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America's new culture war: Free enterprise vs. government control

By Arthur C. Brooks
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America faces a new culture war. This is not the culture war of the 1990s. It is not a fight over guns, gays or abortion. Those old battles have been eclipsed by a new struggle between two competing visions of the country's future. In one, America will continue to be an exceptional nation organized around the principles of free enterprise -- limited government, a reliance on entrepreneurship and rewards determined by market forces. In the other, America will move toward European-style statism grounded in expanding bureaucracies, a managed economy and large-scale income redistribution. These visions are not reconcilable. We must choose.

It is not at all clear which side will prevail. The forces of big government are entrenched and enjoy the full arsenal of the administration's money and influence. Our leaders in Washington, aided by the unprecedented economic crisis of recent years and the panic it induced, have seized the moment to introduce breathtaking expansions of state power in huge swaths of the economy, from the health-care takeover to the financial regulatory bill that the Senate approved Thursday. If these forces continue to prevail, America will cease to be a free enterprise nation.

I call this a culture war because free enterprise has been integral to American culture from the beginning, and it still lies at the core of our history and character. "A wise and frugal government," Thomas Jefferson declared in his first inaugural address in 1801, "which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government." He later warned: "To take from one, because it is thought that his own industry and that of his fathers has acquired too much, in order to spare to others, who, or whose fathers, have not exercised equal industry and skill, is to violate arbitrarily the first principle of association, the guarantee to every one of a free exercise of his industry and the fruits acquired by it." In other words, beware government's economic control, and woe betide the redistributors.

Now, as then, entrepreneurship can flourish only in a culture where individuals are willing to innovate and exert leadership; where people enjoy the rewards and face the consequences of their decisions; and where we can gamble the security of the status quo for a chance of future success.

Yet, in his commencement address at Arizona State University on May 13, 2009, President Obama warned against precisely such impulses: "You're taught to chase after all the usual brass rings; you try to be on this "who's who" list or that Top 100 list; you chase after the big money and you figure out how big your corner office is; you worry about whether you have a fancy enough title or a fancy enough car. That's the message that's sent each and every day, or has been in our culture for far too long -- that through material possessions, through a ruthless competition pursued only on your own behalf -- that's how you will measure success." Such ambition, he cautioned, "may lead you to compromise your values and your principles."

I appreciate the sentiment that money does not buy happiness. But for the president of the United States to actively warn young adults away from economic ambition is remarkable. And he makes clear that he seeks to change our culture.

The irony is that, by wide margins, Americans support free enterprise. A [Gallup poll in January](#) found that 86 percent of Americans have a positive image of "free enterprise," with only 10 percent viewing it negatively. Similarly, in March 2009, the Pew Research Center asked individuals from a broad range of demographic groups: "Generally, do you think people are better off in a free-market economy, even though there may be severe ups and downs from time to time, or don't you think so?" [Almost 70 percent of respondents agreed](#) that they are better off in a free-market economy, while only 20 percent disagreed.

In fact, no matter how the issue is posed, not more than 30 percent of Americans say they believe we would fare better without free markets at the core of our system. When it comes to support for free enterprise, we are essentially a 70-30 nation.

So here's a puzzle: If we love free enterprise so much, why are the 30 percent who want to change that culture in charge?

It's not simply because of the election of Obama. As much as Republicans may dislike hearing it, statism had effectively taken hold in Washington long before that.

The George W. Bush administration began the huge Wall Street and Detroit bailouts, and for years before the economic crisis, the GOP talked about free enterprise while simultaneously expanding the government with borrowed money and increasing the percentage of citizens with no income tax liability. The 30 percent coalition did not start governing this country with the advent of Obama, Nancy Pelosi and Harry Reid. It has been in charge for years.

But the real tipping point was the financial crisis, which began in 2008. The meltdown presented a golden opportunity for the 30 percent coalition to attack free enterprise openly and remake America in its own image.

And it seized that opportunity. While Republicans had no convincing explanation for the crisis, seemed responsible for it and had no obvious plans to fix it, the statist offered a full and compelling narrative. Ordinary Americans were not to blame for the financial collapse, nor was government. The real culprits were Wall Street and the Bush administration, which had gutted the regulatory system that was supposed to keep banks in line.

