Liberals and libertarians should unite to block Trump's extremism

What's more, a "liberaltarian" economic agenda can serve as an alternative to snake-oil populism.

Brink Lindsey

January 17, 2017

Ten years ago, in **an article** for the New Republic, I proposed that liberal-minded people across the political spectrum should unite to create a "liberaltarian" alternative to the populist right of the George W. Bush years. Since the governing conservatism of that time no longer reflected any serious attachment to libertarian principles, it was time to explore the possibility of a new kind of center-left infused with libertarian insights.

Building on their shared cosmopolitan outlook and deep belief in individual autonomy, liberals and libertarians could develop a new public philosophy that highlighted their extensive common ground while compromising constructively on differences over fiscal and regulatory policy. The piece concluded with the following lines: "Can liberals and libertarians really learn to work together? I don't know, but their alternative is most probably to languish separately."

Back then the argument fell on deaf ears. Liberals thought they were strong enough to go it alone and get what they want, while libertarians still feared the left enough to convince themselves that the populist right remained their friend. And now here we are: A right-wing populist demagogue has swept into the White House, and the Republican Party he seeks to remake in his image (and which seems none too resistant to the makeover) controls both houses of Congress.

With the threat of war crimes and trade wars abroad combined with border walls, religious registries, and crony capitalism at home, liberals and libertarians are indeed languishing separately, although putting it that way today sounds absurdly understated. Not only are they out of power, but their most fundamental political commitments — to liberal democracy and the rule of law —are now threatened in a way none of us could have imagined possible just a few years ago.

In this dark and menacing environment, the liberaltarian idea is relevant again — with an entirely new sense of urgency. The first, immediate task is to forge a liberaltarian alliance that can defend

American democracy from the depredations of Donald Trump. This ad hoc project requires no rethinking or blurring of existing ideological boundaries. Rather, it asks only that committed small-d democrats from the left, right, and center put aside their usual differences to stand together for basic liberal norms and institutions.

Over the longer term, though, there remains a pressing need for a new and vital synthesis of liberal and libertarian ideas. The antidote to today's populism and us-versus-them tribalism is a policy vision that focuses on what unites us — in particular, our common interest in reviving growth and brighter economic prospects for all, which is not going to be accomplished either by Trump's protectionism or by Bernie Sanders's socialism.

The great stagnation of the 21st century, a product of slowing growth and high inequality, has been a breeding ground for frustrations and resentments and has sapped faith in the legitimacy of our governing institutions — making us vulnerable to a populist demagogue who proclaims, "I alone can fix it." But there is only one viable path back to dynamism and broadly shared prosperity, and its outlines are distinctly liberaltarian.

Republican commitment to libertarianism waned in the Bush years

I made my original liberaltarian pitch back in late 2006. In those waning years of the Bush administration, I argued that the old Goldwater-Reagan brand of conservative "fusionism" — the alliance of free-market libertarianism and cultural traditionalism — was washed up. Rote rhetorical appeals to limited government and the free market remained, but the substance was exhausted. Social Security privatization was to have been the administration's signature libertarian initiative, but it fizzled once it became clear that even Republican voters had no stomach for it. Virtually the only holdover from the Reagan days was support for tax cuts, now divorced from any accompanying concern for spending restraint — a caricature of free-market economics.

All the energy and passion in the movement had shifted to nationalism, culture-war agitation, and a proudly anti-intellectual populism — think hostility to immigration, opposition to same-sex marriage, the Terri Schiavo affair, and the ascendance of strident, divisive voices like Rush Limbaugh and Ann Coulter.

Libertarian ideas, and libertarian-leaning voters, were thus in need of a new home. Meanwhile, liberalism needed intellectual rejuvenation. At the time, the last two Democratic presidents had won office only by running away from the "L-word." Liberalism had given ground to the right on a host of issues (tax rates, national security, crime, welfare); it was unable to advance social democracy when it tried (see Hillarycare); and it was resolute and effective only in defending past gains (*Roe v. Wade*, Social Security, and Medicare). As an alternative to that dreary status quo, I proposed a new liberal fusionism — a liberalism with libertarian characteristics.

Regarding social issues and foreign affairs, the hybrid I had in mind would maintain the commitments of contemporary liberals (if not always contemporary Democrats) —defense of civil liberties and personal freedoms at home, suspicion of military adventures abroad, relative openness to immigration, a spirit of cosmopolitan inclusiveness, and an ongoing orientation

toward the welfare and aspirations of society's least advantaged members. With respect to economic issues, the liberaltarian proposition would look more libertarian on regulation and more liberal on redistribution. It would proceed from the understanding that private-sector-led economic growth is the engine that makes social progress possible, yet at the same time it would accept that efficient economic markets have losers, and it would seek policies to cushion the blows on people who fall short.

