

# THE BATTLE

How the Fight Between Free Enterprise and  
Big Government Will Shape America's Future



Arthur C. Brooks

Center of the American Experiment is a nonpartisan, tax-exempt, public policy and educational institution that brings conservative and free market ideas to bear on the hardest problems facing Minnesota and the nation.

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### Foreword

Arthur C. Brooks is on a pretty decent streak. Never mind having assumed, a year and a half ago, the presidency of the American Enterprise Institute, one of the most influential jobs in all of intellectual and policy life. I'll simply note how *The Battle* is his third keenly important book in just the last four years.

As you may recall (especially those of you who joined us in 2006 when he keynoted his last American Experiment Luncheon Forum), Arthur's first volume in what has turned out to be a mutually reinforcing trilogy, was *Who Really Cares: America's Charity Divide; Who Gives, Who Doesn't, and Why it Matters*. Like all authors, he's not necessarily fond of reducing hundreds of agonized-over pages to a single sentence. But in this instance, I suspect, he would not be too upset if I summarized the book this way: It quantitatively proves that people right of center are generally not nearly the selfish cads and nasty oafs that people on the left side of center sometimes suggest we are.

*Who Really Cares* was followed in 2008 by *Gross National Happiness: Why Happiness Matters for America and How We Can Get More of It*. Suffice

it to say here, in keeping with what he had already written about charity and true compassion, his focus the second time around had infinitely more to do with the joys of higher callings and meaningful effort than with the lesser stuff of materialist and mundane exertions.

And, now, he has written a third book, *The Battle*, with a subtitle so current—all about free enterprise and big government—that it's nothing short of electrifying.

I should add that weaving through all three books, especially the first two, are not only themes but a method. I know of only one other scholar, Arthur's AEI colleague Charles Murray, who is as brilliant in analyzing hard data in such sophisticated ways and then explaining what they have wrought with such clarity and culturally informative richness.

Before taking the helm of AEI, Arthur Brooks was the Louis A. Bantle Professor of Business and Government Policy at Syracuse University. In all, he is the author of eight books, with one of them, *Social Entrepreneurship*, actually released some time between *Who Really Cares* and *Gross National Happiness*, but I didn't want to mess up my little three-part harmony above.



Speaking of harmony, before his public policy life, Arthur spent a dozen years as a French hornist, both as a performer and professor in Spain and in the United States. He did his undergraduate work in economics at Thomas Edison State College, his master's (also in economics) at Florida Atlantic University, and his doctorate in policy analysis at the Pardee Rand Graduate School.

**Mitch Pearlstein**  
**Founder & President**

**American Experiment Luncheon Forum**  
**Metropolitan Ballroom**  
**Golden Valley, Minnesota**  
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**Arthur C. Brooks:** The American system we so cherish faces a challenge today—to its liberty, opportunity, and enterprise. I know these are values that most of you share with me and with Center of the American Experiment, a truly great institution that for 20 years has transformed thinking in this region and has done the critical research and development that has led to the work that my own institution, the American Enterprise Institute, has come to rely upon.

I know many of you here today are supporters of the Center. (I congratulate you on your good judgment!) Many of you are supporters of AEI, as well. Such support never ceases to amaze me. All across America, I meet people who understand that ideas are what matter most. And their support allows people like Mitch and me to make our livings in the world of ideas—ideas that are transformative, a gift to America, and America's gift to the world. We *cannot* do these things without you and I thank you, again.

What I'm here to talk to you today about is my new book, *The Battle*. I make a pretty controversial claim right at the very beginning. That claim is that America is in a new culture war. Now, I know that this is a jarring thing to hear, and it makes you think of culture wars from the 1990s. But we are not in a culture war over God and guns and gays and

abortions. And we're not in a culture war between Democrats and Republicans. My book argues, and I argue—and my institution is arguing today—that America is in a culture war over free enterprise.

The choice before us is of two visions of this country. Will we continue to be a culture of free enterprise—which is to say, a culture based on limited government, on rewards and consequences of behavior that are adjudicated by markets, and by a reliance on and a celebration of entrepreneurship? Or will we become a culture that's more like European-style social democracy—which is to say, a culture characterized by a large and growing government, a managed economy, and a hard-core focus on income equality? These are our two options, and we have to choose between them.

