

How Can Conservatism Better Allay the Economic Fears of Working-Class and Middle-Class Americans? *A Symposium*



John S. Adams, Paul D. Allick, William A. Blazar, Barry Casselman, Chuck Chalberg, Larry Colson, Roger Conant, Kevin Donnelly, Devin Foley, Arvonne Fraser, Paul Gessing, John C. Goodman, Jake Haulk, Mike Jungbauer, Phyllis Kahn, Greg Kaza, Tom Kelly, Eric L. Lipman, Jefferson Morley, Peter J. Nelson, Grover G. Norquist, Bruce Peterson, Todd Peterson, Bill Pulkrabek, Larry Purdy, Don Racheter, Kristin J. Robbins, Lyall Schwarzkopf, Brett Singer, Grace-Marie Turner and Amy Menefee, Lou Wangberg, Cheri Pierson Yecke, Stephen B. Young

Introduction by Mitch Pearlstein



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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Introduction

Mitch Pearlstein, *Founder & President*

How Can Conservatism Better Allay the Economic Fears of Working-Class and Middle-Class Americans? is the third in a current series of American Experiment symposia aimed at vitalizing conservatism in Minnesota and the nation. The anti-collectivist troika kicked off with 40 brief essays in *What Does It Mean to be an Urban Conservative?* shortly after conservatives got whomped in November 2006. It accelerated in the months leading up to the Republican National Convention in St. Paul last summer with 29 pointed pieces in *Learning from Lincoln: Principle and Pragmatism: Getting the Balance Right*. And it's now punctuated, in the aftermath of a second whomping on Election Night 2008, along with associated economic troubles and agonies, by the 33 columns featured here.

In all, the three collections contain more than 100 critiques of often widely divergent mind about conservatism's current and potential states – but that's exactly the eclectically purposeful point. American conservatism will rise again; of this there's no doubt. But in order to assure that it has intellectually substantial and compelling things to offer when it does return, full-throated, virtually all ideas and approaches must be openly examined. No “my ideological way or the highway” allowed. Or as

my friend Heather Mac Donald recently wrote in *City Journal* in a different context: “The public good is best served by giving maximum freedom to the creative spirit.”

Actually, conservatism may revive with unexpected, double-jet speed if Washington continues passing trillion-dollar bills without reading them first. But even if this comes about, serious self-study and policy imagination will remain advisable.

How do our 34 participants (one piece is coauthored) propose to lessen economic anxieties? Here's a sampling of responses that can be grouped in several rough categories, starting with often exasperated admonitions for conservatism and its proclaimed leaders to return to small-government basics.

“I begin,” Larry Purdy writes, “with this simple and, one would think, unobjectionable premise: Practicing conservatism is the best deterrent to economic difficulties.”

But that begs the question of whether conservatism's message *in and of itself* – without a demonstrable devotion to conservative principles – can effectively allay the fears associated with looming, or existing, economic hardships. The question is particularly pertinent in a

society whose citizens increasingly abjure conservative principles. The problem is not conservatism per se. The problem is in understanding why so many contemporary Americans seem ignorant of its teachings.

Larry Colson argues similarly when he writes of the “dismal understanding of basic market economics among the voting public and, perhaps more importantly, among our elected officials. Even normally conservative-leaning folks have come to accept things like government ownership of private businesses.”

Bill Pulkrabek is direct: “Too many conservatives talk a good game on the campaign trail but, once in office, digress to a ‘don’t rock the boat’ mentality.” If conservatism is to become credible again, he writes, activists “need to keep a vigilant eye on political endorsements of future candidates” so as to ensure that winners actually “do something bold” rather than “just talk about it.”

What specific, market-based policies do symposiasts urge? Bill Blazer contends that “people vote their pocketbooks” and conservatives have to show Americans how conservative prescriptions mean “more dollars in their pocket in both the short and long run.” He recommends, for instance, broadening the Social Security tax base and then cutting the rate. More precisely, the current 6.2 percent rate for individuals “could be dropped to about 5 percent, yielding a tax cut for most Americans and roughly \$30 billion per year more for the Social Security Trust Fund.”

Blazer also urges a ceasing of encouragement of “debt-fueled retail consumption.” Clear distinctions ought to be made, he writes, between loans that pay for a home or education on the one hand, and buying a boat, on the other. “The former are investments. That latter [are] almost always not. Working- and middle-class Americans understand the difference.”

According to Grover Norquist, the best and only effective way of allaying economic fears of middle-

income Americans is to “enact federal and state policies that create strong, rapid, and continuous economic growth.” These would include reducing taxes on capital gains “downward towards zero;” eliminating the “death tax;” and “expensing all new investment,” as it would “reduce the cost of capital and simplify the tax code.”

A number of participants energetically emphasize health care.

The United States, write Grace-Marie Turner and Amy Menefee,

is alone among industrialized nations in providing health insurance through the workplace. This is a relic of the Postwar Era, when the foundations for today’s system were established: Workers get a generous but invisible tax break for health insurance, as long as they get coverage through their jobs. This policy is simply not working for tens of millions of Americans who don’t get health insurance at work and tens of millions more who would prefer insurance they could own and take with them from job to job.

Turner and Menefee cite specific remedies, as does John Goodman, who focuses particularly on Baby Boomers, men and women born between 1946 and 1964. “We’re looking,” he says, “at a huge gap – a yawning chasm – between what this generation is expecting during its retirement years and what has been set aside to make those expectations a reality.” So what can be done? He continues:

[T]here are many good ideas consistent with small government and individual empowerment. Why not let employers help their early retirees obtain individually owned, personal, portable health insurance at group rates? Why not let employers pay whatever portion of the premium they deem affordable with pretax dollars (just as they do for their active employees)? Why not let the retirees

pay their portion of the premium with pretax dollars? Why not let both employers and employees save pretax dollars in anticipation of these costs? There: I just produced four ideas that would have a great impact on Baby Boomers' lives without emptying the Treasury.

The same issue of *City Journal* (Winter 2009) with Heather Mac Donald's quotation has an insightful article by Laura Vanderkam about how health care is causing anxieties and complicating the lives of many self-employed people in particular. Health care is a profoundly important issue for a variety of acutely recognized reasons, but here's another one: Unless we get it right, many small business owners and independent contractors – natural conservative constituencies – will drift to governmental programs of the Left in search of what might look like lower costs.