The solution was obvious: Vote for a new order to expand the powers of government to rein in the dangerous excesses of capitalism.

It was a convincing story. For a lot of panicky Americans, the prospect of a paternalistic government rescuing the nation from crisis seemed appealing as stock markets and home prices spiraled downward. According to this narrative, government was at fault in just one way: It wasn't big enough. If only there had been more regulators watching the banks more closely, the case went, the economy wouldn't have collapsed.

Yet in truth, it was government housing policy that was at the root of the crisis. Moreover, the financial sector -- where the crisis began and where it has had the most serious impact -- is already one of the most regulated parts of our economy. The chaos happened despite an extensive, intrusive regulatory framework, not because such a framework didn't exist.

More government -- including a super-empowered Federal Reserve, a consumer protection watchdog and greater state powers to wind down financial firms and police market risks -- does not mean we will be safe. On the contrary, such changes would give us a false sense of security, especially when Washington, a primary culprit in the crisis, is creating and implementing the new rules.

The statist narrative also held that only massive deficit spending could restore economic growth. "If nothing is done, this recession could linger for years," Obama [warned a few days before taking office](#). "Only government can provide the short-term boost necessary to lift us from a recession this deep and severe. Only government can break the cycle that is crippling our economy."

This proposition is as expensive as it is false. Recessions can and do end without the kind of stimulus we experienced, and attempts to shore up the economy with huge public spending often do little to improve matters and instead chain future generations with debt. In fact, all the evidence so far tells us that the current \$787 billion stimulus package has overpromised and underdelivered, especially when it comes to [creating jobs](#).

If we reject the administration's narrative, the 70-30 nation will remain strong. If we accept it, and base our nation's policies on it, we will be well on our way to a European-style social democracy. Punitive taxes and regulations will make it harder to be an entrepreneur, and the rewards of success will be expropriated for the sake of greater income equality.

The new statism in America, made possible by years of drift and accelerated by the panic over the economic crisis, threatens to make us permanently poorer. But that is not the greatest danger. The real risk is that in the new culture war, we will forsake the third unalienable right set out in our Declaration of Independence: the pursuit of happiness.

Free enterprise brings happiness; redistribution does not. The reason is that only free enterprise brings earned success.

Earned success involves the ability to create value honestly -- not by inheriting a fortune, not by picking up a welfare check. It doesn't mean making money in and of itself. Earned success is the creation of value in our lives or in the lives of others. Earned success is the stuff of entrepreneurs who seek value through innovation, hard work and passion. Earned success is what parents feel when their children do wonderful things, what social innovators feel when they change lives, what artists feel when they create something of beauty.

Money is not the same as earned success but is rather a symbol, important not for what it can buy but for what it says about how people are contributing and what kind of difference they are making. Money corresponds to happiness only through earned success.

Not surprisingly, unearned money -- while it may help alleviate suffering -- carries with it no personal satisfaction. Studies of lottery winners, for instance, show that after a brief period of increased happiness, their moods darken as they no longer derive the same enjoyment from the simple pleasures in life, and as the glow of buying things wears off.

The same results emerge with other kinds of unearned income -- welfare payments, for example. According to the University of Michigan's 2001 Panel Study of Income Dynamics, going on the welfare rolls increases by 16 percent the likelihood of a person saying that she or he has felt inconsolably sad over the past month. Of course, the misery of welfare recipients probably goes well beyond the check itself. Nonetheless, studies

show that recipients are far unhappier than equally poor people who do not receive such government benefits.

Benjamin Franklin (a pretty rich man for his time) grasped the truth about money's inability by itself to deliver satisfaction. "Money never made a man happy yet, nor will it," he declared. "The more a man has, the more he wants. Instead of filling a vacuum, it makes one."

If unearned money does not bring happiness, redistributing money by force won't make for a happier America -- and the redistributionists' theory of a better society through income equality falls apart.

The goal of our system should be to give all Americans the greatest opportunities possible to succeed based on their work and merit. And that's exactly what the free enterprise system does: It makes earned success possible for the most people. This is the liberty that enables the true pursuit of happiness.

To win the culture war, those of us in the 70 percent majority must reclaim -- and proclaim -- the morality of our worldview.