Now, I know that many people will tell you that we don't have to make any such choice. That we're a country of compromise. That there's no such thing as pure free enterprise or pure socialism. But we do have to make a choice. Why? Because in not choosing the country we want, a choice is made for us. As I will argue, when we don't make the choice for free enterprise, the choice will always be made for statism and redistribution—and that's a different culture.

I'm going to make three claims today. First, that free enterprise is the most mainstream of American values—not a right-wing idea. Second, that free enterprise is the secret to American flourishing and happiness—and not fundamentally about the money. And third, that the free enterprise system (despite what we hear from our leadership in Washington today) is the fairest system, as judged by the greatest number of Americans.

Not all of you necessarily agree with these three claims about free enterprise. By the end of this talk, you may or may not have changed your mind. But at the very least, I hope you'll understand better why so many Americans are so angry about what's happening to their country today.

## “What’s Going On?”

When I go to college campuses, when I go back to Syracuse where I taught for many years and I talk to my academic counterparts, they scratch their heads in bafflement over this weird Tea Party movement that seems to be sweeping the nation. “What’s going on?” they ask themselves. “Why are these people so wrapped around the axle over four or five percentage points in the top marginal tax rate? Why are they so upset about a little economic disagreement?”

The Tea Party protesters are the most visible sign of the culture war going on in America. And when I say we’re in a culture war, that’s actually not my idea. It comes from the current president of the United States. I want to quote to you from his first commencement address as president—at Arizona State University on May 13, 2009. Remember May 2009: We were all very afraid. This was one of the darkest moments in the current recession, and nobody knew what was going to happen to the American economy.

If you were president at such a time, what advice would you give to recent graduates of a major university? You might say, “The country is in *your* hands. Go out and create the jobs. Go out and create the growth. Become the entrepreneurs that will be the future of the prosperity of this country. We need you today to show the ambition that has kept our country moving for more than two hundred years.”

Maybe that’s the kind of aspirational language you would use. But here’s the advice that President Obama gave the graduates:

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. That has been in our culture for far too long. Let me suggest that such an approach won’t get you where you want to go. It displays a poverty of ambition.

President Obama is talking about the need to

change our culture at the very moment in which entrepreneurship is our best hope for getting out of this crisis. According to many of our leaders in Washington, this is the time to move away from our culture of free enterprise.

So I ask you this: What would the Founders say? How would they respond if I said, “The president of the United States believes that the free enterprise system is simply part of American culture?” The Founders would say, “He’s right—it is.” They would not agree with his views *about* the free enterprise system. But they would agree that it’s profoundly an element of our *culture* and not simply a way to make money.

In 1787, Thomas Jefferson wrote: “A wise and frugal government which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, shall not take from the mouth of labor the bread that it has earned.”

Why not? Why shouldn’t we “take from the mouth of labor the bread that it has earned”? In order, says Jefferson, “to close the circle of felicities.” Put another way, enterprise is important because it makes us happy.

Such understandings about enterprise have been central to our culture from the beginning. That’s what Thomas Jefferson was talking about in the second paragraph of the Declaration of Independence when he talked about the unalienable rights endowed by our Creator, among them life, liberty, and the pursuit of happiness. This was central to our culture when the Founders said they wanted to create the freest nation in the history of the world and that we would express that freedom in our workaday lives with the miracle of free enterprise.

Thomas Jefferson and Barack Obama might disagree violently about the importance of free enterprise and its centrality to the American experiment. But they would agree, absolutely, that free enterprise is central to our culture. And with that in mind, I ask this: What do Americans want?



I know what I want Americans to want—the same thing that Jefferson wanted: the freest people in the world working together for individual opportunity and expressing that freedom every day in the free enterprise system. That’s what I want, but I can’t impose that just by wishing it were true.

So what do the data say that Americans want? Are they changing in what they want? You might think so. It’s been a bad recession, and since 1950 the percentage of our GDP that’s soaked up by all levels of government has gone from 25 percent to 45 percent. It would appear that free enterprise is not as popular as it once was.

As a social scientist, I’m after the truth. Maybe people are less keen on free enterprise. Maybe President Obama is correct. Maybe we really are marching down the road toward social democracy, and we should just make the best of it.

What do the data say about American attitudes toward our free enterprise system? The poll results are surprising. In March 2009, during the darkest hour in the current recession, the Pew Research Center asked a large group of Americans the following question: “Do you believe that the free market system is the best system for America’s economy despite severe ups and downs?” Some 70 percent of Americans said yes, 20 percent said no, and ten percent evidently didn’t understand the question.