Several writers have significantly different conceptions of successful conservative coalitions. Todd Peterson and Barry Casselman might be said to be on one side of a social or cultural pivot, Chuck Chalberg and Brett Singer on the other.

“While family values,” Peterson writes, “are no doubt valuable, had we focused relentlessly on the economy, there is no doubt that Mitt Romney would have shined as the conservative with the best chops for the economic job – the best in a long time. Instead, we forced Romney to prove he was a ‘real’ conservative in all other ways.”

Casselman writes in similar spirit: “It is not my intention that the so-called social issues are either right or wrong. . . . They are legitimate subjective views about moral and ethical questions that members of American society are entitled to hold, discuss, and seek to have accepted.” But, he writes, contrary to the assumption of many who champion them, they are “not inherently political issues,” and in practice, “they often distract the political process and weaken political parties that adopt them into their platforms.”

Chalberg, however, proposes a “conservative alliance that combines endorsement of

international economic competition *and* key elements of the social conservative agenda, all in the name of creating hope and allaying fear.” Clearly, “there is a libertarian, even elite appeal to being socially liberal and economically conservative, but it ought to be resisted in the name of a more hopeful future. After all, if America is to have such a future, it will be in no small measure because the causes that are important to social conservatives have prevailed.”

Similarly, Singer argues that the Republican party's challenge will be to “become an amalgam of social conservatism of old, and of economics that address the danger and adversity that working-class voters face today, without becoming an unreconstructed Rockefeller party.”

In matters of culture more broadly, Cheri Pierson Yecke charges: “Let's face it: Far too many Americans are addicted to ‘things.’”

The conservative values of delayed gratification, self-reliance, and personal responsibility, long out of fashion in American culture, deserve resurrection. Only then will the middle class, the working class, and the working poor know the pride and power of not being beholden to anyone. Only then will they know the resulting feeling of liberation that far surpasses the insatiable lust and fleeting satisfaction of servitude to things.

Lyall Schwarzkopf is of like mind when he writes: “People who have savings, people who have a mortgage they can afford, people who make limited use of credit cards, and people who have good job skills, should have no fear of the present economic downturn. They have the wherewithal to weather the storm.”

But that's not to say, as Kristin Robbins might put it, that pain is necessarily optional. “A wise old saying,” she writes, “would be well-heeded in today's climate to rush to ‘save’ anything and everything: ‘The way out is through.’”

Whether we want to acknowledge it or not, economies go through cycles with relative regularity. . . . In recent years, the over-reaching beyond equilibrium in particular sectors has been characterized as a ‘bubble.’ Whether the bubble is in the tech sector, the housing sector, or hedge funds, it is not sustainable and eventually will ‘burst.’ Contrary to popular opinion, bursting the bubble is actually good for the economy in the long run. We don’t want more and more people betting on the bubble, causing it to grow and then hurting even more people when it bursts.

Yet when it comes to the inescapability of pain, a few contributors are grimmer than others, starting with my otherwise convivial friend, Roger Conant. “Emigrate to North Korea,” is his suggestion for allaying economic fears. “You may be frightened, but it won’t be because of concerns over economic uncertainties. You will be poor and will remain poor for the rest of your miserable life.” If, however, “you enjoy the high standard of living and freedom of choice of the capitalistic system, you must accept the concomitant bad news: You will be economically concerned from time to time. It’s part of the system.”

Conant, I’m afraid, grows more funeral still when he writes how we “should be afraid – very afraid,” not by the recession itself, but by the “current and proposed federal government actions that will do us in.” For if such policies “succeed,” excesses will “not have been wrung out of the system and asset prices will not have adjusted to their new risk-adjusted levels, thereby teeing our economy up for a full-blown depression.”

I don’t think I’ve ever said this in an introduction, but I hope Roger is royally wrong, though his warning is surely plausible.

Then there are a number of essays that fit categories all their own, including one by John Adams, who argues for eliminating “distortions in markets that have crept into our economy.” He

discusses two maxims he uses in his teaching “from which I am able to build a conservative critique of challenges facing our troubled economy.”

The first holds that in the private sector, “we should pay fair prices for what we receive in the way of goods and services by eliminating unwarranted subsidies to producers and consumers while eliminating cartels and inappropriate barriers to entry on the supply side.” With the second holding that in the public sector, “we should insist on getting full value for what we pay in taxes and fees.”

“We’re trading,” he concludes, “overvalued dollars and IOUs for under-priced imports while drawing down national assets, building up debts of unfathomable magnitude, and ignoring competitors nibbling at our shores. At the same time, we continue to suffer from what one British writer terms the ‘British Disease,’ that is, a disdain for doing useful work. But that’s a topic for another day.”

Finally, as is always the case with American Experiment symposia, I invited friends on the other side of the philosophical aisle to join in, and I’m very pleased that several have, including Bruce Peterson. He ends his essay by suggesting that conservatism could allay economic fears by “steadily tempering pride and independence about being ‘self-made’” with compassion and generosity that come from recognizing that “there but for the grace of God go I.” Sounds like good advice to me. Arvonne Fraser, Phyllis Kahn, and Jefferson Morley also share advice, albeit sometimes with more of a kick. All are appreciated.

As teased at the top, other germane American Experiment symposia, both recent and a while back, have included, *Principle and Pragmatism: Getting the Balance Right; What Does It Mean to be an Urban Conservative?; Should Medicare be Means-Tested?; The Supremes Belt Out a New Hit: School Choice in Minnesota after Cleveland; The Bush Doctrine: A Preemptive Path to Peace or a Recipe for Perpetual War?; “They Beat the Hell Out of Each*

Other Up There:” Civility in Minnesota (and National) Politics; Marriage and Children: A Symposium on Making Marriage More Child Centered; and Heart and Soul: A Symposium on Aim and Tone in American Conservatism, published on the Center’s tenth anniversary in 2000. They can be found on our website, www.americanexperiment.org.

My great thanks to many, starting with our 34 writers, and including Kent Kaiser for his superb copy-editing, Peter Zeller for getting the original word and invitation out, Peter Murray for his beautiful formatting, and Britt Drake for getting the package organized and otherwise out the door. And as with everything we do, I very much welcome your comments.

Pay for What We Get—and Be Sure to Get What We Pay for

By John S. Adams

How can conservatism help allay the economic fears of working- and middle-class Americans? One way would be to eliminate the distortions in markets that have crept into our economy. In my teaching, I discuss two maxims from which I am able to build a conservative critique of challenges facing our troubled economy.