Unfortunately, we often fail to do this. Instead, we sound unabashedly materialistic. We talk about growth rates, inflation and investment, while the 30 percent coalition walks off with the claims to happiness and fairness. (According to Obama, for example, we need to restore "fairness" to our tax code by increasing taxes on the wealthy and exempting more people at the bottom from paying anything.)

The irony is that it is the 30 percent coalition, not the 70 percent majority, that is fundamentally materialistic. What do they consider the greatest problem of poor people in America? Insufficient income. What would be evidence of a fairer society? Greater income equality. For the leaders of the 30 percent coalition, money does buy happiness -- as long as it is spread evenly. That is why redistribution of income is a fundamental goal and why free enterprise, which rewards some people and penalizes others, cannot be trusted.

The 70 percent majority, meanwhile, believes that ingenuity and hard work should be rewarded. We admire creative entrepreneurs and disdain rule-making bureaucrats. We know that income inequality by itself is not what makes people unhappy, and that only earned success can make them happy.

We must do more to show that while we use the language of commerce and business, we believe in human flourishing and contentment. We must articulate moral principles that set forth our fundamental values, and we must be prepared to defend them.

This defense is already underway, in a disorganized, grass-roots, American kind of way. Protests against the new statism have flared around the nation for more than a year. And while some have tried to dismiss the "tea party" demonstrations and the town hall protests of last summer as the work of extremists, ignorant backwoodsmen or agents of the health-care industry, these movements reveal much about the culture war that is underway.

Just compare the protests in America with those in Europe. Here, we see tea partiers demonstrating against the government's encroachment on the free enterprise system and protesting the fact that the state is spending too much money bailing out too many people. Why are people [protesting in Greece](#)? Because they want the government to give them even more. They are angry because their government -- in the face of its worst economic and perhaps existential crisis in decades -- won't pay the lavish pensions to which they

feel entitled. There's no better example of the cultural difference between America and Europe today, yet it is toward European-style social democracy that the 30 percent coalition wants to move us.

Fortunately, it is hard to dismiss the voice of the voters in some of our most recent electoral contests. Scott Brown [won the late Ted Kennedy's Senate seat from Massachusetts](#) in January by declaring himself not an apparatchik Republican but a moral enthusiast for markets. "What made America great?" he asked. "Free markets, free enterprise, manufacturing, job creation. That's how we're gonna do it, not by enlarging government." His cultural pitch for free enterprise hit just the right chord, even in liberal Massachusetts. It struck at the heart of the 30 percent coalition's agenda for America.

Brown's victory -- and [Rand Paul's triumph](#) in Kentucky's Republican Senate primary last week, for that matter -- are but warning shots in the burgeoning culture war. The most intense battles are still ahead.

To win, the 70 percent majority must come together around core principles: that the purpose of free enterprise is human flourishing, not materialism; that we stand for equality of opportunity, not equality of income; that we seek to stimulate true prosperity rather than simply treat poverty; and that we believe in principle over power.

This final idea is particularly challenging. In Washington, a lot of people think they know how to win. They say what is needed are telegenic candidates, dirty tricks and lots of campaign money. To them, thinking long-term means thinking all the way to 2012. In other words, they talk only of tactics, parties and power.

They are wrong. What matters most to Americans is the commitment to principle, not the exercise of power. The electorate did not repudiate free enterprise in 2008; it simply punished an unprincipled Republican Party.

But political turmoil can lead to renewal, and the challenges of this new culture war can help us mobilize and reassert our principles. The 2008 election was perhaps exactly what America needed. Today there is a very real threat that the 30 percent coalition may transform our great nation forever. I hope this threat will clear our thinking enough to bring forth leaders -- regardless of political party -- with our principles at heart and the ideas to match. If free enterprise triumphs over the quest for political power, America will be the stronger for it.

Arthur C. Brooks is the president of the American Enterprise Institute and the author of "The Battle: How the Fight Between Free Enterprise and Big Government Will Shape America's Future." He will be [online](#) on Monday, May 24, at 11:00 a.m. EST to chat. Submit your questions before or during the discussion.

From the archives: For recent Outlook coverage of the "tea party" movement, see Richard Viguerie's ["Tips for a proper tea party"](#) (May 2) and Dan Quayle's ["Why the tea party shouldn't go Perot"](#) (April 4).