Fast-forward to the summer of 2009. People were in a little less of a panic, and the Gallup polling organization asked Americans if they had a favorable or an unfavorable opinion of the free enterprise system. Eighty-six percent said they had a favorable impression of the free enterprise system. Eighty-four percent had a favorable impression of entrepreneurs. And 95 percent were favorably disposed toward small business. *Ninety-five percent!* That outranks just about everything but motherhood.

At the same time, poll after poll has asked Americans about their views on income redistribution by government. In a word, it is loathed. Even at a time

when people are looking more toward government for help, most of them hate the idea of coerced income redistribution, particularly for the purpose of income leveling.

Last summer, the Ayres, McHenry polling organization asked Americans to choose between the following two options.

- Government policy should promote fairness by narrowing the gap between rich and poor, spreading the wealth, and making sure that economic outcomes are more equal.
- Government policy should promote opportunity by fostering job growth, encouraging entrepreneurs, and allowing people to keep more of what they earn.

Americans chose the second option by 63 percent to 31 percent.

Such robust support for entrepreneurship is surprising given that business has gotten a particularly bad rap in the recent recession. Some Americans have been effectively criminalizing the whole concept of profit, blaming the free enterprise system for everything from the financial meltdown to the oil spill in the Gulf.

Yet in polling American attitudes, it doesn’t matter how you pose the question about free enterprise. You may refer to capitalism. Or free markets or enterprise. You can ask about attitudes towards business. Or government. Or taxes. It doesn’t make much difference—the results are the same. Americans believe in entrepreneurship.

But the data can also be confusing. For example, in 2009 the Gallup organization asked: “Do you believe that the source of America’s strength is business?” Some 76 percent of Americans said yes. Yet, when it followed up with a question about whether they trusted business, 77 percent of Americans said no.

I happened to mention these apparently contradictory findings over dinner with my family.

“I’ve got this weird result,” I told them. “Three-quarters of Americans say the strength of our country is business and three quarters of the same group of people say, ‘Yes, but we don’t trust business.’”

This wasn’t perplexing to my wife at all. “That makes perfect sense,” she said. “It’s like marriage. Everybody loves the institution, but nobody trusts husbands.”

And she was right. Americans love business, but we’re not stupid. We understand that people are imperfect, that virtue matters, and that it matters as much in business as it does in our personal lives. This nuance is actually a testament to the sophistication and to the virtue of the American people.

## American Exceptionalism

No matter how you cut it, the data show that America is a 70-30 nation. Seventy percent of Americans are in favor of free enterprise, and 30 percent are against it. These percentages haven’t changed over time.

Our European friends have a markedly different attitude to free enterprise. For example, if you ask Americans if the government should redistribute more income from rich to poor, 33 percent of us say yes. If you ask the same question in Spain, 77 percent of the people say yes. Europe is a fundamentally different culture when it comes to the role of government and its efforts to make people economically more equal.

If you want an even more vivid example of the difference between America and Europe today, look at who’s protesting in the streets. In Greece, it’s bureaucrats and union members, throwing Molotov cocktails and burning down their own buildings. And they’ve been demanding lavish government pensions, early retirement, and salaries paid by their fellow citizens at the time of the worst, most threatening economic crisis in the last five decades.

What are Americans protesting against? Exactly the things the Greeks are *demanding*. Tea Party and town hall protesters are calling for *less* government intervention in the economy and in their lives. They want fewer subsidies and bailouts. They don’t want to mortgage their futures, or those of their fellow citizens or their own children, simply to get more stuff today. This is ethical populism in America—American exceptionalism at its best.

Yet to the Speaker of the House and the Senate Majority Leader, these fellow citizens are nothing more than shills for the insurance industry, sellouts working for big business interests. But there’s no evidence that this is the case—and Americans are not buying it either. The protesters are demanding that the government do less, as is their right. And this, in a nutshell, is the difference between America and Europe today—for now. How long will it persist? That’s a question I’m going to come back to.

But first, let me address another question that may be in your minds: If we are a 70-30 nation—and America is still a democracy—why are the 30 percent in charge? That, too, is a good question. And there are two answers to it.

