

FOREIGN AFFAIRS



A New Conservatism

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Freeing the Right From Free-Market Orthodoxy

The COVID-19 pandemic sent U.S. policymakers scurrying to their bookshelves, searching for responses to a public health catastrophe that threatened to plunge households, businesses, and governments into financial despair. Republicans on Capitol Hill and in the White House flipped frantically through their dog-eared playbooks from the 1980s to determine just the right tax cut for the moment. But the chapter on society-wide lockdowns was nowhere to be found.

Many Republicans shrugged and proposed a tax cut anyway. President Donald Trump called for reducing the capital gains rate and joined Senate Majority Leader Mitch McConnell in pushing for an expansion of the corporate meals-and-entertainment deduction. Stephen Moore, an economic adviser to Trump, argued for a payroll tax “deferral” that even the U.S. Chamber of Commerce dismissed as “unworkable.” Two months after the passage of the CARES Act, as the novel coronavirus continued to rage, the *Wall Street Journal* editorial board questioned whether more relief was necessary, suggesting instead that “every private investment made for the rest of this year be exempt from any capital gains tax.” On the same morning that a six-column *New York Times* headline blared, “MARKETS SPIRAL AS GLOBE SHUDDERS OVER VIRUS,” Nikki Haley, the former South Carolina governor who served as U.S. ambassador to the UN, displayed the familiar instincts of a future Republican presidential candidate by tweeting, “As we are dealing with changes in our economy, tax cuts are always a good idea.”

The pandemic’s distinctness made for a distinctly inept response, but this was only the latest iteration of a pattern that had imprinted itself across the right-of-center in recent years. Even in the face of new economic challenges—China’s aggressive mercantilism, the financial crisis, rising inequality—the Republican Party has hewed rigidly to an agenda of tax and spending cuts, deregulation, and free trade.

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The descent into dogmatism is a time-honored tradition in American politics. What makes conservatism's present bout peculiar, however, is its lack of any discernible conservatism. The coalition of economic libertarians, social conservatives, and foreign policy hawks that kicked off the Reagan revolution, vanquished stagflation, and won the Cold War is rightfully proud of its accomplishments. But that bargain—whereby each camp took charge of its own portfolio—left wide swaths of public policy in the hands of a small clique of market fundamentalists. They shared few values or intuitions with conservatives, who were themselves consigned to talking about “social issues.” As conservative economic thinking atrophied, libertarian ideas ossified into the market fundamentalism that most commentators today casually call “conservative.” The result has been a political crisis, for conservatism especially and for American government broadly. A right-of-center that is neither conservative nor responsive to people's problems is incapable of playing its vital role as the outlet for a nation's conservative impulses and the counterweight to its progressive ones. Nor will it win many elections.

In his run for the White House, Trump exposed the weakness of the Republican establishment and the frustration and alienation of its voters. But he was no conservative. Indeed, he lacked any discernible ideology or capacity for governing. He left the White House in disgrace, having also lost his party the House and the Senate, abdicated all responsibility for leadership during the pandemic, and broken a centuries-long tradition of outgoing presidents conceding defeat and transferring power peacefully.

Now is the moment for conservatives to reassert their claim to the right-of-center. In the United States and in the rest of the world, serious problems created in part by the absence of a robust conservatism require conservative solutions. Progressivism, meanwhile, is increasingly obsessed with identity politics and the bugbears of its overeducated elite. That makes it uniquely vulnerable to competition from an ideological message focused on the worries shared by most Americans, regardless of their race or religion, about the foundations of their families and communities. In politics, the odds usually favor incumbents, but the establishment that is flying conservatism's banner has lost its vitality and now hunkers down behind crumbling walls, reciting stale pieties that few still believe. The circumstances today suggest that a realignment around a multiethnic, working-class conservatism might just have a chance.

THE TRUMP EARTHQUAKE

Trump's victory in the 2016 presidential election was an extraordinary aberration. Had Trump run in a typical primary, he would have struggled to assemble a plurality of supporters. Had the opponent who finally emerged as his alternative been more popular with the Republican Party leadership than Senator Ted Cruz of Texas, Trump would likely have lost; compare how quickly Democrats rallied around Joe Biden four years later when it appeared that Senator Bernie Sanders of Vermont might actually secure their party's nomination. In the general election, had his opponent been a competent politician, rather than Hillary Clinton, Trump would likely have lost. In the end, Trump won the Electoral College in 2016 by the narrowest of margins in several states and lost the popular vote decisively. Still, his success exposed deep rot in the American political system. A well-functioning party capable of serving its constituents does not allow itself to be commandeered as the GOP was. A country with a responsive and effective political class does not elect a vulgar reality tv star to the world's most powerful office.