It was a clever, provocative idea — and one went absolutely nowhere. **Fred Smith**, then the president of the libertarian Competitive Enterprise Institute, complained that I was basically proposing "acceptable surrender terms" to the left. And **Jonathan Chait**, then with the New Republic, flatly dismissed the idea that liberals needed to make any more concessions to free-market ideology than they already willingly did. Speaking of a liberal-libertarian compromise, Chait jeeringly quoted Michael Corleone: "My offer is this: nothing."

Libertarian overconfidence, and Democratic faith in Obama, delayed the rapprochement

The reaction had to do with the historical moment. This debate was taking place shortly after the 2006 elections, in which Democrats took back both houses of Congress — a heady moment in which liberals were understandably resistant to the idea that they needed to reformulate their creed. Subsequent events, especially the emergence of the charismatic figure of Barack Obama and a financial crisis that put free-market economics on the intellectual defensive, further bolstered liberal self-confidence.

Meanwhile, libertarians and their conservative sympathizers reacted with horror to the election of Barack Obama and unified Democratic control of Congress. Some libertarians also looked with hope and enthusiasm the emergence of the Tea Party phenomenon, whose anti-government rhetoric, they believed, could be harnessed to libertarian ends. With excitement about the presidential candidacy of Rand Paul, there was even talk of a**"libertarian moment."**

After the 2016 election cycle, things look oh so different. After Rand Paul couldn't even make it out of Iowa, it was clear that the libertarian moment would have to wait. Even more disillusioning, what remained of the Tea Party movement merged seamlessly into the **Trumpenproletariat**, and the Republican Party, far from becoming the vessel of a libertarian renaissance, embraced a nakedly authoritarian standard bearer.

Liberals, on the other hand, remained confident that history was on their side — despite losing Congress in 2010 — until the late hours of November 8. Hillary Clinton had been poised to defeat a spectacularly incompetent opponent, and maybe take back the Senate. But not only had Donald Trump won a shocking victory, but the GOP retained both houses of Congress, held 33 governorships, and controlled the legislature in 32 states.

Standing together to defend norms and institutions

The election results mean more than a setback for liberals' and libertarians' policy ambitions. Indeed, worrying about mere policy defeats seems like almost quaint amid the grim exigencies of

the Age of Trump. In a way that nobody alive today can remember, the basic integrity of American democracy now seems at risk.

From its scandalous opening announcement in June 2015, the candidacy of Donald Trump represented a continuous, sustained assault on the norms and institutions of liberal democracy. Since his election, the assault has gone on unabated. Trump has continued to browbeat reporters and has denounced peaceful protests. He has claimed, without a whiff of evidence, that millions of illegal ballots cast by undocumented aliens cost him the popular vote. His refusal to liquidate his business interests means no end to conflicts of interest and opportunities for corruption. The Carrier deal offers the first possible glimpse of crony capitalism to come — while his Twitter callouts of the Boeing CEO and a union official send a clear warning to all economic actors that the alternatives to being a Trump crony are dire. And his blithe dismissal of evidence that Russians interfered in the election, together with his tweeted call for a new strategic arms race, deepen fears about his judgment.

In these ominous circumstances, it is urgently necessary for liberals and libertarians to recognize the heightened stakes and act accordingly. The long-running family argument within the house of liberalism — which includes libertarianism — is all well and good, but **not while the house is on fire**. Far deeper than the real policy differences that divide us are the fundamental commitments to liberal democracy that we share, commitments that make it possible for us to fight it out on policy and then, win or lose, live to fight another day.

Rising to the challenge requires stout resistance against the usual partisan impulses. Already it's clear enough that most congressional Republicans will not stand up to Trump, regardless of their private views: The lure of possible conservative policy victories, mixed with the fear of Trump's popularity with the GOP base, will suffice to keep them in line. Democrats' opposition can be counted on — but if early signs are any indication, much of that opposition will just end up making matters worse.

Using the fact of Russian interference to question the legitimacy of the election, hatching harebrained schemes to rob Trump of victory in the Electoral College — such trashing of democratic institutions from the left only serves to further roil the chaos within which Trump's demagoguery thrives. And opposition that conflates the risks of conservative policies with those of democratic breakdown — say, by reacting to Betsy DeVos (who embraces vouchers for private schools) and Michael Flynn (who embraces insane conspiracy theories) as equivalent threats — trivializes constitutional concerns and makes it easier to dismiss complaints as losers' sour grapes.

