase is due to expansion of government spending to new areas. Core spending increased over the period, ignoring the first five years or so when we have data for just a few states. But the big change is in the scope of government activity, especially expanding primarily into the areas of education and transportation. The change was not as dramatic for all states, a fact which is discussed in greater detail in the following subsection.

Figure 4 displays the same data as Figure 3, but shows the proportions of total spending instead of the dollar amounts.

The spikes in state government spending, particularly in transportation spending, are quite evident in both of these Figures. As mentioned above, spending on transportation occupies a middle position between the idealized public and private goods. Thus while transportation has some redistributive aspect, in that it exists in a particular geographic location, there are spillover benefits as well. These benefits are often reflected in the increased property values near the construction of the road or canal (or later railroads).

Many state governments came up with an innovative approach for financing these projects: benefit taxes or Lindahl taxes. This method of taxation attempts to finance a project by taxing those that are expected to benefit from it, such as nearby land owners. By using these taxes, the efficient market outcome is more closely approximated than with general taxation. In the case of public transportation and infrastructure, the beneficiaries would usually be those with adjacent property. Benefit taxes should not be seen as perfectly analogous to voluntary financing of

investments, but they are certainly closer than general taxation. Not all states used this method though, as many also used taxless finance methods such as deficit financing.²³

Comparison of Spending in U.S. States

Table 1 displays state expenditures per capita for nine states beginning in 1805, using five-year averages, in comparison with 1860.²⁴ This means that the time periods being compared are 1805-1809 and 1856-1860, although for some years the data is missing in particular states. In cases of missing data, more years are used in order to obtain a five-year average.

The first three columns in Table 1 display spending for six broad categories which comprise “total spending.” The last three columns display government spending for the “core spending” subset.

In the initial five-year period, most states were spending an average of 17 cents per person in total expenditures, and no state spent more than 25 cents. By the final five-year period, no state was spending less than 25 cents, and most were spending substantially more. All states saw spending at least double over the period, while on average per capita total spending quadrupled (or tripled if we throw out the outlier, Rhode Island).

While both total and core spending increased over the period, they did not do so in the same manner across states. Nearly all states witnessed a larger increase in total spending than core spending (Connecticut and South Carolina were the exceptions). In the first five-year period,

²³ Wallis and Weingast, “Equilibrium Impotence,” list New York, Ohio, Indiana, and Illinois as examples of states that used benefit taxation, and Pennsylvania, Maryland, and New York (again, later in the era) as states that used deficit finance. It should also be noted that deficit financing can turn into general taxation if the investments do not return dividends. This is not merely a theoretical possibility, as many states experienced this problem in the 1840s, leading them to modify their constitutions and substitute hard budget constraints for the previous taxless finance (Wallis, “Constitutions”).

²⁴ There is nothing particularly special about the year 1805, other than that this is the first year in which data is available for nine states. And there is nothing particularly special about nine states, but data for ten states is not available until 1811. In any event, changing the starting year does not alter the results significantly.

core spending composed the vast majority of spending in all states. By the final five-year period, this was no longer true in all states. Table 2 shows this fact more clearly.

The main fact to be taken away from Table 2 is that core spending as a percent of total spending decreased in nearly all states, again with Virginia and South Carolina the exceptions. The implication of this change is that a larger proportion of the state budgets are being spent on non-core categories, that is, those that have some redistributive character. Taken together, Tables 1 and 2 tell a general story about real per capita expenditures in the states prior to the Civil War: spending is increasing overall, and more of this spending is redistributive in nature.

Having established that there are clear differences in spending across states, especially in later time periods, the natural question is: Why? To begin answering this question, I now expand beyond the group of nine states to look at all states. The focus is on the years just prior to the Civil War, which allows us to bring more states into the analysis. Table 3 displays per capita expenditures for all states, once again using five-year averages for 1856-1860 when available²⁵ and breaking down spending into total and core categories.

We can define a constrained state in one of two ways using this basic data: relatively or absolutely. A relatively constrained state has low per capita spending when compared with other states. The ordering of states in Table 3 can be used for making this relative comparison (the original 13 states are noted with boldface). An absolutely constrained state is one that spends a large proportion of its budget on core state services. Since there is no hard rule for how much of the budget must be spent on core services, it is useful to also make a relative comparison for this approach. Finally, a third category may be identified, the temporally constrained state, which

²⁵ As in the previous tables, there were states with missing years of data, thus necessitating an expansion outside of the 1856-1860 timeframe. However, all states had at least five years of data between 1850 and 1860, with the exception of Alabama, Georgia, Maine, and Wisconsin. Two other states, Minnesota and Oregon, were not granted statehood until 1858 and 1859, thus they could not have 5 years of data in this period (their data is not available until after the Civil War anyway).

looks at growth over time (Table 1 is useful for evaluating this criterion). The definition of a “constrained state” that I use is somewhat unusual, in that it is typical to speak of the institutions that constrain a state. Instead, I am referring to the outcomes of those constraints, as they are manifested in the available data.

A cursory glance at Table 3 does not reveal any obvious patterns of state spending and its constrained or unconstrained nature. Typical ways of breaking the states into groups are by size (either area or population), geography (north, south, or frontier), and age of the state (either in years or original vs. new). None of these grouping appears to be related to the nature of state spending in this era, whether looking at the relatively or absolutely constrained classifications. The only pattern that jumps out is that the five states with the largest per capita expenditures were all new states, but also note that the next four biggest spenders are original states.