The first explanation of why the 30 percent is in charge of America is one that a lot of Republicans don’t like to hear: The 30 percent have actually been in charge for a long time. Not just since the election of Barack Obama and the takeover of both houses of Congress by the Democrats. Let’s go back at least as far as the last administration and see what we find:

- Fifty-five thousand spending earmarks in federal legislation without one presidential veto because of abusive spending.
- The largest increase in entitlement spending in American history, in Medicare Part D.
- And over President Bush’s two terms, an absolute increase in spending by the Department of Education (so loathed by conservatives) by 54 percent.



The truth is, the 70 percent majority and its values have not been represented in Washington for a long time, regardless of which party is in power.

The second reason why the 30 percent are in charge in America is the big game-changer that came in the shape of the financial crisis. We didn't know what was going to happen to the economy. And the only solution forthcoming from government (from both parties) was this: "Government to the rescue. We have to stimulate. We have to bail out. Even if it costs trillions of dollars that we just don't have."

For some, the financial crisis was a pretext to change our culture, to move us away from the culture of free enterprise. They blamed the free enterprise system for what was happening and said that government would get us out of it. And when anyone had questions about the bad government policy (particularly housing policy) that got us into trouble in the first place, they simply changed the subject. That's why the anti-free enterprise 30 percent coalition is in charge today.

So, say you are part of the 30 percent coalition in control now—but you want to turn yourself into a permanent governing majority. How do you pull it off? You do it with public policy. In short, you reward the things that will change America's culture of free enterprise and penalize the things that will keep it. And one way to do that is to target young people.

Young people are at the core of the 30 percent coalition. Among America's youth, hostility to free enterprise is at its strongest. Most of them are not very well informed politically—but they *love* the sound of fairness and balance and equality. These are things that they can get passionate about.

One way to lock young people into the 30-percent coalition is a method that will work for other Americans, too: Make sure they never have to pay any taxes. To put a modern twist on an old axiom, a man who is not a socialist at 20 has no heart. But a man who is still a socialist at 40 has no head—or pays no taxes.

This process of "tax exemption" is already well underway. Today, 38 percent of Americans have no federal income tax liability. By January 2011, that percentage will rise to 47. You simply cannot sustain the notion of citizenship when one in two working Americans has no skin in the game.

Another way to turn a 30-percent minority into a governing majority is by making sure that you reward people who are most interested in working for the government. Last year, government was only one of two sectors with unemployment lower than six percent. The other, according to the Bureau of Labor Statistics, was volunteer work. Americans are hurting, and unemployment is at ten percent. The government's silver lining in all of this is that things aren't too bad if you're a bureaucrat or a volunteer.

The federal government is expanding steadily as an employer. Last year, it increased its permanent payroll by 86,000 jobs—not counting the part-time and temporary positions with the Census Bureau. And they're good-paying jobs at that. The number of federal positions with salaries above \$150,000 a year has increased by 119 percent. Today, the average government employee makes \$71,000. The average private sector employee makes \$40,000. To think this is OK, you must believe the average government worker is over 75 percent more valuable than the average private sector worker. Few Americans, even our friends in the government, would go along with this.

Seventy percent of Americans share our value of free enterprise. Thirty percent do not. This can lead to triumphalism among conservatives. "See? We're right," conservatives often tell me. "You've just got to look at the data." But you've got to do more than that. There are times when the 30 percent are right. Take the pre-civil rights South, in which less than a third of the population believed in equal treatment under the law for African Americans. That minority point of view has been completely vindicated. So why not in this instance? Maybe the 30-percent coalition against free enterprise is also correct. Well, it's possible. But it's not true—and I'll show you why.



## Earned Success

So why do the 30-percent minority against free enterprise believe that America would be better off with more income redistribution? Well, they've got their data, too. They point to studies that *appear* to show we can get a fairer, happier, better-adjusted society if incomes weren't so unequal—if we could redistribute to the point where the rich weren't so much richer than the poor. That's why European systems are idealized by the 30-percent coalition.

Many studies show the link between inequality and unhappiness. The General Social Survey from the University of Chicago, for example, finds that people who earn more than \$75,000 a year are twice as likely as people making less than \$25,000 to say they are very happy about their lives.

A famous 1995 study from the Harvard School of Public Health sheds more light on attitudes about relative wealth. In it, study participants were presented with two scenarios and had to choose which one they preferred. In the first scenario, they earned \$50,000 a year but everyone around them earned \$25,000 a year. In the second scenario, they earned \$100,000 a year and everyone else \$200,000 a year. Which do you think they chose? Fifty-six percent study chose scenario one. They thought it was better to be poorer as long as they were richer than the shlub next door.