It is thus all but inevitable that a principled liberaltarian alliance in defense of liberal democracy will be a minority affair. Fortunately, when playing defense, a determined minority is often all it takes in America's gridlock-prone political system. (In many crucial instances, persuading a handful of Republican senators to join Democrats will suffice.) In shaping and sustaining a **"coalition of all democratic forces,"** libertarian and liberal opinion leaders have a vital role to play. It is our job to rise above the passions of the electorate, and the calculations of politicians, and uphold democratic norms and institutions even, and especially, when doing so cuts against partisan interest.

Offering an alternative to populism

But beyond the current, pressing task of resisting Trump looms the larger, longer-term project of presenting a viable alternative to Trumpism. And by alternative I mean antithesis, not mirror image. In response to the white identity politics of the right, a focus on broadly shared interests, not a doubling down on left-wing identity politics. In response to Trump's right-wing populism, a reform agenda centered on policies that will actually work as promised, not left-wing populist **snake oil** à la Sanders.

The liberaltarian alternative I have in mind should not be thought of as a political alliance between liberal and libertarian voting blocs. There aren't enough self-identifying libertarians to matter as a potential alliance partner — and I'm sure that, even now, some members of that tiny group still regard the left as the bigger threat to liberty. What libertarians have to offer liberals isn't votes, but ideas about how to reform the modern regulatory and welfare state to make it more effective in advancing liberal values.

What would this new liberal fusionism look like? Compared to today's center-left, its primary distinguishing feature would be the emphasis it places on innovation and economic growth — and the degree to which it recognizes private-sector entrepreneurship and market competition as the irreplaceable engines of innovation and growth. This characteristically libertarian perspective would then be leavened by the traditional liberal reliance on social policy to ensure that the benefits of growth are widely shared.

The one great, compelling interest that unites Americans across race and class lines is a restoration of economic dynamism and broadly shared prosperity after years of **slowing growth** and rising inequality. Since 2000, the economy has been growing at only half the rate that prevailed over the course of the 20th century. Meanwhile, the median household income last year was lower than it was back in 2000, as the benefits of growth (such as it is) are skewed toward a relatively narrow elite.

To revive economic growth, the **low-hanging fruit** we need to grab is policy reform that removes regulatory obstacles to entrepreneurship and competition. Specifically, the main target of reform should be the **web of regressive, special-interest privileges** that stifle dynamism while redistributing wealth and income **up the socioeconomic scale**.

Here are a few of the more inviting targets for liberaltarian regulatory reform:

- **Low capital requirements** that allow financial institutions to abuse explicit and implicit federal safety nets to engage in excessive risk-taking
- Tight restrictions on **high-skill immigration** that deprive the country of valuable human capital while shielding high-end domestic professionals from competition
- Excessive protection of **patents and copyrights**, which hinders innovation while delivering windfall gains for Hollywood, Big Pharma, and elements of Silicon Valley

- **Occupational licensing**, which shuts off economic opportunities for the less advantaged while inflating salaries of well-to-do professionals like doctors, dentists, and lawyers
- **Highly restrictive land-use regulations**, especially in big coastal cities, whose effect on housing prices has distorted the distribution of America's population at a **staggering cost** to economic growth

Taking on these targets provides a bold agenda for deregulation — but one that looks very different from traditional conservative efforts along these lines. The conservative approach to deregulation looks to cut regulatory costs for existing businesses by paring back health, safety, and environmental rules. Here the main object is to remove **regulatory subsidies** that shield existing businesses from competition.

But a comprehensive pro-growth reform agenda will also recognize that, even where regulations serve valuable social objectives, pruning of outmoded and overgrown regulations may still sometimes be necessary. Some regulations never work as intended; others outlive their usefulness; and the steady accretion of regulations that individually make sense can add up to an ungainly whole in which costs far outweigh benefits. Those costs burden existing businesses, dampening investment and growth.

What's more, many regulatory compliance costs are fixed — they don't vary with the size of the enterprise. Consequently, the denser and more complex a particular regulatory regime is, the more it advantages large, established firms at the expense of new, upstart rivals, thus deterring entrepreneurship and innovation. To chip away at these ever-growing entry barriers, **an aggressive mechanism** to review existing regulations for growth-inhibiting overkill is needed.