Furthermore, there is no obvious connection between a state being relatively and absolutely constrained. Table 4 illustrates this point, by listing the 13 most constrained states (out of 26 for which data is available), using both of these categories. Once again the original states are indicated with boldface, and those states showing up in both columns of this table are shown in italics.

Each column in Table 4 contains seven original and six new states, and while seven states appear in both of the lists, there are some interesting differences between the two lists. For instance, the state with the lowest expenditures per capita, New Jersey, does not appear on the list of absolutely constrained states, only spending 47% on core state functions. Also, the state with the highest expenditures, California, spent 79% on core functions, thus making the list of absolutely constrained states.

Of those states appearing in both columns in Table 4, five of these are part of the original thirteen states: Connecticut, Maryland, New Hampshire, New York, and Virginia. To reiterate what this means, these states managed to keep per capita expenditures low (compared with other states) and spent a large proportion (over 50%) on core state functions (public safety and government administration).²⁶ This group of five constrained states is thus of great interest when trying to explain the growth of government. Also of interest is the group of unconstrained states, those with either high per capita spending or a large proportion of spending on non-core functions. Once again it is useful to focus on the original thirteen states, of which the unconstrained states were: Delaware, Massachusetts, New Jersey, North Carolina, Pennsylvania, Rhode Island, and South Carolina.²⁷

As was evident in the discussion of theoretical frameworks above, the growth of the electoral franchise is a potential source of government growth. A broader suffrage may induce changes in both the size and scope of government. Antebellum America presents a unique period for analyzing the impact of changing suffrage institutions, since states controlled their own policies with little intervention from the federal government. The primary change in suffrage law during this era was the move from property-based qualifications to universal suffrage for adult white males.²⁸

When the constrained and unconstrained states are viewed through the electoral suffrage framework, a distinct pattern emerges. Five states did not achieve universal suffrage for white males by 1860, still retaining some form of tax-paying requirement for voting, and all of these

²⁶ Displaying the temporally constrained states, those that control growth over time, is problematic since new states are added every few years. Even for the original states this is difficult, since as seen in Table 1, data is not always available. Though it is notable that when comparing Table 1 with Table 4, the temporally constrained states do line up with the relatively and absolutely constrained ones.

²⁷ Georgia is not included on either list, as data is unavailable until the late nineteenth century.

²⁸ Porter, *History*; Williamson, *American Suffrage*; Keyssar, *Right*, pp. 3-76; Engerman and Sokoloff, “Evolution.”

are in the unconstrained group.²⁹ Of the five constrained states, what is notable is that these states were mostly early reformers of their suffrage laws. New Hampshire and Maryland were two of the first states to achieve universal manhood suffrage. New York, Connecticut, and Virginia partially reformed their suffrage laws in the years following the War of 1812 (often due to agitation by militiamen), although full repeal of restrictions for white males did not come until later decades.³⁰

Thus we see that states which moved to universal suffrage for adult white males earliest were the states with the most constrained governments, while the reverse is true for those that did not completely reform suffrage prior to the Civil War.³¹ This pattern is of great interest in light of the theoretical models of government growth surveyed above, for it is precisely the opposite of what the Meltzer-Richard and similar models predict. The general prediction from theoretical models of franchise is that a broader electorate should expand the size of government, especially the redistributive functions. Why the relationship runs in the other direction during this period requires much deeper historical investigation.

Taxation

The other half of the budget, taxation, can also serve as an indication of policy change following institutional changes. The Sylla, Legler, and Wallis dataset also contains taxation figures, once again broken down into a variety of subcategories. While redistribution is often

²⁹ The states are Delaware, Massachusetts, North Carolina, Pennsylvania, and Rhode Island. See the sources in the previous footnote, especially Keyssar, *Right*, Appendix Tables A-1 and A-2, and Engerman and Sokoloff, “Evolution,” Table 1.

³⁰ For a discussion of Maryland, see Williamson, *American Suffrage*, pp. 108-09 and 138-51, Kruman, *Between Authority*, pp. 91 and 99-100, Pole “Suffrage,” and Keyssar, *Right*, pp. 16-17. For Connecticut, see Kruman, *Between Authority*, p. 16, Williamson, *American Suffrage*, pp. 113 and 182-90, and Wilentz, *Rise*, pp. 183-85. For New York, see Carter and Stone, *Reports*, pp. 181 and 235, Porter, *History*, pp. 54-62, and Williamson, *American Suffrage*, pp. 195-207. For Virginia, see Pole, *Political Representation*, pp. 305-12 and 314-38, Peterson, *Democracy*, pp. 279-81, Williamson, *American Suffrage*, pp. 226-27 and 231-34, Shade, *Democratizing*, pp. 62-70, and Keyssar, *Right*, pp. 35-37.

³¹ Two states, South Carolina and New Jersey, do not fit this general pattern. They both achieved universal suffrage in the Antebellum era, but had either high per capita spending (SC) or high non-core spending (NJ).

discussed on the expenditure side of the budget, taxation may also serve as a means of altering the burden of government, having similar effects to outright redistribution. However, since the incidence of a tax is often difficult to ascertain without knowing the relevant elasticities, the precise redistributive consequences of a particular change in tax policy may be difficult to assess. Nonetheless, a similar examination to the expenditure subsection may prove useful.