When I was a kid, my dad used to say, "You know, it's really not enough to win. Your friends have to lose, too." The Harvard study would seem to validate his claim. And if it is true, and income inequality is bad for people, then what are the policy implications? If you want a happier, more just society, perhaps you just need to redistribute more.

European visitors are struck by the income inequality in America. "How can you have a society in which some people make so much more money than others?" they ask. It just doesn't seem right—and 30 percent of Americans agree with them. So if you can create a happier, fairer society by making

people more equal, how do you go about it? An economist will tell you how: You penalize the one thing that creates most of the income inequality in this country—entrepreneurship.

The reason why we have a relatively unequal income distribution in this country is because we have a relatively high number of entrepreneurs. And in America, we reward entrepreneurs. If you want less income inequality, you've got to penalize entrepreneurs and penalize entrepreneurship. In other words, you reduce the size of income inequality by bringing the top down. That's why our government is planning to increase the income tax rate among families making over \$250,000 a year.

The target of the new tax is not the wealthy who have inherited their fortunes. Nor is it even people who have relatively high salaries. This is a tax aimed at small business owners, at entrepreneurs. Statistics show that these are the people who are really driving the income inequality in this country. And if income inequality is the enemy, then these are the individuals to punish.

Bringing the top down may be the 30 percent's path to greater income equality. But it's wrong. Not just because it violates what's written on your hearts. It's wrong because it violates the truth within the data. The studies that show greater income equality leads to a happier people are all guilty of a methodological error: They never measure the core concept of *earned success*.

Earned success is the belief that you are creating value in your life or in the lives of those around you. It can be measured in many ways. Earned success can be counted and denominated in money. It can be expressed in souls saved or a community cleaned up. It can mean the raising of children, getting people to listen to more classical music, or whatever endeavor is important to you. No matter what the particular undertaking—or *enterprise*—the data are clear: If you believe you have earned your success, you will be a happier person.



The same General Social Survey referenced above indicates the importance of earned success. In 2004, the GSS looked at a large group of Americans who were demographically equal in all major respects. Take two people who have the same education level, the same race, the same religion, who both live in the same town, and who both have earned a lot of success in their professional lives. But one person earns eight times as much money as the other. Guess what? They will be equal in terms of their happiness.

Survey after survey shows that it's earned success that brings happiness, not money. Once you get beyond the level of starvation, it doesn't matter how much money you have. What does matter is how much earned success you have. And so, we don't have an income distribution problem in this country—we have an earned success problem. We don't have too many people who earn less money than you—but too many people who have not earned as much success. That's why some people aren't as happy as you. We don't have to think of this as a matter of religion or dogma or theology or philosophy. It's a matter of social science—the data require no act of faith.

It's all too easy to confuse money and happiness in a free market economy. That's because those who earn a lot of success may well also earn a lot of money. It therefore looks like those who have more money are happier. But it is not because of the money. It's because of the earned success.

Spreading income around in a society has a double-impact on happiness and on behavior—on those who get “redistributed to” and on those who get “redistributed from.” First, it fails to raise levels of happiness among the recipients of the redistributed cash because it does not encourage people to earn their success. And second, it lowers incentives for people to be entrepreneurial, thus diminishing their earned success and, by extension, their happiness.

The great paradox of government redistribution is that it is forever promising happiness, but always delivers misery. In this regard, it stands in stark

contrast to free enterprise. Free enterprise is not simply an economic alternative, a way to allocate money in society. It is the best system for human flourishing, allowing the most people to earn the success that they deserve on the basis of their hard work and merit.

Defending free enterprise is therefore a moral imperative and not simply an economic consideration. And that's why the Center of the American Experiment, when it talks about free enterprise and markets, truly is a cultural institution.

The American Enterprise Institute is also a cultural organization. At AEI, we stand for the following core values: expanding liberty, increasing individual opportunity, and defending free enterprise. These are truly mainstream ideas—and they lead to happiness. I'm honored to be part of a movement that promotes happiness rather than one in favor of simply generating greater wealth.

Achieving income equality and equality of outcome is easy. I simply go to all of you, take a larger slice of your money, start a few government programs, and pass out the services or the cash. The free enterprise movement aspires to so much more.