- Number One holds that in the private sector *we should pay fair prices for what we receive in the way of goods and services* by eliminating unwarranted subsidies to producers and consumers while eliminating cartels and inappropriate barriers to entry on the supply side.
- Number two holds that *in the public sector we should insist on getting full value for what we pay in taxes and fees.*

Through the lens of these maxims, I ask students to consider the economy of the past half-century. In 1983, I gave a speech at Georgia State University discussing perverse aspects of what was then labeled “the emerging service economy.” At that

time, U.S. manufacturing was steadily moving off shore in search of lower production costs, while other sectors of the economy were beginning to flourish. I focused on six expanding service industries: banking and finance, casualty insurance, hospital-medical care, government, education, and legal services. The gist of my observation was as follows: These six expanding service sectors were increasingly able to sell their services outside of a *fully informed, willing-buyer-willing-seller framework*.

My main points were (1) we no longer enjoyed much choice about whether to buy from these industries; and (2) prices paid were being set outside the competitive frameworks that govern most retail purchases of discretionary consumer goods like cars and TV sets, or services like haircuts, oil changes, or movie tickets.

The *constrained choice* typical of many service industries, coupled with barriers to entry and noncompetitive administered prices, has led to an ever-greater share of household income diverted to *mandatory* purchase of services that we usually prefer not to buy — or at least at those prices, in those quantities, and at that quality — accompanied by levels of compensation to service providers that have often been utterly unjustified by the associated value of their services. Here in Minnesota and across the country, a typical household now needs two incomes to get by — one income to pay for things we are required to buy, and another to buy the things we choose to buy.

These economic challenges have been building for a long time. In a recent essay, George Will recalled how government’s Depression-era policies, beyond the Fed’s tight money, deepened and prolonged the Depression by *magnifying the power of labor and encouraging the cartelization of industries*. Both types of measures suffused the economy with inefficiencies, he wrote, with compensation to both labor and industry rising to levels unjustified by the associated value added. World War II and the post-war boom, with the United States rebuilding while helping Europe, camouflaged flaws in our economy until things began unraveling in the 1960s.

We've recently been led by members of two generations with little understanding of how today's economy works, who grew up after the war (n.b., Bill Clinton and George W. Bush were born in 1946). To them and many others, what is familiar is necessary. Tenured civil servants are *supposed* to earn market-level compensation AND enjoy job protection AND generous pensions AND lifetime health care. Senior Wall Street executives and fund managers are *supposed* to earn billions in salaries and bonuses, regardless of performance. Homeowners insurance is *supposed* to cost what it does, and we are *supposed* to pay the premiums to protect not us but — get this — the lenders. Health insurance is *supposed* to be paid by our employers and is *supposed* to pay more to the hospital-medical industry the less well we care for ourselves and the sicker we get. If someone sues us in a frivolous lawsuit, *we* are supposed to pay the cost of defending ourselves. And so it goes.

Are we paying fair prices for the goods and services we receive? Are we getting full value in return for our taxes? Can conservatism help to allay economic fears of Americans? Perhaps. A good start would be to expose and eliminate some of the market distortions that have crept into our economy, to help the public understand that what is familiar is not always necessary or desirable, to look more critically at the world we've created, and to understand that additional trips to the mall are not the path to economic health for our country. We're trading overvalued dollars and IOUs for under-priced imports while drawing down national assets, building up debts of unfathomable magnitude, and ignoring competitors nibbling at our shores. At the same time, we continue to suffer from what one British writer terms "the British Disease," that is, a disdain for doing useful work. But that's a topic for a later day.

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Dismantle the Private Health Care Behemoth

By Paul D. Allick

At the core of modern American conservatism is an abiding trust in the free market. This core value would seem to make it very difficult to address the economic fears of the working and middle classes. A pure trust in the free market would ask us to wait out economic difficulties until the natural cycle of "up and down" goes "up" again. How can this core value allow the addressing of the inevitable economic pains caused by an open, risky, and fluid system? Is the only answer market intervention? In some sense, yes, that is the only practical answer. It is an answer that is hard to swallow for those who want to let the market do its will to ensure better times ahead.

But as any good libertarian will tell you, we don't live in a pure free market. Our history as a nation has involved a persistent progression of adding safety nets to allay economic tragedies for our fellow citizens. Conservatives, centrists, and liberals all have remedies in differing degrees.

We have all kinds of governmental intervention in the market: We insure bank deposits, we give tax breaks as incentives to businesses, we have an overall elaborate tax system of reward and punishment, and we have a Federal Reserve Bank and departments of treasury, labor, and commerce. Indeed, our free market system has many mechanisms in place to avoid an utter collapse of our financial system.

So the question becomes, how can conservatism address this question? After all, it isn't just about allaying fears but also about addressing human need. It is about allaying the actual painful consequences for those already living on the financial edge.

I am no policy wonk. I can't spell out in detail hard factual data and programmatic solutions. But as someone who lived most of his childhood in the

lower strata of the free market, and as someone who still communes with the same, I can offer some philosophical markers.

Conservatism can allay the economic fears of the working and middle classes by cutting taxes and by addressing the ineffectiveness of our health care system.

I know the conservative argument about tax cuts for the wealthy: They are the ones who pay the majority of taxes. This is true. But would it really harm anything to provide substantial tax cuts to the working and middle classes? Yes, much of the working class ends up paying almost nothing in income tax, but there are other ways to cut their taxes. Payroll tax relief is always an option. What about breaks on sales taxes and fees on all kinds of other services? Conservatism would do well in this time to take a more populist approach to tax cutting: Cut at the bottom levels and hope that this will stimulate the economy from the bottom up. What if conservatives angered some of their special interest supporters and truly attacked the bloated tax code?

Health care costs and coverage are at the heart of much of working- and middle-class economic anxiety. While the conservative movement could never support a government-run and mandated health care system, conservatives could come up with an alternative to the inefficient and expensive system we now have. There must be some free-market-friendly way to insure more people and bring down the costs. It would seem the starting point would be to begin to dismantle the bureaucratic behemoth which is the current private system.

The conservative movement must first decide if it wants to join in government efforts to allay economic fears. If that is the direction the movement takes, then there are plenty of bloated bureaucratic public and private systems to simplify. This approach would not be about adding to government intervention as much as making government intervention more efficient.

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Speak to the Pocket Book

By William A. Blazar

People vote their pocketbooks. There's no sign that's changing. Conservatives have to show Americans that their prescription means more dollars in their pocket in both the short and long run. With that, here's my list of suggestions.

