



## Another Culture War? No Thanks

A libertarian critiques a call from the right for a showdown on economics.

BRINK LINDSEY | July 2, 2010 | web only



**Arthur C. Brooks, author of *The Battle: How the Fight between Free Enterprise and Big Government Will Shape America's Future*.**

"America faces a new culture war," declares Arthur Brooks, president of the conservative American Enterprise Institute, in the opening sentence of his new book *The Battle: How the Fight between Free Enterprise and Big Government Will Shape America's Future*. "This is not the culture war of the 1990s. This is not a fight over guns, abortions, religion, or gays. . . . Rather, it is a struggle between two competing visions of America's future. In one, America will continue to be a unique and exceptional nation organized around the principles of free enterprise. In the other, America will move toward European-style statism."

And who, according to Brooks, are the combatants in this conflict? Wearing the white hats, "70 percent of Americans support the free enterprise system and are unsupportive of big government." Wearing black hats, meanwhile, is what Brooks calls "the 30 percent coalition": the "intellectual upper class" of academics, journalists, and well-educated professionals; African-Americans and Hispanics; and the young. In other words, pretty much the usual suspects from culture wars gone by.

Although he mentions the Tea Party movement only in passing, Brooks' call to arms is very much in the spirit of that populist uprising. He seeks to "rally the 70 percent majority in the battle for the soul of America": In other words, as the Tea Partiers often put it, it's time for "real Americans" to "take our country back." Just as the protesters vent their fury at coastal elites and, especially, elitist-in-chief

Barack Obama, so too does Brooks. "The intellectual upper class has become the most important party in the 30 percent coalition -- the chief adversary of the free enterprise system today," he writes. "And at the head of the intellectual upper class are our current leaders in Washington DC -- starting with activist, bestselling author, and Ivy League academic, President Barack Obama."

Let me make it clear at the outset: When it comes to specific questions of economic policy, Brooks and I probably agree on a great deal. Indeed, I'd bet that my opinions are much closer to his than they are to the typical reader of *The American Prospect*. I thought that the stimulus bill was, by and large, a waste of money, and the takeover of General Motors and Chrysler, a travesty. I opposed the recent health-care legislation and the climate bill and card-check legislation. Hey, I'm a vice president at the Cato Institute, so none of this should come as a big surprise.

But Brooks' book isn't about policy; it's about ideology and how to engage in politics. And it is, I'm sorry to say, a thoroughly wrongheaded way to approach these questions. The attempt to turn economic policy disputes into a populist cultural crusade rests on deep-seated confusion about the nature of those disputes and how best to effect constructive policy change. Brooks' key move is to cast our "free enterprise system" as an instance of American exceptionalism -- in contrast to the social democracy of Europe and other advanced nations. Thus, economic policy becomes fodder for cultural politics: Supporters of free markets are defending a unique and precious American heritage, while members of the "30 percent coalition" have thrown in with the foreigners -- worst of all, with effete, decadent Europeans.

To treat Brooks' narrative seriously, it's helpful to break down the concept of the "free enterprise system" into two separate and distinct elements. The first is free markets; the second, small government. They need not be a package deal. Governments can effectively stifle enterprise and competition without spending a lot of money, while a large public sector and a vibrant private sector can go hand in hand. So let's look at each component separately.

First, free markets. Is Brooks' distinction between all-American freedom and European-style statism a valid one? And here at home, do

elites really support the state while everyone else supports the market? No and no. When it comes to establishing and maintaining open and competitive markets, the U.S. institutional and policy environment isn't really that exceptional at all. Meanwhile, elites are actually more likely to support free-market policies than is the American demos.

Plenty of European countries have markets about as free as those in the land of the free. Look at the ratings **provided** by the annual *Economic Freedom of the World* report, co-published by the Cato Institute. On four broad categories of economic freedom -- legal structure and security of property rights; access to sound money; freedom to trade internationally; and regulation -- the United States was slightly "freer" than Sweden, the United Kingdom, Austria, Finland, and Switzerland. Meanwhile, Ireland, the Netherlands and, by a wide margin, Denmark were found to have freer markets. Note that the two highest scorers have two of the biggest welfare states in the world -- which just goes to show that blurring issues of regulation and redistribution, as Brooks tries to do, leads to intellectual confusion.