However, we must make sure that free enterprise is not just a hollow promise for some of our fellow Americans. And that is a harder thing to achieve. It means spreading equality of opportunity and giving everyone a chance to earn their own success, including those who do not enjoy our blessings. But even if these are challenging things to achieve, there is a moral imperative for us to do so. Politicians are often reluctant to take the job on. And so it falls to us. For me, as president of the American Enterprise Institute, it's a challenge I accept with enthusiasm and without apology.

I hope you will embrace this mission, too—or at least understand better those who do. And in particular, I hope you have a keener appreciation of the three claims I made at the outset.

- **Number One.** Free enterprise is the most mainstream of American values. Now, you may hear some say that it's just a right-wing scheme, a cynical way to win back the majority for Republicans, or part of some narrow, conservative philosophy. This is not so. It's a 70-percent view; the 30-percent coalition against free enterprise is the fringe. They're the ones who have a basically pathological view of the way America should work.
- **Number Two.** Free enterprise is not about the money. We lose every argument over markets and enterprise when we end up talking about the efficiency of marginal tax rates or about the importance of economic growth rates. As a result, our opponents walk off with our culture because they say they've got the corner on happiness. They don't—you do.

Free enterprise is the secret to earned success, and earned success is the key to the most happiness for the most people; that's why defending it is a moral imperative. We need to get comfortable talking about happiness and about human flourishing. The wealth is great. Material well-being, jobs, and booming economies—they're all great. But this really is an argument about something else, namely flourishing and happiness.

- **Number Three.** I've been hearing for a year and a half about fairness. What is the rationale for increasing taxes on the rich? Our opponents' answer is this: We need fairness and balance in the tax code. (In fact, that's a direct quotation from the president of the United States.)

But let me tell you what most Americans think is the fairest system. They think it's one that rewards merit, hard work, and excellence—one that penalizes free-riding, corruption, and laziness. Indeed, there are few better definitions of the free enterprise system.

Those of us in the free enterprise movement need to take the word "fairness" back. Why did many of our ancestors come to this country? Not because they wanted fairness in terms of forced income redistribution or welfare checks. They wanted fairness in terms of a system where the deck wasn't stacked against them, where they had the chance to get ahead on the basis of their hard work and street smarts. That's what *they* thought was fair. They demanded the promises and rewards of enterprise—and that's what they got. In America, we have the fairest system, and it's time to stand up for it.

Before I close, I want to remind all of us why this is a fight worth fighting. It's actually easy to compromise, to stop arguing about these issues all the time. One little bailout here, one compromise there, a subsidy here—who cares?

We care. We have to. The fight for free enterprise is the fight for the American system that has set more people free than any other system in the history of the world—*anywhere*. It has led to unimaginable prosperity for all of us.

By allowing people to keep the rewards of their earned success, we unlock human potential and human flourishing. In response, individuals have made the advances in science and medicine that save lives and improve the quality of life for the rest. They have made the advances in education that have benefited millions of children in the United States and elsewhere. Earned success has created a system that is the envy of the world. It has spurred peoples everywhere to topple collectivist tyrannies and set themselves free simply to get what we have right here.

There are thousands of Americans who are fighting and dying overseas to share these values with others today. The very least I can do—the very least all of us can do—is to stand up for these values at home, right now. That's why you support the Center of the American Experiment, why many of you support the American Enterprise Institute, why you're willing to get involved in the war of ideas that we are waging. For all that you do in your



daily lives and your careers, the jobs you create, the opportunity you support, and the philanthropic energy that you put into the American economy—for the free enterprise system—my last word to you today is thank you.

***After his remarks, Dr. Brooks answered questions from the audience.***

**Dale Beihoffer:** The concept of earned success seems to be under attack throughout our education system—from the self-esteem movement, to grade inflation, to a teacher system protected by unions that say, “No matter how good you are, you can’t be paid more. No matter how bad you are, you can’t be fired.” Would you comment, please?

**Brooks:** Earned success is under attack in our education system. The main question is, then, what are we going to do about it? There are two answers to that question. Answer number one is to go armed with the arguments. The reason I wrote *The Battle* is so that free enterprise supporters don’t lose any more arguments. The data are in, and they’re on our side. Answer number two is to make sure free enterprise is never a hollow promise for anybody. As a result of their life experiences, a large part of the 30-percent coalition against free enterprise honestly believes the system is a sham and is stacked against them.