- **Broaden the Social Security tax base and cut the rate.** Applying the tax to all wages (not just the first \$106,800) would create important policy opportunities. First, a broader base would mean the same amount could be collected with a much lower tax rate. Second, one of our nation's major taxes would go from very regressive to proportionate. For example, the current 6.2 percent could be dropped to about five percent, yielding a tax cut for most Americans and roughly \$30 billion per year more for the Social Security trust fund. Conservatives would deliver a working- and middle-class tax cut, a stronger Social Security system, and a fairer overall tax system.
- **Pass a public works stimulus package.** These projects would employ millions of working- and middle-class Americans. The conservative twists are: (1) include only those projects that are really ready to go; (2) make sure that all work is competitively bid and open to all comers; and (3) proceed with only those projects where current resources are sufficient to operate and maintain the finished product.
- **Help consumers invest in their future.** Working- and middle-class Americans value home ownership and education more than most things. Their priorities are correct. And, there's no reason why conservative-based policies can't help with both. To do that, we need to rethink home mortgages, housing assistance, and student loans. Properly done, all three lead to stronger families and a growing economy. More specifically:

Replace complicated and sometimes deceptive loan arrangements with new cash requirements and incentives to save to meet them. Whether it's a house or an education, borrowers should have their own cash in the deal. The amount should be significant relative to their total resources.

Have borrowers work directly with their lenders, eliminating the expense of thousands of intermediaries. This could create a relationship that would prove useful if there were issues during repayment.

Limit what loan originators can do with a loan once it is made. Require them to maintain their relationship with each and every one of their borrowers.

- **Stop encouraging debt-fueled retail consumption.** Make a clear distinction between a loan that goes to pay for a home or education and one to buy a boat. The former are investments. The latter is almost always not. Working- and middle-class Americans understand this difference. They would welcome policies allowing them to borrow to invest but would insist on cash when they wanted to spend. With clear support for saving and investing, conservatives could get the attention, if not support, of working- and middle-class Americans.
- **Stop bailing out businesses.** Let the market cleanse the economy of businesses that are poorly run or whose products or services are past their time. The current recession will be wasted if we don't let it cull the economy of bad business practices and enterprises that have lost their way. The working- and middle-class Americans who lose their jobs in the process are likely to find new work via the stimulus package or with the exciting new businesses and reinvigorated old ones that emerge from this recession.

These five suggestions say loud and clear that conservatives understand working- and middle-

class Americans' money troubles and have an agenda that provides immediate relief and long-term opportunities. With clear support for saving and investing by them, conservatives could get their attention, if not support.

There are challenges. Losing a job and finding another are never easy. Making the switch from debt-financed consumption to cash and borrowing only to invest means a very different lifestyle for many. More than any other subpopulation, working- and middle-class Americans know that there is no "free lunch." They know that we've drifted from that truth and are looking for leaders who will bring us back to reality.

William A. Blazar is senior vice president for public affairs and business development at the Minnesota Chamber of Commerce. The views expressed here are his own.

Conservatism is Economics

By Barry Casselman

There has arisen a fundamental confusion about conservatism in America over the past several decades. This confusion resulted from the imposition of so-called social issues on the economic basis of modern conservatism.

The political triumph of a conservative economic president, Ronald Reagan, in 1980, became the ultimate cover for this imposition, and although he paid only lip service to many of the social issues embraced by conservative voters, it was during his watch that the confusion was allowed to grow. It led to takeovers of the national Republican party and many state parties by factions that placed a priority on these non-economic issues.

Indeed, Reagan's successor, George H.W. Bush, changed his stand on abortion to placate some of these forces. His son, George W. Bush, unlike his father, was a genuine social conservative, and not a consistent economic conservative. The

extraordinary events of September 11, 2001 unalterably transformed this Bush presidency into a primarily foreign policy/war administration; many economic issues were downgraded and conservative economic principles and practices were altered and adapted to meet foreign and domestic policy priorities.

It is not my contention that the so-called social issues are either right or wrong. Most Americans do have opinions on one side or the other of these issues. They are legitimate subjective views about moral and ethical questions that all members of American society are entitled to hold, discuss, and seek to have accepted. However, these social issues, contrary to the assumption of many who champion them, are not inherently political issues. In fact, in practice they often distract the political process and weaken the political parties that adopt them into their platforms.

The dispositive center of the American voting public, composed primarily of the nation's large middle class, faces the most critical economic period since the Great Depression. Unlike the relatively short recessions of recent decades, this economic downturn is likely to persist until the government and the taxpayers come to grips with long-evolving crises, including those facing the Social Security, Medicare/Medicaid, private pension fund, education and taxation institutions.

Traditional conservative economic principles, translated into contemporary circumstances, remain the most reliable way to solve these problems. Republican administrations in the recent past have not always applied these principles. It was Democratic President Bill Clinton who balanced the budget, reduced the national debt, and began to constrain some public expenditures. In fact, the most consistent "supply side" president in the past 50 years was John F. Kennedy, also a Democrat.

The current legislative remedy of throwing vast sums of public money at failing institutions as "bailout" stimuli is the opposite of sound economic principles, conservative or otherwise. Yet in spite of

their rhetoric, Republicans in power have given the public at large, and the middle class specifically, little reassurance. Since the leaders and blocs of social conservatives still dominate the GOP and are not voluntarily going to give up their influence on political matters, the prospects in the near future are problematic for conservatives to be able to provide the reassurances that will enable them to return to power.

The rendezvous of the American economy with reality, and its inevitably painful costs, lies ahead.

Barry Casselman is a nationally syndicated columnist whose work has appeared frequently in The Weekly Standard, Real Clear Politics, and Washington Times.

Some Solutions Can Lead to a Fearful Future

By Chuck Chalberg

It is commonplace to presume that if Americans have economic fears, then government ought to allay them. Witness everything from billions in bailouts for Wall Street to proposed billions to solve the health care "crisis." No matter the problem, governmental solutions, especially at the federal level, often mean that money will move from one pocket to another — or be created out of thin air.

When money gets moved around, whether by tax policies or redistributionist schemes, the eventual result can be a dampening down of wealth-creating possibilities for all Americans.

We're surely not headed back to the days of Grover Cleveland and the very blunt instrument that was his veto pen. Drought-stricken Texas farmers wanted a pittance from government to buy seed to start anew. Congress agreed, but the veto-prone Cleveland did not. Starting anew was fine by him, but not at government expense.