Trump's heterodoxy and disruptiveness provided the equivalent of an enormous natural experiment, and the results were surprising. The problems Trump emphasized bore little

resemblance to the standard stories both parties thought they should tell, yet they seemed to resonate with voters, even though he offered no solutions. His remarkable gains among nonwhites, compared with Republicans in prior election cycles, refuted many of the standard hypotheses about identity politics and gestured toward the possibility of the right-of-center consolidating a culturally conservative bloc across races. What Trump did not provide was any foundation for a political movement to build on.

Trump was not “conservative,” in style or substance, under any meaningful definition of the word. But he didn’t seem to be anything else, either. His background evinced no commitment to any set of political principles, and his campaign’s message and agenda never adopted one. With no intellectual framework, his administration’s fortunes rose and fell on the highly variable quality of his appointees, who often seemed to be working at cross-purposes. For each statement, appointment, or policy action pushing in one direction, the administration typically had another one pushing the other way. Unsurprisingly, this proved to be an obstacle to both governance and coalition building, and it provided a poor basis for a reelection campaign. And yet, had the U.S. economy been booming in 2020 at the prior year’s pace, rather than struggling against an unprecedented public health crisis, Trump might easily have won a second term.

In the wake of Trump’s defeat, analysts have pondered whether his brand of populism might represent the conservative future. But this misunderstands his role. There is no discernible Trumpism independent of Trump himself. His presidency was an earthquake, the immediate result of a political landscape shifting after decades of mounting pressure. Earthquakes do not build anything. They disrupt and destroy, but they are temporary, and they provide the benefit of exposing structures that were sloppily built or that rested on crumbled foundations. People who relied on the old structures will rush in to put them right back up again. But after the earthquake comes a chance to reassess, to learn from what failed, and to rebuild in a way better suited to contemporary conditions. The important question to ask about the earthquake is not about the earthquake at all. It is, What should we build now?

ESTABLISHMENT THINKING

The hallmark of conservatism is not, as is often thought, opposition to change or the desire for a return to some earlier time. The misconception that conservatives lack substantive preferences and merely reflect their environments leads to some confusing conclusions—for example, that the conservative of 1750 would oppose American independence but the conservative of 1800 would support it, or that today’s conservative must favor rapid globalization and deregulated financial markets because that has been the recent tradition. What in fact distinguishes conservatives is their attention to the role that institutions and norms play in people’s lives and in the process of governing. “When the foundations of society are threatened,” wrote the political theorist Samuel Huntington, “the conservative ideology reminds men of the necessity of some institutions and the desirability of the existing ones.”

Edmund Burke, the father of modern conservatism, provided a quintessential illustration of this dynamic. Although he was a member of the British House of Commons, Burke supported the American Revolution in 1776 on the grounds that the United Kingdom, through its overbearing administration and arbitrary taxation, had irrevocably breached its relationship with the Colonies. He thought the Americans could better continue in their tradition of self-government if they freed themselves from King George III’s rule. Yet a decade later, Burke reacted with horror to the French Revolution, in which he saw a radical mob tearing away the guardrails and buttresses on

which society depended. In both assessments, of course, he was proved entirely correct: the United States became a flourishing democracy, and France descended into chaos.

Markets should never be an end unto themselves.

Burke was at once a “preserver of venerated traditions” and “a reformer of failing institutions,” the conservative scholar Yuval Levin has written. As Burke himself put it, “a disposition to preserve, and an ability to improve, taken together, would be my standard of a statesman.” This same disposition is easily identifiable in conservatives today. The psychologist Jonathan Haidt, who has spent years testing the foundations of people’s moral reasoning, has found that conservatives tend to exhibit a much broader range of moral concerns, giving fairly equal weight to care, liberty, fairness, loyalty, authority, and sanctity. “They believe that people need external structures or constraints in order to behave well, cooperate, and thrive,” Haidt has written. “These external constraints include laws, institutions, customs, traditions, nations, and religions.” Liberals, by contrast, overwhelmingly prioritize care, particularly care for victims of oppression. Libertarians, for their part, are obsessed with liberty to the exclusion of other values.

As a result, conservatism, more so than other ideologies, sees progress as a process of accumulation rather than disruption, recognizing what is good in society and striving to build on it. Conservatism approaches the project of governing with particular humility, grateful for whatever order a society’s traditions have managed to wrangle from imperfect human nature. The problems it identifies and the solutions it proposes give relatively less weight to guaranteeing individual freedom and choice and more to reinforcing obligations and constraints, relationships and norms, and the mediating institutions that shape and channel people’s energies toward productive ends.