None of the economic reforms I've discussed here represents a sharp departure from current liberal orthodoxy (at least of the Jonathan Chait variety; the story on the Sanders left is somewhat different). What is new is to gather all these reforms together into a unified agenda and to elevate their visibility and priority.

The distinctive liberaltarian approach to public policy would go beyond this new strategy for unlocking economic growth. To ensure that renewed growth translates into widely shared prosperity, sweeping reforms of social policy are also needed. These reforms would reflect the traditional liberal commitment to using government to combat poverty and expand opportunity, but they would update that commitment with libertarian ideas.

Reflecting libertarian hostility to paternalism, one guiding theme of liberaltarian safety-net reform would be to substitute simple **cash transfers** for in-kind benefits — liberating the poor from confusing and sometimes degrading eligibility requirements and shifting resources from poverty bureaucracies to the men, women, and children who actually need help. Reflecting the libertarian recognition of the private marketplace's central role in advancing social progress, another guiding theme of reform would be to encourage and support employment — by ending the conditioning of benefits on joblessness (as is already the case with **Social Security Disability Insurance**), and by preferring work-promoting wage subsides (such as an expanded Earned Income Tax Credit) to employment-inhibiting hikes in the minimum wage.

Room for disagreement within the intellectual alliance

Although I have sketched out some specific policy ideas that I personally support, I fully expect other would-be liberaltarians to disagree here or there. Within the general framework of pro-growth economic policy and pro-work, pro-mobility social policy, there is plenty of room for rival approaches and differing priorities. And outside this common ground — on issues of foreign policy, health care financing, Social Security reform, and many others — the scope for diversity of opinion is even broader. But think of previous movements of new ideas, whether on the left or the right: supply siders, say, or New Democrats. Members of these groups didn't agree on everything; what brought them together was a shared commitment to a few core ideas. At the heart of the liberaltarian idea is a vision of market-led growth combined with social policies that spread the benefits of growth more broadly.

The two sides of the liberaltarian policy model, pro-growth regulatory reform and pro-mobility social policy reform, are complementary and mutually reinforcing: Neither works without the other. There is no way to make current levels of social protection, much less improvements in the safety net, economically sustainable without unclogging the engines of growth through deregulation. And there is no way to make such unclogging politically sustainable without providing adequate social protection against downside risks.

In addition to achieving greater policy coherence and effectiveness, executing the liberaltarian turn would also bring clear political benefits. At present, liberalism's besetting political weakness is its **inability to offer an overarching vision** of the public interest instead of just peddling a grab bag of specific benefits for specific interest-group constituencies. Liberal fusionism, with its focus on the unifying values of growth and work, would correct that shortcoming.

Many on the farther reaches of the left will never embrace this model, as hostility to corporations and commercial motives is too central to their political identity. But for those of a more pragmatic bent, the recognition that persistent slow growth makes fiscal austerity inevitable ought to provide sufficient motive for shifting to a more pro-growth, pro-market orientation. And this shift should come more easily when the nature of the regulatory reform needed to spur growth is more broadly understood. Specifically, many of the most important moves involve reducing inequality even as they unlock growth. (And if the name "liberaltarian" itself is an unmellifluous turn-off, that is certainly open for negotiation.)

Meanwhile, many contemporary libertarians will reject any acceptance of redistribution as heresy — notwithstanding the fact that the two greatest champions of libertarian ideas during the past century, Friedrich Hayek and Milton Friedman, both supported a social safety net and even a guaranteed minimum income. Insistence on ideological purity is self-defeating when the overwhelming majority of your fellow Americans reject your ideology. A strong public demand for a government backstop against economic insecurity is not going away; the campaign to roll back social spending merely pushes response to that demand underground —into the growing **kludgeocracy** of corporate welfare, mistargeted tax incentives, and protection of existing businesses against competition.

Is there sufficient intellectual flexibility in America today to break out of existing ideological boxes? In this hour of **crisis for liberalism**, not only in this country but around the world, such flexibility is necessary to develop a new, revitalized conception of the liberal ideal. Without such an effort, we will be forced to rely on conservatism-as-usual and liberalism-as-usual to fend off and beat back the temptation of authoritarian populism. Yes, we may well **muddle through** — but then again **we may not**. For those not content with such dangerous drift, working to articulate and defend a new liberaltarian synthesis offers the most promising path forward.

Brink Lindsey is vice president for research at the Cato Institute and the author, with Steven Teles, of the upcoming book The Captured Economy: How the Powerful Become Richer, Slow Down Growth, and Increase Inequality *(Oxford University Press).*