The course of American history from the unabashedly conservative administration of a late 19th-century Democrat named Cleveland to the early 21st-century compassionate conservatism of a Republican named Bush is a circuitous one.

Am I suggesting that working- and middle-class Americans should read American history to gain perspective and reduce their fear level? Actually, that's not a bad idea. What I am really suggesting is that we conservatives ought to use our time in the political wilderness to advance two related initiatives on the "fear factor" front. The first would be to work to restore hope, rather than allay fear. If that sounds Obama-like, stay tuned. The second would be to remind working- and middle-class Americans that not all economic fears are immediately apparent. In fact, allaying current fears by creating money may well hasten the arrival of a condition that seems remote at the moment, namely rampant inflation.

Let's take the matter of rebuilding hope first, and not simply because it seems to be the more optimistic of the two.

President Obama may think that he has cornered the "hope" market, but conservatives ought to try to convince Americans that he hasn't. The first step would be to remind our fellow Americans that we are citizens, not clients. The client mentality is not just enervating, even debilitating; it also works against hope.

Let's focus on two areas that are absolutely crucial to working- and middle-class Americans: health care and education. In each case, the goal ought to be to restore hope by promoting choice, whether via Health Savings Accounts or school vouchers.

These are tough arguments to make in tough economic times. But they remain sensible arguments for conservatives to make, both for now and for the future of the country as well.

Let's turn to the second approach. Here we ought to remind our fellow citizens, especially working-

and middle-class citizens, that some solutions to current fears can lead to a much more fearful future. This is not to say that we should engage in fear-mongering.

Conservatives must make the case that government-induced inflation is a legitimate fear. At the same time, conservatives should not be reluctant to claim the internationalist standard, whether by asserting American national interests in the world at large or by resisting fearful pleas for economic isolationism.

To be sure, a populist retreat to economic nationalism is tempting. Such retreats have resonated with working-class and even middle-class Americans. By and large, conservative politicians who issue such calls tend to be social conservatives. I'd suggest a conservative alliance that combines endorsement of international economic competition *and* key elements of the social conservative agenda, all in the name of creating hope and allaying fear.

The recent presidential election revealed an unfortunate rift within conservatism. Some internationalist-minded, economic conservatives separated themselves from their socially conservative counterparts. To be sure, there is a libertarian, even elite, appeal to being socially liberal and economically conservative, but it ought to be resisted in the name of a more hopeful future. After all, if America is to have such a future, it will be in no small measure because the causes that are important to social conservatives have prevailed.

Most working- and middle-class Americans rely on the public school system, a system that is clearly not doing its job. Let's provide real choice — and real hope — and real reason for parents to believe in their schools by turning to a voucher system. And let's do this for the microcosmic reason of increasing the number of engaged citizens and the macrocosmic reason of improving our ability to compete in the international marketplace.

Better than a century ago, G. K. Chesterton wrote that “without the family, we are helpless before the state.” This is even truer today. We have seen the fearful consequences of admittedly well-intentioned state policies over the course of the last century. Correspondingly, we have seen the growth of a permanent underclass and the growth of fearfully high levels of illegitimacy over all. Is this a coincidence? It’s not likely.

Conservatives need to make the case that family formation and family strength are goods in themselves. In addition, strong families are also the best way to retard the advance of the state and the best way to allay economic fears.

If we want to avoid a future filled with fearful clients, we must rebuild America one family at a time. Such an America will not be without its dangers. Nor will it be without its fears. But it will be a society filled with vibrant citizens who know that they have it within themselves and their surroundings to face their fears and achieve their dreams.

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Read Hazlitt

By Larry Colson

America today is in a serious crisis, but lest there be confusion, I’m not referring to the economy. This problem is far more insidious, impactful, and deadly to the future of our country and democracy than an economy in recession. I’m referring to the dismal understanding of basic market economics among the voting public and, perhaps more importantly, among our elected officials. Even normally conservative-leaning folks have come to accept things like government ownership of private business.

America, even in this downturn, is a vastly prosperous nation, and for that we are truly blessed.

Yet the very prosperity that has made us fat and happy has set us up for the ultimate failure; we have come to believe that we should be, and deserve to be, immune from normal business cycles. Recessions are for other nations, a distant ugly remembrance from the 1970s – much like the leisure suit. In these enlightened times, housing values and the stock market can only go up, and if for some reason they don’t, we blame capitalism and market principles. Can it be anything but economic ignorance (or sheer hypocrisy) that allows us to be appalled and shocked at the Bernie Madoff Ponzi scheme that cheated \$50 billion out of his friends and clients yet continue to support the biggest Ponzi scheme of them all, the \$4.3-trillion-and-counting unfunded Social Security obligation?

The current recession is ugly, but because of the relative mildness of the past few downturns, this one feels like a Category Five hurricane. For reasons perhaps political, perhaps not, there are widespread references to the Great Depression, serving further to deepen the natural fears that come with any slump. We’re already softened to the message of larger government, as liberalism has been whispering in our ear for years that “good” government can and should solve all our problems. We have become desperate for our government to “do something.” Government must “act,” we are told, and failure to act, say those in power, will lead to ruin. So our government does the one thing at which it excels: It grows.

This trend can’t continue, especially when one considers that our projected 2009 budget deficit will be close to what our total federal spending was a mere eight years ago. That’s almost unimaginable, but it is the reality we face. No one needs to be reminded under whose watch this occurred, but it matters not; when it comes to spending, Republicans and Democrats appear to be indistinguishable.

Let’s be clear: There are no short-term solutions. Conservatives must try to reclaim the Republican party from those who believe that Americans now prefer the refreshing new taste of Diet Democrat™. Still, getting elected on a fiscally conservative

reform platform will be impossible without a public that understands government can't do something for one person without having a negative impact on someone else, and that kind of understanding comes only with education.

Every American, and certainly every person seeking public office, should read *Economics in One Lesson* by Henry Hazlitt. If there's a more simply written and eye-opening text on basic market economics, I haven't found it. I stop well short of advocating a new government program or regulation to distribute this volume, as the irony would be far too rich for my tastes, but as a believer in the supremacy of the individual over government, I've chosen to act independently. Each year of the past few, I've purchased a handful of copies of this wonderful paperback. I am constantly on the lookout for people who believe they have fiscally conservative leaning opinions but who have forgotten the unintended consequences that targeted government programs have on our society and our economy. I then give them a copy with the only stipulation being that, after they read it, they must pass it on to someone else.