On the other hand, the redistributive nature of taxation is even more difficult to identify than of expenditures. All taxes must take from some people and give to others, but economists have not developed a neat continuum for taxes as they have done with public and private goods. Perhaps the best criterion we have for determining whether a tax is redistributive is how the proceeds are spent. This difficulty is why I have chosen to focus on government expenditures rather than taxation in this article.

However, some insight may be gained by looking at the changing composition of taxation. Figure 5 shows one way to represent the changing nature of taxation in U.S. states. I have grouped tax revenues into two categories. The first is business, property, and inheritance taxes, while the second category includes all other taxes not in the first group.³² As with the state expenditure totals, the data is a summation across all states, and for the early years data does not exist for a number of states.

The choice to contrast business, property, and inheritance taxes with all other categories is, of course, somewhat arbitrary. Many other groupings and comparisons are possible and could shed some light on the actual historical changes. This particular comparison was chosen for two main reasons. First, as is clearly visible Figure 5, these categories composed a steadily increasing share of state tax revenues throughout the antebellum era. Second, the pattern is basically what

³² The “all other taxes” category includes taxes marked as general tax revenue, as well as categories such as income taxes (both personal and business), sales taxes, poll taxes, licenses and permits, and miscellaneous other taxes.

we would predict with the removal of property and wealth constraints on the franchise. As more of the electorate is composed of non-land owners, taxing property will become more popular.

The aggregation of states and types of taxes shown in Figure 5 does obscure many details. For instance property taxes for the original states were generally decreasing in importance over this period, while the opposite was true in new, frontier states.³³ Thus, the general uptrend we see is partially due to the addition of new states, which overwhelmingly favored property taxes.

I have only offered a very brief discussion of taxation in this era, as my primary concern has been with the changing nature and growth of government expenditures. The changing nature of taxation is an area which needs to be investigated further, and the data used here will prove extremely useful in such investigations.

CONCLUSION

State governments grew quite substantially in size and scope prior to the Civil War, though some states more so than others. The present article has merely documented this fact without explaining why, but the explanation must account for the variation across the states.

The variation in the growth of state governments presents an interesting challenge to Wagner’s Law as well as models of franchise expansion and government growth. The size and scope of government was constrained in many states, primarily the states which first moved to a broader franchise, contrary to prevailing theories. A better understanding of this divergence between the states is of tremendous importance for the various theories of government growth. This is especially true of the Antebellum U.S. because, unlike cross-country studies, many of the unobservable qualities that we worry about (such as political institutions and culture) are controlled for when we confine our analysis to states within a single country.

³³ Sylla and Wallis, “Anatomy”; Wallis, “History.”

REFERENCES

- Abrams, Burton A. and Russell F. Settle. “Women’s Suffrage and the Growth of the Welfare State.” *Public Choice* 100, no. 3-4 (1999): 289-300.
- Aidt, Toke S. and Bianca Dallal. “Female Voting Power: The Contribution of Women’s Suffrage to the Growth of Social Spending in Western Europe (1869-1960).” *Public Choice* 134, no. 3-4 (2008): 391-417.
- Aidt, T.S., Jayasri Dutta, and Elena Loukoianova. “Democracy comes to Europe: Franchise extension and fiscal outcomes 1830–1938.” *European Economic Review* 50, no. 2 (2006): 249-83.
- Bailyn, Bernard. *The Origins of American Politics*. New York: Knopf, 1969.
- Carter, Nathaniel Hazeltine and William Lee Stone. *Reports of the Proceedings and Debates of the Convention of 1821 Assembled for the Purpose of Amending the Constitution of the State of New York*. Albany, NY: E. and E. Hosford, 1821.
- Carter, Susan, et al., eds. *Historical Statistics of the United States, Millennial Edition*. New York: Cambridge University Press, 2006.
- Engerman, Stanley L. and Kenneth L. Sokoloff. “The Evolution of Suffrage Institutions in the New World.” *Journal of Economic History* 65, no. 4 (2005): 891-921.
- Higgs, Robert. “Crisis, Bigger Government, and Ideological Change: Two Hypotheses on the Ratchet Phenomenon.” *Explorations in Economic History* 22, no. 1 (1985): 1-28.
- _____. *Crisis and Leviathan: Critical Episodes in the Growth of American Government*. New York: Oxford University Press, 1987.
- _____. “Eighteen Problematic Propositions in the Analysis of the Growth of Government.” *Review of Austrian Economics* 5, no. 1 (1991): 3-40.

Holcombe, Randall G. “Are There Ratchets in the Growth of Federal Government Spending?”

Public Finance Review 21, no. 1 (1993): 33-47.

_____. *From Liberty to Democracy: The Transformation of American Government*. Ann Arbor: University of Michigan Press, 2002.

Holcombe, Randall G. and Donald J. Lacombe. “The Growth of Local Government in the United States from 1820 to 1870.” *Journal of Economic History* 61, no. 1 (2001): 184-89.

Husted, Thomas A. and Lawrence W. Kenny. “The Effect of Franchise Expansion of the Voting Franchise on the Size of Government.” *Journal of Political Economy* 105, no. 1 (1997): 54-82.

Justman, Moshe and Mark Gradstein. “The Industrial Revolution, Political Transition, and the Subsequent Decline in Inequality in 19th-Century Britain.” *Explorations in Economic History* 36, no. 2 (1999): 109-27.