Viewed this way, the conservative affinity for markets should seem natural. Markets limit the power of a central government and place it instead in the hands of those best positioned to take care of their own interests. They evolve over time in response to real-world conditions rather than at the whim of a technocrat. They are themselves institutions through which people develop informal codes and formal rules to help themselves cooperate and transact more productively. An alliance with libertarians to promote markets was logical in the second half of the twentieth century, during an era of great-power competition against communism and when the domestic market was choked by an exploding bureaucracy and welfare state, a sclerotic system of organized labor, confiscatory tax rates, and raging inflation.

Critically, however, a conservative skepticism of markets is equally natural. Markets reduce people to their material interests and reduce relationships to transactions. They prioritize efficiency to the exclusion of resilience, sentiment, and tradition. Shorn of constraints, they often reward the most socially corrosive behaviors and can quickly undermine the foundations of a stable community—for instance, pushing families to commit both parents to full-time market labor or strip-mining talent from across the nation and consolidating it in a narrow set of cosmopolitan hubs. For conservatism, then, markets are a valuable mechanism for sustaining and advancing a flourishing society. But they should never be an end unto themselves. And their quality is contingent on the norms and rules by which they function and the vitality of the other institutions operating alongside them.

Libertarians have no time for such nuance, and the purportedly conservative establishment has paid it little heed, either. Senator Pat Toomey, Republican of Pennsylvania, has defined

capitalism as “nothing more than economic freedom,” a sentiment echoed by Haley, who has warned that any interference with that freedom would head down “the slow path to socialism.” Jack Spencer, the vice president of the Heritage Foundation’s Institute for Economic Freedom and Opportunity, has suggested, “Why don’t we look at a policy and just ask, Does it expand economic freedom?” The conservative columnist Amity Shlaes has gone so far as to declare, “Markets do not fail us. We fail markets.”

The right-of-center’s preeminent public policy institutions display these same blinders in their mission statements—or, rather, mission statement, as they all seem to share the same one. The conservative think-tank world is dedicated to advancing the principles of “limited government, free enterprise, and individual liberty” (the Competitive Enterprise Institute), or “free markets and limited, effective government” (the R Street Institute), or “free enterprise, limited government, individual freedom” (the Heritage Foundation), or “individual liberty, limited government, free markets” (the Cato Institute), or “economic choice and individual responsibility” (the Manhattan Institute), or “individual, economic, and political freedom; private enterprise; and representative government” (the Hoover Institution). What began as entirely justified advocacy for the benefits of markets has mutated into a fundamentalism that throws bad policy after good, unable to distinguish between what markets can and cannot do and unwilling to acknowledge the harm that they can cause. Fortunately, it comes with an expiration date.

ANATOMY OF A FAILURE

It is telling that right-of-center coalitions across Western democracies find themselves under pressure simultaneously. The backlash can be seen in the United Kingdom, where Brexit rejected an antidemocratic globalism; in eastern Europe, where the success of Poland’s Law and Justice party and Hungary’s Fidesz has revitalized a Christian traditionalism; and in Spain, where the rise of Vox has given the world a rare right-wing party with a labor union. The politics and circumstances of course vary by country, but tremors from the same tectonic shifts that set off the United States’ earthquake can be felt far and wide. Three major trends seem responsible for the fall of the old orthodoxy, and all point toward the promise of a conservative resurgence.

The first is a changing world. Few observations are more trite than “the world changes,” yet analysts cling to outdated economic claims with religious tenacity, as if each insight represents an eternal and universal truth. Perhaps this is because economists, play-acting at science, pretend that their models offer just that. Those models rely on countless unstated assumptions about the world as it happens to be, and they stop working when it becomes something else. Purveyors of the myth that free trade is always good and more is always better are eager to dismiss the havoc wreaked by the introduction of China’s aggressive mercantilism into the global market as an outlier or the exception that proves the rule. But economic models and policy recommendations are of little use if they cannot account for a near-peer economy of 1.4 billion people dominated by the state-controlled enterprises of a communist, authoritarian regime.