I encourage other willing conservatives to act similarly. Get a copy and read it if you haven't – it's short. Make sure that you have clearly learned the "One Lesson" and can apply it. You might be surprised at how you rethink things – I certainly was. Then pass it on, giving special emphasis to the young people you encounter. It is only through long-term education and fiscally intelligent actions that conservatives can help alleviate the fears of working-class and middle-class Americans, and the sooner we start, the quicker we'll see results.

By the way, if you happen to run into former President Bush, former Treasury Secretary Henry Paulson, or one of the other elected Republicans in our federal government, tell them I've got a book for them.

Larry Colson is managing director of Auto/Mate, Inc. (automate.com), a supplier of automobile dealer management systems based in Albany, NY.

Move to North Korea

By Roger Conant

You want to allay your economic fears? Here's a suggestion: Emigrate to North Korea. You may be frightened, but it won't be because of concerns over economic uncertainties. You will be poor and will remain poor for the rest of your miserable life.

If, on the other hand, you enjoy the high standard of living and freedom of choice of the capitalistic system, you must accept the concomitant bad news: You will be economically concerned from time to time. It's part of the system. Fear of loss (which balances expectation of reward in the capitalistic risk spectrum) is a basic constituent of capitalism. We became the world's richest country precisely because we have traditionally recognized, accepted, and dealt with risk.

Until, of course, the last few decades, when we lost our fears. It's not entirely our fault. Wise men assured us that, under the new economic order, fear was a thing of the past. For example, the American Economic Association's 2003 president, Robert Lucas of the University of Chicago, declared in his presidential address that the "central problem of depression-prevention has been solved, for all practical purposes, and has in fact been solved for many decades."

The inevitable result? Widespread excesses. Your dream house priced out of reach? Not to worry. Buy it anyway, certain that soon the price will be much higher, and you can easily extract the profits through refinancing. You wanted to earn no-risk high returns? Easy. Just invest in a Ponzi scheme. The money is sure to keep rolling in. Compensation of hedge fund geniuses a little high for your taste at billions of dollars a year? No problem. They are sure to reward you with unparalleled riches.

During these good-old risk-free times, banks were free to speculate on exotic new instruments and regulators cared little about the resulting severe

undercapitalization. Congress and the Securities and Exchange Commission loosened regulations to accommodate ever-greater leverage. Why not? There was nothing to fear.

Oops, it turns out risk didn't really go away. It was there all along, silently growing stronger as our society became more and more economically reckless. Typically, capitalistic systems wring excesses out of the system by contracting modestly every 20 years or so. Our government and the Federal Reserve Bank have suppressed these contractions ever since 1974, so this time, when the excesses got out of hand, the recession arrived with a bang.

Fear is back. But the resulting readjustments are still underway. Now that we have learned that housing prices can go down as well as up, we are not willing to pay nearly as much for homes. Stock prices have to find new, risk-adjusted lower levels. Families now realize a savings rate of nearly zero isn't sufficient when asset price appreciation can no longer substitute for savings, so they are reducing spending in order to increase their household savings to normal levels.

All of this takes time, but it is absolutely necessary if the U.S. capitalistic system is to function properly again after having been abused for 40 years.

But this doesn't mean all is as it should be. It's not. We should be afraid — very afraid. It's not the recession per se, which is as necessary as it is inevitable. It's the current and proposed federal government actions that will do us in. If government actions succeed, excesses will not have been wrung out of the system and asset prices will not have adjusted to their new risk-adjusted levels, thereby teeing our economy up for a full-blown depression.

That's the best-case scenario. It is more likely that the current feverish attempts to remove fear from the system are themselves introducing a horrible new risk.

Here it is. Everything the government is doing and is proposing to do is predicated upon a false assumption: The rest of the world will provide unending financial support.

As it happens, in the very short run, it is true. At the moment, the United States is viewed as the safe haven. Even our zero interest rates haven't reduced demand for Treasury Bonds. The dollar is relatively strong. But there is disquiet behind this seeming strength. That we are printing dollars at an unprecedented pace is clear to all. There is a limit to the international appetite for American dollars, and we are close to reaching it. Disquieting signs are all around us. China has indicated it is sharply reducing its U.S. investments and, elsewhere, sovereign funds are cutting way back. The dollar is increasingly being replaced by other instruments as the world's reserve currency.

Soon, the international lending door will close. Then, the flood of newly created dollars will cause their value to collapse and the unceasing issuance of U.S. government obligations will drive inflation-adjusted interest rates to record levels. That would be, for us, our economic Armageddon.

Now, that's a fear that can't be allayed.

Roger R. Conant, who is trained as an economist, is president of the financial consulting firm CRI, Ltd.

Allay Fear by Opening Markets

By Kevin Donnelly

Given that I am based in Melbourne, Australia, and my expertise and qualifications relate to education, it might seem a little strange for me to address the topic under discussion, but I believe there is some value in considering an outsider's perspective.

The first thing to be said about the subprime mortgage crisis originating in the United States and the global financial crisis is that the cultural

Left is using events as evidence that the market has failed and that government intervention and control (statism/socialism) are the solution.

As with Joe the Plumber – whose question during the recent presidential election campaign revealed how President Obama’s plans to spread the wealth amounted to unnecessary government intervention and control – what working- and middle-class Americans need to realize is that open markets work.

Equally as important, working Americans and their families should understand that undermining individual responsibility and increasing the citizen’s reliance on government rarely works. As noted by President Reagan, the most terrifying words in the English language are: “I’m from the federal government, and I’m here to help you.”

The history of the 20th century proves the strength, viability, and benefits of capitalism and open markets. The collapse of the Soviet Union and the Eastern European bloc, China’s economic growth, and the steady increase in material wealth and well-being throughout the world demonstrate that a commitment to the market is beneficial.

Second is the fact that Adam Smith and other classic advocates of open markets are essentially moral in their worldview.

The metaphor of the invisible hand was never meant to suggest the state should stand on the sideline and let avarice and self-interest rule. There will always be a place for some level of regulation and control – the challenge is to get the balance right.

If anything else, one of the lessons of the subprime mortgage crisis – with its origins in U.S. government interference and regulation in a quest for misplaced equity and social justice for the disadvantaged – should be about the unintended consequences of the Left’s misplaced yearning for utopian solutions.