Keyssar, Alexander. *The Right to Vote: The Contested History of Democracy in the United States*. New York: Basic Books, 2000.

Kruman, Marc W. *Between Authority and Liberty: State Constitution Making in Revolutionary America*. Chapel Hill, NC: University of North Carolina Press, 1997.

Lizzeri, Alessandro and Nicola Persico. “Why Did the Elites Extend the Suffrage? Democracy and the Scope of Government, with an Application to Britain’s ‘Age of Reform.’” *Quarterly Journal of Economics* 119, no. 2 (2004): 705-63.

Lott, John R., Jr. and Lawrence W. Kenny. “Did Women’s Suffrage Change the Size and Scope of Government?” *Journal of Political Economy* 107, no. 6 (1999): 1163-98.

Lutz, Donald S. “Political Participation in Eighteenth-Century America.” In (eds.) *Toward a Usable Past: Liberty Under State Constitutions*, edited by Paul Finkleman and Stephen E. Gottlieb. Athens, GA: University of Georgia Press, 1991.

- Main, Jackson Turner. *The Social Structure of Revolutionary America*. Princeton: Princeton University Press, 1965.
- Meltzer, Allan H. and Scott F. Richard. “A Rational Theory of the Size of Government.” *Journal of Political Economy* 89, no. 5 (1981): 914-27.
- _____. “Tests of a Rational Theory of the Size of Government.” *Public Choice* 41, no. 3 (1983): 403-18.
- North, Douglass and John Joseph Wallis. “American Government Expenditure: A Historical Perspective.” *American Economic Review* 72, no. 2 (1982): 336-40.
- Peacock, Alan and Alex Scott. “The Curious Attraction of Wagner’s Law.” *Public Choice* 102, no. 1-2 (2000): 1-17.
- Peacock, Alan T. and Jack Wiseman. *The Growth of Public Expenditures in the United Kingdom*. Princeton: Princeton University Press, 1961.
- Peterson, Merrill D. *Democracy, Liberty, and Property: The State Constitutional Conventions of the 1820’s*. Indianapolis: Bobbs-Merrill Company, Inc., 1966.
- Pole, J.R. “Suffrage and Representation in Maryland from 1776 to 1810: A Statistical Note and Some Reflections.” *Journal of Southern History* 24, no. 2 (1958): 218-25.
- Pole, J.R. *Political Representation in England and the Origins of the American Republic*. London: Macmillan and Company, 1966.
- Porter, Kirk H. *A History of Suffrage in the United States*. Chicago: University of Chicago Press.
- Shade, William G. *Democratizing the Old Dominion: Virginia and the Second Party System, 1824-1861*. Charlottesville, VA: University of Virginia Press, 1996.
- Soltow, Lee. “Wealth Inequality in the United States in 1798 and 1860.” *Review of Economics and Statistics* 66, no. 3 (1984): 444-51.

- Sylla, Richard E., John B. Legler, and John Wallis. *Sources and Uses of Funds in State and Local Governments, 1790–1915*. Ann Arbor, MI: Inter-university Consortium for Political and Social Research, 1993.
- Sylla, Richard and John Joseph Wallis. “The anatomy of sovereign debt crises: Lessons from the American state defaults of the 1840s.” *Japan and the World Economy* 10, no. 3 (1998): 267-93.
- Wagner, Richard E. and Warren E. Weber. “Wagner’s Law, Fiscal Institutions, and the Growth of Government.” *National Tax Journal* 30, no. 1 (1977): 59-68.
- Wallis, John Joseph. “American Government Finance in the Long Run: 1790 to 1990.” *Journal of Economic Perspectives* 14, no. 1 (2000): 61-82.
- _____. “A History of the Property Tax in America.” In *Property Taxation and Local Government Finance*, edited by Wallace E. Oates. Cambridge, MA: Lincoln Institute of Land Policy, 2001.
- _____. “Constitutions, Corporations, and Corruption: American States and Constitutional Change, 1842 to 1852.” *Journal of Economic History* 65, no. 1 (2005): 211-56.
- Wallis, John Joseph and Barry R. Weingast. “Equilibrium Impotence: Why the States and Not the American National Government Financed Economic Development in the Antebellum Era.” NBER Working Paper No. 11397, Cambridge, MA, June 2005.
- Wilentz, Sean. *The Rise of American Democracy: Jefferson to Lincoln*. New York: W.W. Norton and Company, 2005.
- Williamson, Chilton. *American Suffrage: From Property to Democracy, 1760-1860*. Princeton: Princeton University Press, 1960.
- Yousefi, Mahmood and Sohrab Abizadeh. “Wagner’s Law: New Evidence.” *Atlantic Economic Journal* 20, no. 2 (1992): 100.

Table 1
 AVERAGE PER CAPITA STATE SPENDING, 1805-1860
 (1860 per capita dollars)

	Six Expenditure Categories ^a			Public Safety and Admin.		
	First 5 Years ^b	Final 5 Years	Ratio	First 5 Years	Final 5 Years	Ratio
Virginia	0.22	0.45	2.0	0.21	0.25	1.2
Connecticut	0.21	0.49	2.3	0.15	0.45	2.9
Delaware	0.14	0.33	2.4	0.11	0.17	1.5
New York	0.24	0.63	2.6	0.17	0.33	1.9
New Hampshire	0.10	0.29	2.9	0.10	0.24	2.5
South Carolina	0.22	0.98	4.5	0.16	0.77	4.7
Pennsylvania	0.16	0.74	4.6	0.14	0.17	1.2
Vermont	0.12	0.55	4.6	0.12	0.50	4.3
Rhode Island	0.11	1.15	10.5	0.11	0.73	6.7
Average	0.17	0.62	3.7	0.14	0.40	2.8

^aIn addition to public safety and government administration, includes education, transportation, environmental/housing, social services/welfare.