So what are we going to do over the next 20 or 30 years to make sure that *everybody* has pathways to earned success? The obstacles to such pathways are all too real—like public sector unions and other non-merit organizations that penalize earned success, as in the education sector. But we need to be more creative, more imaginative in our approach. It may not be enough to just go to work, create value, and go home. We may have to share our values and insights about earned success and free enterprise—with our neighbors, with future generations, and with people around the world.

**Bob MacGregor:** I argue with my banker brother about how mainstream Obama is. He says, “This

stuff about socialism is just right-wing nonsense.” He says, “I listen to Warren Buffett. I listen to the Business Roundtable executives, the head of G.M. I listen to Wall Street. They all supported Obama.” Most of the foundations set up by companies are run by the 30 percent. Please explain this.

**Brooks:** I think there are a lot of people on Wall Street who used to support Obama. And today they’re trying desperately to get the Obama/Biden bumper stickers off their cars.

But how come so many people went for the 30-percent coalition’s program in the first place? I gave a couple of answers earlier. One is that we’ve had no alternatives. For a long time, the 70-percent majority has been almost completely unrepresented. That’s because so many politicians, both Republican and Democratic, “go native” when they get to Washington and get to exercise power. For them, exercising power often amounts to spending public money. If there are no other alternatives for the electorate, then the 30 percent is always going to win.

A second reason why so many Americans went for the 30 percent coalition’s program was the financial crisis. A lot of people were convinced that the meltdown in the markets was, indeed, the death throes of the free enterprise system. They were wrong—but they still believed it, and voted accordingly.

We have to be vigilant in our work for free enterprise. Every little compromise we make is a prop to the forces of statism and redistribution. Every little health care takeover, every little farm subsidy, every little program to which we’re willing to acquiesce because we don’t stay loyal to our core principles—all these actions support the program of the redistributionists and those who want to grow government.

Such compromise, as Friedrich von Hayek famously told us, is the road to serfdom. Serfdom doesn’t come with takeover of the United States by Hugo Chávez. Or Fidel Castro. Or the Soviets. It comes

from a series of little steps, our own small sell-outs on policy—by our friends in the philanthropic community, by the foundations, and by those on Wall Street.

**Dan Ritchie:** I'm wondering how much of your argument is culturally specific to America or transferable to modern economies in general. It would seem like a good test case for earned success versus income redistribution if you were to ask how happy people are in the social democracies in Europe. We often hear folks in Denmark are the happiest in the world. Can you comment on that?

**Brooks:** That's a wonderful question. It is manifestly true that Americans are happier when they embrace and live the values of the 70-percent majority. But it is also true, when we look at most responsible sources of data, that people in social democracies are about as happy as Americans. Some surveys say that the Danes and the Swedes are the happiest people in the world. Other surveys say it's the Brazilians and the Mexicans. Everybody says that Americans are relatively near the top.

The truth is we don't exactly know who is the happiest. But we can't say that the Danes and Swedes and Norwegians are miserable, because that's not true. So the question is how come? Almost certainly it is the case that we're different than they are.

One hypothesis says that all of the entrepreneurs in Sweden came to Minneapolis and St. Paul. In more general terms, there's a body of research that's building right now that says it's not the norm around the world to be entrepreneurial, to put capital at risk. So what's the most entrepreneurial thing you can do? What's the way to most put capital at risk? The answer is immigration.

Immigration puts *all* your capital at risk—your social capital, your religious capital, your linguistic capital, and your financial capital. Immigration means going to a new country where you don't know anybody, you don't have a job, and you're in search of explosive returns. What could be a more

entrepreneurial act? If the entrepreneurs tend to be the immigrants, then that which is a mutation in Europe will become the norm in the United States—a nation of immigrants and the descendants of immigrants.

A psychiatrist at Johns Hopkins is experimenting with the notion that Americans are genetically different from other peoples—that we're more disposed in our DNA toward entrepreneurship. Is that true? I don't know for sure, but it's plausible. One thing I do know is the data show that earned success and entrepreneurship mean more to Americans than they do to Europeans. We're different. We might not have anything to tell the Swedes—but they *certainly* don't have anything to tell us.

**Pearlstein:** Americans love liberty, and entrepreneurship means you take risks. But people also like security, especially during tough times. How do you reconcile these two instincts?