Equally as dangerous as the Left’s commitment to social engineering is the government’s response involving bailing out bankrupt companies and investing billions of dollars of taxpayers’ money in infrastructure and other nation-building projects.

The public should realize the last thing that inefficient, outdated, and poorly managed companies need is to be given a lifeline that simply postpones the inevitable. Rewarding companies and managers for getting it wrong distorts the market and sets a dangerous precedent.

Within the Australian context, for most of the Post-War Era, left-of-center governments imposed import tariffs and subsidized local industries in areas like clothing, footwear, and automobiles.

The end result was that citizens had to pay more for the necessities of life, inefficient industries were cushioned from the realities of the marketplace, and government officials demonstrated, when having to choose between successful and unsuccessful industries, that they were poor judges – driven, as they were, by short-term political expediency.

Given the rise of the welfare state with its mentality of dependence, based on the idea that governments know best, the danger is that, in a crisis, the majority of people look for immediate solutions and a quick handout.

The better alternative is to take a longer-term view, understand the real causes of the current crisis, and realize that the best way to achieve economic and financial well-being, prosperity, and growth is to support open and free markets.

Kevin Donnelly is director of Melbourne-based Education Strategies and author of Dumbing Down.

Burst the New Deal Myth

By Devin Foley

On March 4, 1933, in the midst of a bank crisis during which many of them failed or closed, President Franklin Roosevelt delivered his first inaugural address. The new president stated, “First of all let me assert my firm belief that the only thing we have to fear is fear itself — nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance.”

In the same speech, he went on to say,

I am prepared under my constitutional duty to recommend the measures that a stricken nation in the midst of a stricken world may require. But in the event that the Congress shall fail to take one of these courses, and in the event that the national emergency is still critical, I shall not evade the clear course of duty that will then confront me.

I shall ask the Congress for the one remaining instrument to meet the crisis: broad executive power to wage a war against the emergency as great as the power that would be given to me if we were in fact invaded by a foreign foe.

Mere hours after completing his address, Roosevelt proclaimed a national banking holiday, effectively closing all Americans out of their checking and savings accounts. His proclamation was followed by the signing of the Emergency Banking Act on March 9.

A few days later, on March 12, 1933, Roosevelt concluded his first “Fireside Chat” by urging Americans to “unite in banishing fear.”

On May 7, Roosevelt named the evil America faced: deflation. And, like a well-intentioned and protective father, he wrapped his arms around the American people and comfortingly told them:

Even before I was inaugurated, I came to the conclusion that such a policy [deflation] was too

much to ask the American people to bear. It involved not only a further loss of homes, farms, savings and wages but also a loss of spiritual values — the loss of that sense of security for the present and the future so necessary to the peace and contentment of the individual and of his family.

Then, on October 22 of the same year, 1933, during another Fireside Chat, Roosevelt laid out his vision for recovery to the American people. The president planned to build a “temple which, when completed, will no longer be a temple of money-changers or of beggars, but rather a temple dedicated to and maintained for a greater social justice, a greater welfare for America.”

Thus was it that Roosevelt set out to allay the fears of working-class Americans with an active and paternalistic government during the last great economic downturn nearly 80 years ago.

Today, the headlines are eerily similar to those of the late 1920s and early 1930s. Foreclosures are on the rise, jobs are being lost, banks are failing, and our government, we are told, will protect us.

Economic fear once again grips the nation as we collectively realize that we may be on the precipice of Great Depression 2.0. If the economy continues to sour, Middle America is likely to suffer the brunt, with many people losing their jobs, many losing their homes, and many losing their retirement hopes.

After nearly 70 years of schools teaching that the New Deal saved both America and capitalism, what chance do conservatives and free marketers have in round two of the same fight they lost to Roosevelt? More to the point, what is a pragmatic approach to pitching a fundamentally self-reliant ethos to a population understandably skittish about the economy and, at the same time, increasingly dependent on a centralized government?

First, tell the truth. Conservatives and free marketers must eschew partisan loyalties. They

need to put the welfare of the people, the nation, and the ideas that, long term, will better the nation ahead of the defense of policies, alliances, and grievances of the past. Nothing should be off the table for discussion.

Second, conservatives must have the courage to burst the New Deal myth. Current examples abound of policy-makers copying New Deal policies in the belief that they will fix things now. The truth is that most New Deal policies failed then and similar policies are failing now.

Third, conservatives must be honest about the potential for job losses and suffering. There is a legitimate though limited role for government during a deflationary downturn. Unfortunately, the government actions taken currently mirror the policies of Presidents Hoover and Roosevelt and are likely to exacerbate the situation. The sooner the government quits its misguided policies and gets out of the way, the sooner trust can be restored to the system and the economy can begin to recover.

Fourth, and closely related to the second point, conservatives must take on the cheap and easy credit ideas and institutions that enabled the bubbles of the last decades. Keynesians and monetarists, two sides of the same coin, need to be held accountable for their manipulations of monetary policy. How is it that so many great thinkers throughout history recognized the key role of monetary policy, yet today's conservatives are so skittish about even broaching the subject central to our current troubles?

Finally, conservatives and free-market advocates must be able to show how Americans will be better off in the long run as a result of surviving the current economic maelstrom without an active and paternalistic government. Our citizens need to understand how the local ties to family, faith, and community can be reborn through deflation and greater freedom. Long have conservatives advocated the integral roles of family, faith, and community and, all the while, New Deal policies

and programs have undercut those crucial foundations of our society. As government budgets are cut, the need for private individuals and groups to fill the holes will be critical in allaying the fears of working-class Americans.

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Deal Responsibly with Neglected Issues

By Arvonne Fraser

Overcoming the economic worries of American workers and their families will not be easy for conservatives — or liberals, either — after decades of stagflation in wages. A first step is to heed President Obama's call for a spirit of bipartisanship, especially in these harsh economic times. For conservatives, allaying the economic fears of working- and middle-class Americans will require tamping down bombastic, partisan rhetoric and engaging in critical thinking about what being a conservative means. It will require dealing responsibly with four issues conservatives have either neglected or demonized: health care, taxes, public education, and the income gap.

Critical thinking about health care requires the acceptance of some basic facts. Health is not a commodity; it is an unpredictable state of being. Health care is now an expensive necessity, beyond the means of many working- and middle-class families, especially when disaster strikes. For many, it is a huge worry. A healthy public is a productive public. As the old saying goes, an ounce of prevention is worth a pound of cure. If conservatives accept these facts and are willing to discuss them without prejudice, that will go a long way.