^bFirst 5 years is 1805-1809, unless years are missing for a given state, similarly for final 5 years.

Sources: Sylla, Legler, and Wallis, *Sources and Uses*; Carter, et al., *Historical Statistics*

Table 2
RATIO OF CORE TO TOTAL SPENDING, 1805-1860

	First 5 Years	Final 5 Years
Virginia	0.96	0.55
Connecticut	0.73	0.92
Delaware	0.83	0.50
New York	0.70	0.52
New Hampshire	1.00	0.85
South Carolina	0.74	0.79
Pennsylvania	0.85	0.22
Vermont	0.98	0.92
Rhode Island	1.00	0.63
Average	0.86	0.66

Sources: See Table 1.

Table 3
AVERAGE PER CAPITA EXPENDITURES, FIVE YEARS PRIOR TO CIVIL WAR

	Total	Core	Ratio
New Jersey	0.26	0.12	0.47
Illinois	0.27	0.17	0.61
New Hampshire	0.29	0.24	0.85
Delaware	0.33	0.16	0.50
Iowa	0.40	0.25	0.62
Virginia	0.45	0.25	0.55
Connecticut	0.49	0.45	0.92
Tennessee	0.50	0.20	0.41
Maryland	0.51	0.29	0.56
Vermont	0.55	0.50	0.92
Michigan	0.57	0.29	0.50
New York	0.63	0.33	0.52
Indiana	0.65	0.17	0.27
Kentucky	0.68	0.31	0.46
Mississippi	0.73	0.29	0.40
Pennsylvania	0.74	0.17	0.22
Florida	0.94	0.65	0.70
South Carolina	0.98	0.77	0.79
Rhode Island	1.15	0.73	0.63
North Carolina	1.20	0.08	0.07
Massachusetts	1.27	0.58	0.46
Texas	1.27	0.98	0.77
Missouri	1.37	0.54	0.40
Ohio	1.86	0.46	0.25
Louisiana	2.20	0.87	0.39
California	2.76	2.18	0.79
Average	0.89	0.46	0.52

Sources: See Table 1.

Table 4
MOST CONSTRAINED STATES, FIVE YEARS PRIOR TO THE CIVIL WAR

Relatively Constrained (per capita spending)	Absolutely Constrained (core spending percent)
Connecticut	California
Delaware	Connecticut
Illinois	Florida
Indiana	Illinois
Iowa	Iowa
Maryland	Maryland
Michigan	New Hampshire
New Hampshire	New York
New Jersey	Rhode Island
New York	South Carolina
Tennessee	Texas
Vermont	Vermont
Virginia	Virginia

Sources: See Table 1.