Another change in the world has been the unmooring of ownership and management from the communities in which firms operate. In *The Theory of Moral Sentiments*, the economist Adam Smith emphasized how societal expectations shape people’s incentives. A person’s “desire of being what ought to be approved of,” he wrote, is “necessary in order to render him anxious to be really fit” for society. Such considerations for the traditional business owner lose their effect if he is replaced by a set of institutional investors or a consortium of private equity funds on another continent deploying capital held in trust by some government for workers’ pensions. In

his seminal case for the now prevalent doctrine of shareholder primacy, Milton Friedman, a leader of the Chicago school of economics, disregarded Smith's nuanced view of the prerequisites for a well-functioning society and celebrated instead a world in which the desires of owners "generally will be to make as much money as possible." If the character and constraints of capital ownership change, it should not be surprising that outcomes do, too.

The list goes on. Changes in cultural norms and expectations—"what ought to be approved of," in Smith's formulation—should cause policymakers to rethink economic assumptions. Instead, conservatives have developed the habit of saying, "that's a cultural problem" as an excuse to do nothing, for instance, when growing numbers of young men cannot find and hold steady jobs. Growth, investment, and what passes for innovation have become concentrated in a technology sector that defaults toward natural monopoly. Trillion-dollar tax cuts seem not to spur capital spending, and trillion-dollar deficits seem not to raise interest rates. Playbooks published in the 1980s do not contain answers.

The neoliberal consensus between progressives and libertarians has produced a blinkered set of moral concerns.

The second trend responsible for the failing consensus is overreach. In technocratic fantasies, careful regulators fine-tune their policies, asymptotically approaching the ideal formula for delivering the best outcomes. In practice, politicians and their advisers land on ideas that seem to work and then push them ever further. A reduction in too-high marginal tax rates rarely sates the appetite for tax cuts. Few policymakers go partway on liberalizing the cross-border flow of goods, people, and capital and conclude that the time has come to stop. Likewise, issues that have been deemed undeserving of concern do not receive attention at the first sign of trouble; they remain ignored until they no longer can be. Even as risk built up in the United States' deregulated financial system, nothing was done until after the 2008 meltdown.

Policies will tend to experience diminishing returns that eventually turn negative—until the case for changing direction becomes undeniable. Even the best thinking contains within it the seeds of its own undoing, with inevitable excesses driving a necessary cycle of failure and reform. The West, now well into a postwar period filled with extraordinary achievements, can double down on the solutions of 40 or 60 years ago only so many times before going bust. Defusing the hypernationalist tensions of the early twentieth century was wise; proceeding to eviscerate solidarity within the nation-state was not. Requiring pollution controls and considering the environmental impacts of new projects made sense in the 1970s; tightening the ratchet afterward until industrial investments faced prohibitive risks and costs did not. Expanding the pipeline of talented students attending college has always been a worthy aspiration; converting high schools into college-prep academies is not.

The third factor undermining the old economic orthodoxy is its failure to update its own rules. An analogy to sports is instructive. The goal of a professional sports league is to entertain paying customers, but the league does not accomplish this by directing how each player moves around the field to create maximum drama. Instead, it establishes rules and trusts that players competing under those rules will yield an entertaining product. The unpredictability of the outcome is key to the spectators' enjoyment. Likewise, the rules that the government establishes for economic actors are designed to facilitate competition that will redound to the benefit of all. And because those actors are free agents working within a system of rules, rather than performers following a script, they can respond creatively to changing conditions. But no framework of rules is perfect.

Designed based on how the game is being played at the time, it works well at first. But the athletes and teams evolve their own strategies in ways that the rule-makers could not have anticipated. When competition fails to yield the desired benefits, the leagues modify the rules—pushing back the three-point line in basketball, lowering the pitcher’s mound in baseball, or adding the forward pass in football.

The same thing has happened in the U.S. economy, except that the rule-makers haven’t kept up. Businesses and investors exploit ever more obscure opportunities for efficiency, and their most successful strategies tend to diverge from those that produce desirable results for the nation. One such effect is the economy’s financialization, which has directed an increasing share of talent, investment, and profits toward firms that excel at speculative transactions rather than productive contributions. Another is the labor market’s trend toward workplaces in which many functions are outsourced and many employees are replaced with independent contractors, as firms maximize their flexibility and profit margins by minimizing their attachments and obligations to workers. Surging profitability may signal success for the capitalist, but as Smith recognized in *The Wealth of Nations*, the opposite holds true for capitalism. “The rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension, of the society,” he wrote. “On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin.”