**Brooks:** That's a wonderful—and important—question. People are tangibly less happy when their ability to meet their basic needs is at risk. This we know. So how do you reconcile this with an entrepreneurial society that needs to be able to put capital at risk in order for all of us to earn our success? Someone who can help us is a thinker I just cited above, Friedrich von Hayek.

Hayek is the father of the modern free enterprise movement. As he saw it, the government has two core competencies. The first is to assist the free enterprise system in cases where markets fail. The latter can happen:

- When you have monopolies.
- When one side of a market is well informed and the other isn't.
- When you have a need for public goods like national security.
- When there are what economists call externalities, such as pollution.



In these circumstances, the free enterprise system cannot function without a smart government and without rule of law. You can't have no government and expect to have a good free enterprise system.

Hayek identified a second core competency of government. Even if it lowers efficiency, government should "make a basic minimum standard, such that people are not stepping over those who are starving." Hayek considered this "a legitimate thing to do."

So what is the *illegitimate* thing to do? It's to make markets fail. It's to lower risk so that people don't see differences in reward levels. It's to equalize people's income because you don't like that some people make so much more than others. In other words, the illegitimate thing to do is to penalize success and eliminate risk.

How are these illegitimate roles of government manifest today?

- By bailouts—which make sure that people aren't held accountable for their actions.

- By social engineering—getting people to do what government thinks is best for them (like buying their own homes and then having the full faith and credit of the federal government serve as a financial backstop).
- By basic pork barrel spending—such as Cash for Clunkers.

The vast bulk of the money we're now spending is not to make markets succeed. It is making markets *fail*.

There is a lot to be concerned about in our country today. But the forces of free enterprise are mobilizing. Thank you to those who share our concerns, for the patriotic Americans who are willing to stand up for our American values, and for all who are willing to say, "Our system is our gift to America and America's gift to the world." ■

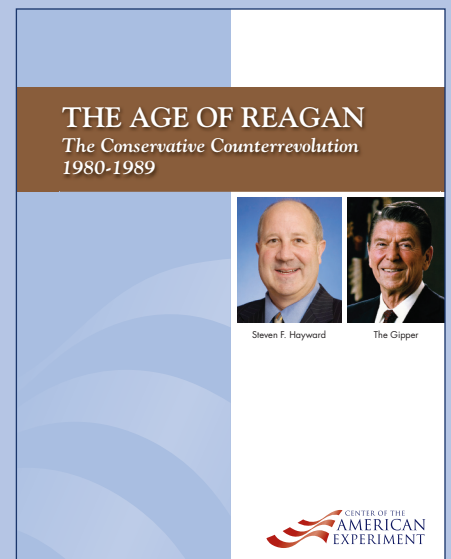
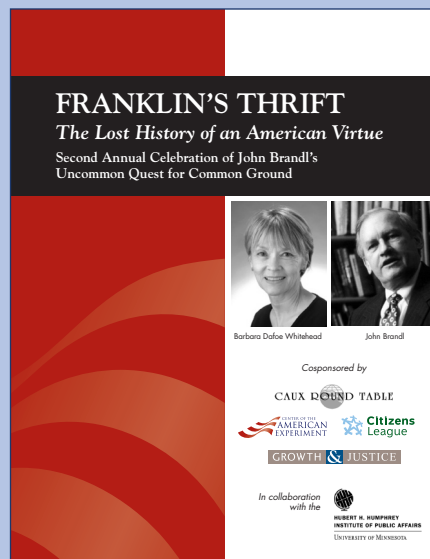
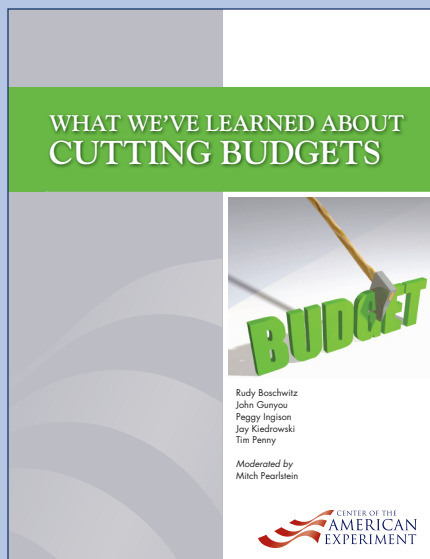


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