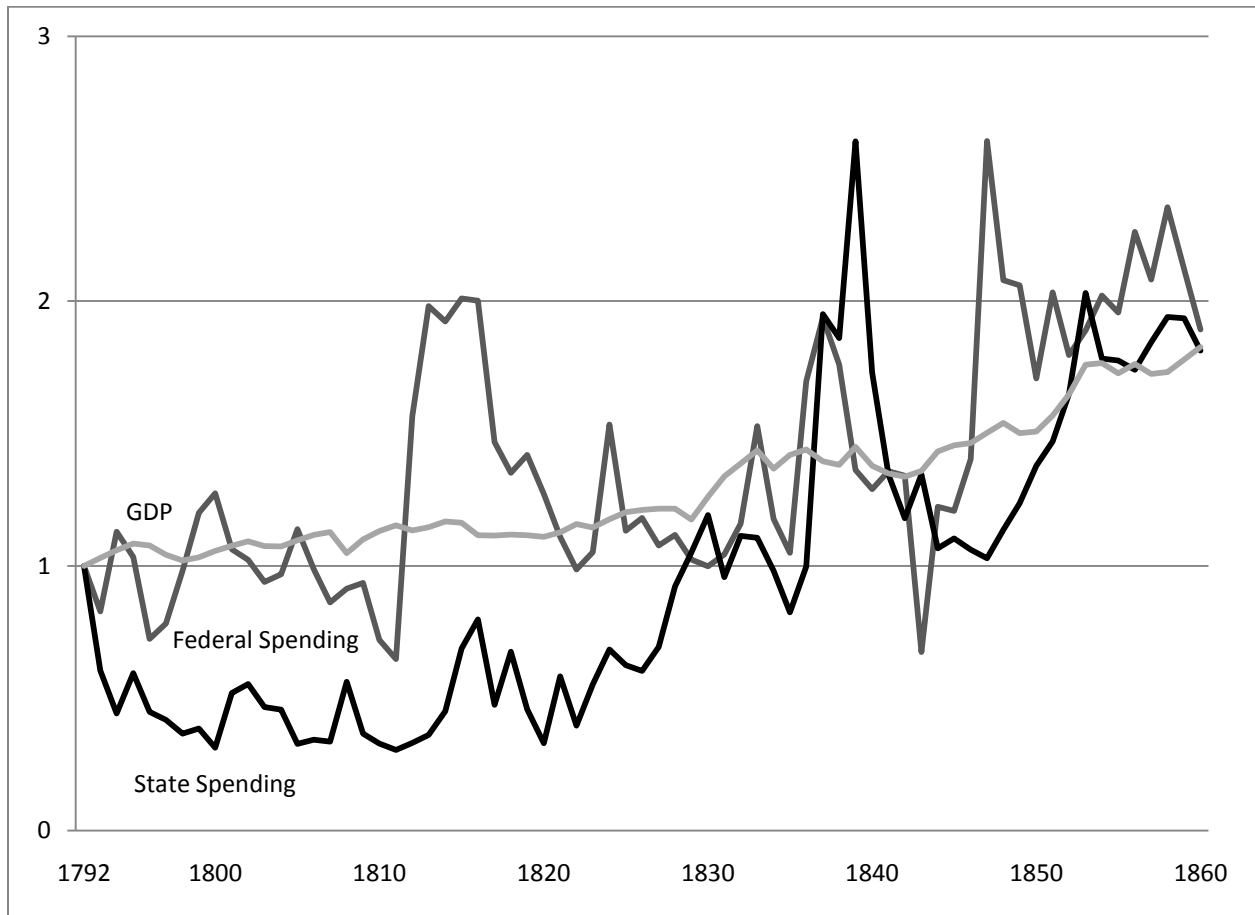


Figure 1
FEDERAL SPENDING, STATE SPENDING, AND GDP PER CAPITA, INCLUDING DEBT AND
INTEREST SPENDING, 1792-1860
(1792 =1, in 1860 per capita dollars)

Sources: Sylla, Legler, and Wallis, *Sources and Uses*; Carter, et al., *Historical Statistics*

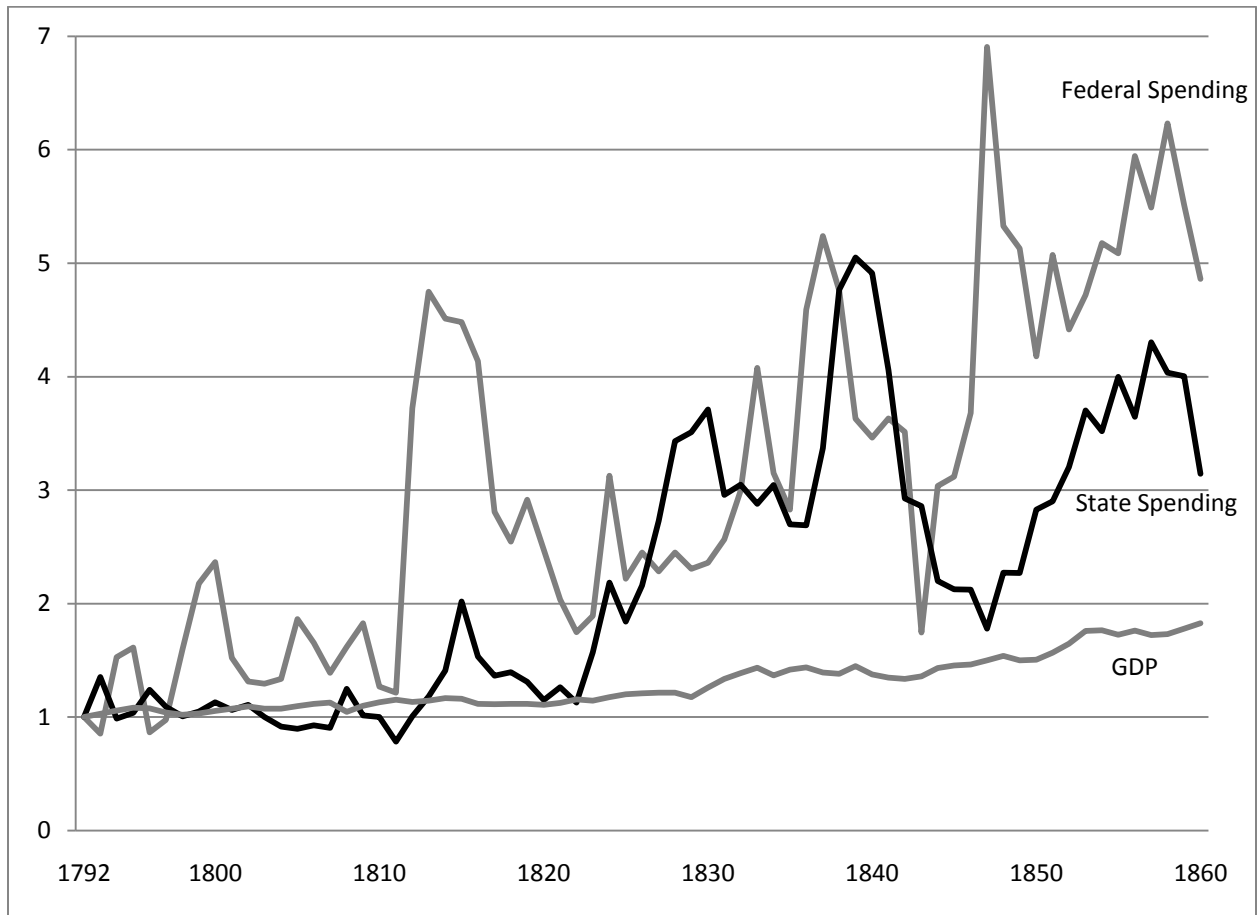


Figure 2
FEDERAL SPENDING, STATE SPENDING, AND GDP PER CAPITA, EXCLUDING DEBT AND
INTEREST CATEGORIES, 1792-1860
(1792 = 1, in 1860 per capita dollars)

Sources: See Figure 1.