A NEW APPROACH

These trends are the product not of too much conservative thinking but of too little. American politics, guided by the neoliberal consensus between progressives and libertarians, has focused on a blinkered set of moral concerns and blindly pursued the unquestioned priorities of personal freedom and consumption. No wonder the prevailing consensus struggles to respond to the problems facing society today. Conservatism, however, is well suited to addressing them. Conservatives have an appreciation for the nation-state, the rules and institutions necessary to well-functioning markets, and the strength of the social fabric. That starting point provides a better foundation for addressing great-power competition with China, monopolies in the technology sector, failing communities, and rising inequality than does the libertarian faith in markets or the progressive reliance on redistribution. Whereas progressives and libertarians both exhibit an inclination to reason from abstract principles toward absolute commitments and thus encourage overreach, the conservative begins by looking at real-world conditions. Burke knew this well. “Circumstances . . . give in reality to every political principle its distinguishing color and discriminating effect,” he wrote. “The circumstances are what render every civil and political scheme beneficial or noxious to mankind.” Accepting the rule book’s inherent imperfection and striving to update it over time as conditions change—that is the quintessential conservative approach to policymaking.

A conservative economics would recognize the power and value of markets but insist on analyzing them within their human context rather than as abstract engines of efficiency. For instance, it would recognize the pernicious effects that high levels of economic inequality can have on the social fabric, the functioning of markets, and people’s well-being, regardless of absolute material living standards. It would give weight to the value of diffuse and widespread investment, not just the value of agglomeration. It would consider the benefits that locally owned establishments bring to their communities, alongside the benefits that hyperefficient conglomerates can deliver. It would recognize the importance of nonmarket labor performed

within the household and the community, such as caretaking and volunteering, rather than assuming that the higher monetary incomes in a society of two-earner families must indicate progress.

Organized labor should be a conservative priority. The outdated U.S. system is in terminal decline and in desperate need of reform, functioning more as a fundraising arm of the Democratic Party than as an economic force boosting workers' fortunes. Union membership has fallen to six percent of the private-sector workforce. Conservatives will find much to like in the concept of a vibrant labor movement giving workers power in the job market, representation in the workplace, and support in the community. Placing workers on an even footing with firms so they can negotiate their terms of employment boosts family incomes by emphasizing economic agency and self-reliance rather than by resorting to redistribution. It allows them to make tradeoffs tailored to their own preferences rather than depend on government regulation to protect their interests. The union is also the quintessential mediating institution, occupying a role in civil society between atomized individuals, on one hand, and an encroaching state, on the other, a force that can help people transition into the workforce and between jobs, build solidarity among workers and relationships with employers, and even manage portions of the social safety net.

Organized labor should be a conservative priority.

It is time for conservatives to rethink the public education system, too, which has been commandeered for the task of transforming all Americans into college-educated knowledge workers and does it quite poorly. According to data from the Department of Education and the Federal Reserve, barely one in five young Americans goes on from high school to college, completes a degree on time, and then finds a job requiring that degree. A better approach would ensure that schools can meet students where they are and offer them pathways to productive lives in jobs they want and in which they can excel. High schools would teach practical skills and partner with employers to offer workplace experiences. Postsecondary programs would emphasize subsidized employment and on-the-job training. Colleges would not operate as amusement parks that deform the cultural expectations and economic incentives of young people; instead, they would be recognized as one path among many, present prospective students with their real cost and thus represent an attractive option for some but not most.

Conservatives are right to look skeptically at the ability of the government to supplant markets, but they must appreciate both what markets do well and what they will not do on their own and thus embrace the indispensable public role of channeling investment toward long-term national priorities. This was long the American tradition. Indeed, it was a pillar of the "American System" of investment in domestic industry and infrastructure proposed by Alexander Hamilton, championed by Henry Clay, and endorsed by Abraham Lincoln, a plan that helped transform the United States from a colonial backwater into the leading global power. A modern equivalent would sponsor innovation, mandate domestic sourcing in critical supply chains, and discourage the financial speculation that goes by the name "investment" but bears little resemblance to the work of building productive capacity in the real economy.

A conservative coalition built around economic priorities such as these, plus a merely nonradical set of cultural concerns, would attract a broad range of voters. It would attract the core of the existing Republican Party, which, as Trump proved, has much less interest in libertarian platitudes than Beltway strategists assumed. It might equally appeal to a large portion of the

Democratic Party that is likewise culturally conservative; many Democratic voters aspire not to escape their families and communities or rely on public benefits but rather to be productive contributors in an economy that has a place for them. Unlike the naive fantasies that presume that a centrism halfway between the parties' existing commitments must surely be ideal, a multiethnic, working-class conservatism could deliver a durable governing majority. It would do so by rediscovering an entirely different set of commitments, one that both parties' elites have neglected for too long.