So much for American exceptionalism in actual policy results. Meanwhile, how market-friendly is American public opinion? Not very, **according** to economist Bryan Caplan. In his book *The Myth of the Rational Voter*, Caplan documents the existence of strong and widespread anti-market biases in the American electorate -- in other words, sharp divergences between public opinion and the accepted view among most economists. Thus, ordinary voters are more likely to say a price increase was caused by intentional gouging rather than the interaction of supply and demand; they are more likely to blame problems in the economy on companies downsizing or "shipping jobs overseas"; and they tend to underestimate recent economic gains and express more pessimism about the future. On the other hand, the better educated are more likely to think like economists and see such changes as unavoidable. So it looks like Brooks actually gets things backward here: From a free-market perspective, the dreaded intellectual upper class is more solution than problem.

Brooks' narrative works somewhat better with respect to conflicts over the size of government. Here, at least, there is a clear distinction between the United States and Europe. Levels of social welfare spending in Europe are generally much higher than they are in the U.S..

Does America's smaller welfare state reflect important cultural differences between us and folks on the other side of the Atlantic? Yes, probably, but the main one is hardly worthy of defending. A 2001 **paper**, "Why Doesn't the United States Have a European-Style Welfare State?" by economists Alberto Alesina, Edward Glaeser, and Bruce Sacerdote, provides powerful evidence that race is at the center of the story. There's a strong negative relationship between a country's racial heterogeneity and its levels of social spending, and within the U.S., states with larger black populations spend less on welfare programs. "Americans think of the poor as members of some different group than themselves, while Europeans think of the poor as members of their group," the paper concludes.

Don't get me wrong: I'm no fan of the European welfare state. There are sound economic reasons for rejecting it as a model. Most decisively, the aging of the population and the continued development of promising but expensive medical treatments are rendering it unaffordable, and fiscal constraints will sooner or later lead to significant restructuring here as well.

But Brooks doesn't want to use *economic* arguments. He counsels against "getting stuck in the old arguments over money." Instead, he wants to defend America's track record of more modest social spending on *cultural* grounds. And that is a really bad idea. Our tragic history of race relations may have inhibited spending, but we should be ashamed of that cultural heritage. We certainly shouldn't embrace it and brag about it. Brooks apparently doesn't realize what he's doing; he thinks he's touting good old Yankee self-reliance. But his argument is offensive even if he's oblivious to how offensive he's being.

In any event, it's not anti-poverty programs that are threatening to send the U.S. budget spiraling out of control. Rather, it's the middle-class entitlements, Social Security, and especially Medicare. And you can't blame those programs on the machinations of the dastardly "30 percent coalition," because they are overwhelmingly popular across the electorate. According to an April *New York Times* **poll**, 76 percent of Americans think "the benefits from government programs such as Social Security and Medicare are worth the costs of those programs." And amazingly, the percent only drops to 62 when the sample is restricted to the 18 percent of people who say they support the Tea Party movement!

Here again, Brooks' effort to turn economic policy problems into "us versus them" cultural conflicts collapses in failure. On the vexing question of how to defuse the entitlements fiscal time bomb, there is no "us" and "them." The politics of us versus them is almost always ugly and illiberal. And on the policy questions that Brooks is concerned with, there's no need for such deliberate divisiveness. Yes, there are strong disagreements about market regulation and the proper size and scope of social spending, but these disagreements are not based on some irreconcilable differences in values. Vigorous support for continued economic growth is nearly universal across the political spectrum. How else will we put jobless Americans back to work, and how else will we pay for the activities of government, without a strong, dynamic private sector? A similarly broad consensus exists for the following two propositions: On the one hand, a government safety net is needed to protect Americans from various hazards of life; on the other hand, that safety net shouldn't bankrupt us.

Figuring out how to restore growth and how to construct an effective but affordable safety net, are questions for debate, analysis, and

democratic decision-making. My answers to those questions may differ from yours, but dividing up into warring tribes and demonizing each other aren't the ways to figure out who's right.

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