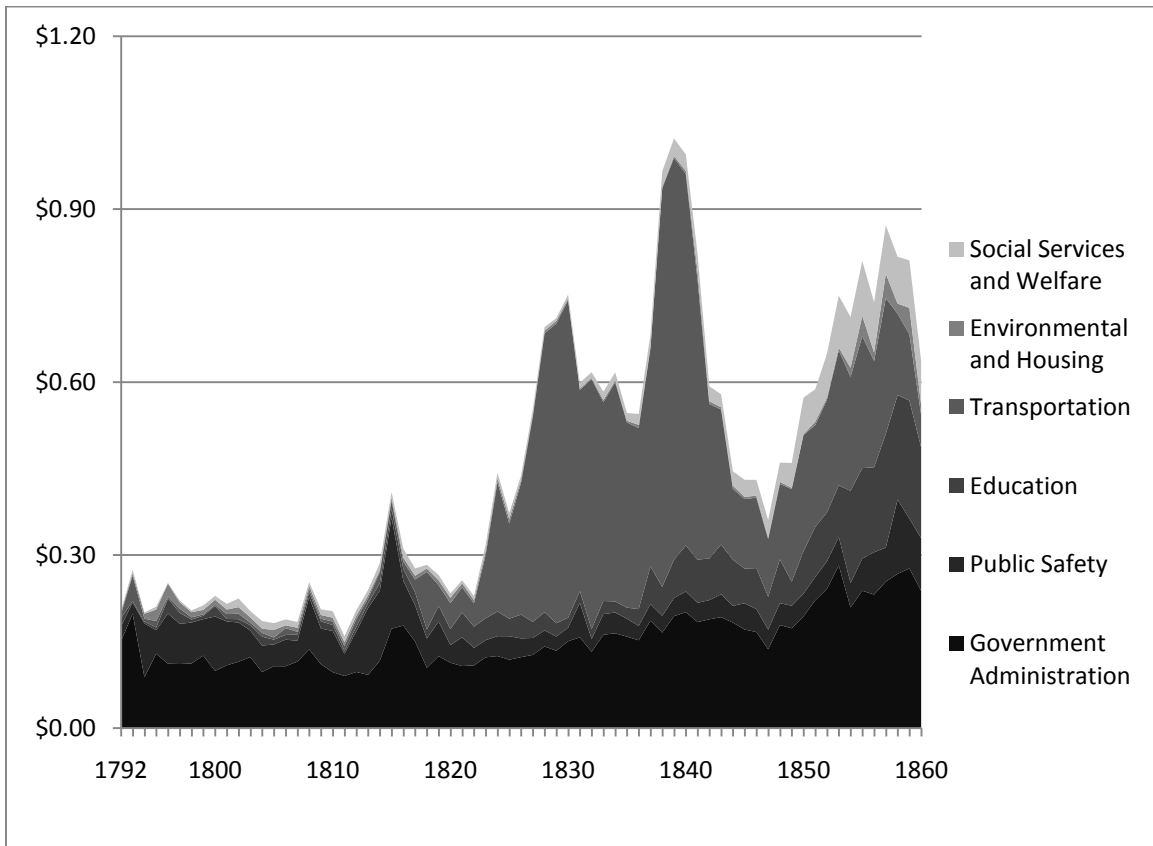


Figure 3
STATE GOVERNMENT EXPENDITURES FOR SIX CATEGORIES
(1860 per capita dollars)

Sources: See Figure 1.

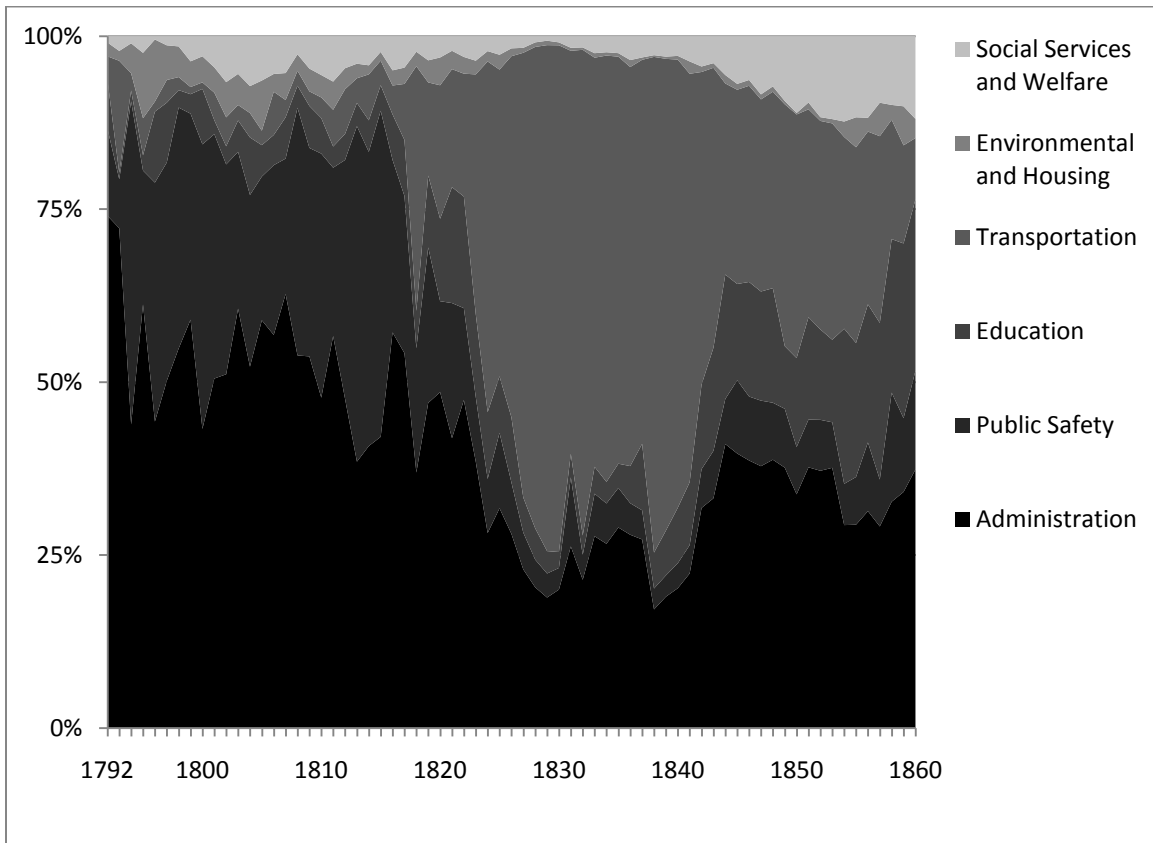


Figure 4
PROPORTION OF STATE GOVERNMENT EXPENDITURES FOR SIX CATEGORIES
(1860 per capita dollars)

Sources: See Figure 1.

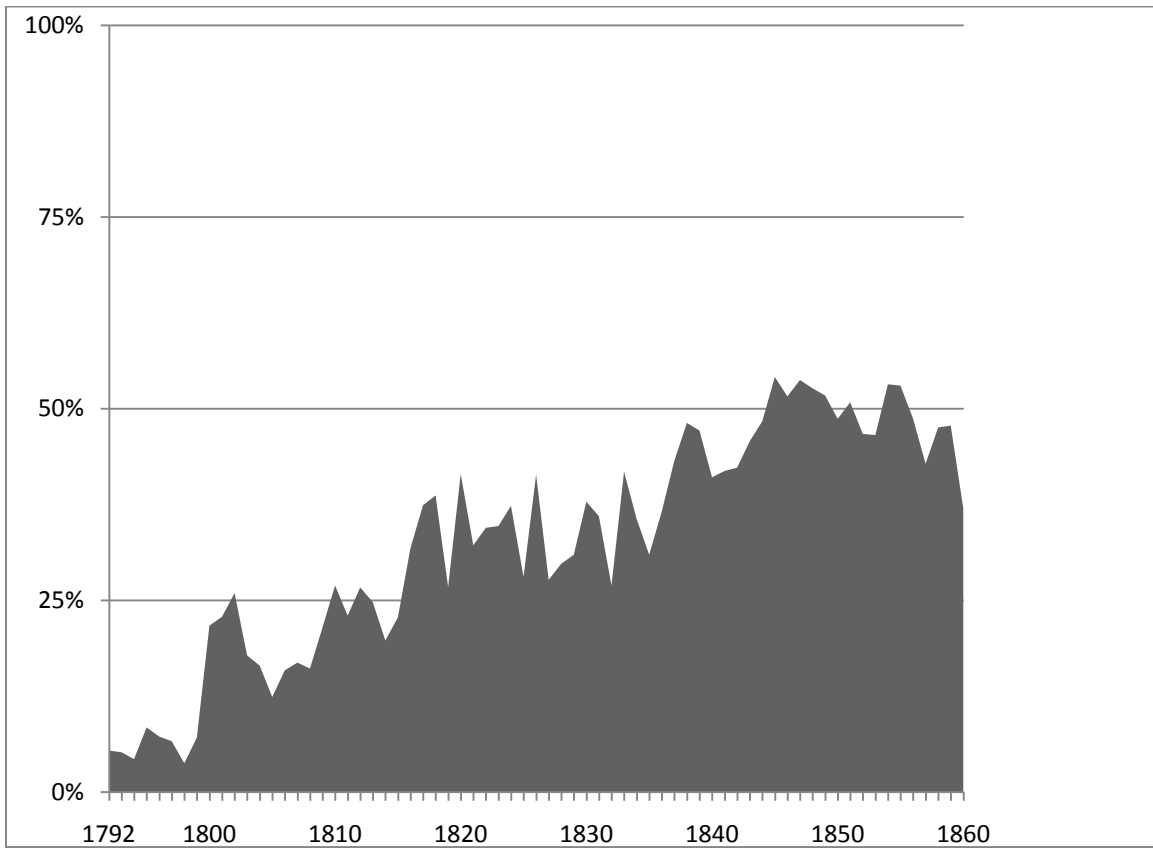


Figure 5
Business, Property, and Inheritance Taxes as a Proportion of Total Taxes

Sources: See Figure 1.