While “no new taxes” may be popular, it is irresponsible and breeds cynicism. All Americans understand that taxes are a necessity. But tax policy is complex, so conservatives could allay fears about

taxation by talking about equity in taxation, factoring in sales taxes and fees for public services when they compute tax burdens on individuals or groups. More transparency about what you get for your taxes is needed if citizens are to have faith in government. Responsible conservatives could lead a public discussion about taxation.

Expanding educational opportunities has been the hallmark of American democracy. Free, public, compulsory education has been the means for working-class children to move to middle-class status and beyond. In the 21st century, a well-trained workforce is a necessity if this country is going to be competitive in a global and ever-more-technological world. Better middle-class jobs today require some post-secondary education. Working-class Americans know that, but they are being priced out of the education market.

In these times of stagnation in family earnings at low- and middle-income levels, conservatives' support of education from preschool to college would help allay the fears of families who worry about their own and their children's earning capacity. If conservatives want the support of average Americans, they must look forward, not back to the days when one individual could support his wife, children, and the couple's retirement. They must understand that successful families are two-earner families.

Words matter. As a liberal who respects our two-party system, I think it's time we go back to the three R's of politics: rhetoric, reality, and responsibility. It's time we all tune down the rhetoric and begin dealing responsibly with the realities of today and tomorrow.

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Accentuate the Populist

By Paul Gessing

Conservatism faces three major problems if it is to allay the fears of working- and middle-class Americans. But in order even to begin the discussion, it's necessary to define "conservative." After all, the term has suffered greatly under a supposedly "conservative" president who expanded government power more rapidly than any president since Franklin Roosevelt.

For the purposes of this essay, I am going to define conservative as consistently adhering to principles of free markets, individual liberty, and – where government is necessary – a reliance on the Constitution as a roadmap for action.

This issue of defining conservatism leads me to my first point, which is that "conservatives" must explain clearly to the public that free markets and individual liberty benefit them and disavow publicly those political leaders who blatantly violate the core conservative commitment to limited government.

A perfect example of this is the recent bailout spree on which the federal government has taken taxpayers. Many conservatives in Congress opposed these policies on principle – a view they happened to share with a majority of working-class Americans. Unfortunately, too many so-called conservative leaders in Congress and in the media failed to decry the accumulation of such power to the federal government and the disproportionate benefit such policies would grant to wealthy businessmen and those who invested foolishly.

To summarize my first point, genuine free markets must be defended against those who falsely proclaim to adhere to them.

My second way to sell conservatism to middle- and working-class Americans is to realize and draw attention to the fact that conservative positions –

in this case opposition to bailouts – is also the populist one. Thus, they must stick with it and aggressively defend it.

The third issue involves the traditional difficulties in garnering support for free markets from the middle and working classes. The fact is that the benefits of free markets are often long-term and diffuse in nature. The perceived benefits, such as they are, from restrictions on free trade, subsidies for particular industries, wage laws, and unionization are readily apparent.

For example, it is front page news when the local plant moves to China, but when Wal-Mart saves middle- and low-income Americans 25 percent by purchasing from a more efficient, lower-cost overseas supplier no one says a peep (not even Wal-Mart).

This is a difficult problem to overcome, but in this area we as conservatives must constantly educate the public and rely on the sensible intuition of the majority overcoming the fears of the “special-interest” minority.

Studies show that a majority of Americans clearly benefit from free trade and limits on union power, and I believe most working class Americans grasp this fact, otherwise we’d have much higher tariffs and unions would be much larger. So while overcoming the latest tale of woe on the evening news is not easy — particularly in a steep economic downturn — middle- and working-class Americans, by and large, realize that dramatically altering these policies away from free markets would damage their standard of living.

One way to dramatically improve conservatives’ chances of winning on these arguments would be to apply them more consistently. For example, how about eliminating the embargo against Cuba or diligently working to wean agriculture off of tariffs and subsidies? Such actions would show that conservatives consistently apply their principles. The problem is overcoming strong interest groups.

So to summarize the three main ways in which

conservatives can allay the economic fears of middle- and working-class Americans: (1) conservatives need to remain true to their principles, even when it is politically difficult or unpopular; (2) conservatives need to accentuate and underscore the many times when conservative principles are also “populist”; and (3) conservatives need to have faith that middle- and working-class workers are not necessarily closet socialists and have a basic understanding of the ways in which free markets benefit them and their families.

Paul Gessing is president of the Rio Grande Foundation, a non-partisan, research and educational organization dedicated to promoting New Mexico prosperity based on principles of limited government, economic freedom, and individual responsibility.

Republicans Blew It

By John C. Goodman

The best way for conservatives to appeal to ordinary people on bread-and-butter issues is to begin with the largest group with the biggest problem: Baby Boomers. Last year, the Boomers started signing up for early retirement under Social Security. In two years, they will begin enrolling in Medicare. By the time they are through, 78 million of them will quit working, quit paying payroll taxes, quit contributing to retirement programs, and start drawing benefits.

Unfortunately, we’re not ready for them. Social Security is not ready. Neither is Medicare nor Medicaid. We have made extensive explicit and implicit promises to this group, but we have put no funds aside to keep those promises. Worse, many of the Baby Boomers are in employer-based pension funds that are woefully underfunded. About one-third of all employees work for an employer that has promised post-retirement health care benefits, but virtually all of these promises are also unfunded. As automotive workers are starting to find out, an unfunded promise is no promise at all.

Here's the bottom line: We're looking at a huge gap — a yawning chasm — between what this generation is expecting during its retirement years and what has been set aside to make those expectations a reality. So what can be done about it?

On the Right, there are many good ideas consistent with small government and individual empowerment. Why not let employers help their early retirees obtain individually owned, personal, portable health insurance at group rates? Why not let employers pay whatever portion of the premium they deem affordable with pretax dollars (just as they do for their active employees)? Why not let the retirees pay their portion of the premium with pretax dollars? Why not let both employers and employees save pretax dollars in anticipation of these costs? There: I just produced four ideas that would have a great impact on Baby Boomers' lives without emptying the Treasury.

More generally, there are certain economic issues that modern democracies must deal with, if they are to remain viable. They have little to do with inequality, racism, lack of diversity, poverty, or most other pet issues of the Left. The issues arise, rather, from the need to protect the middle class from risks they have difficulty insuring against on their own. For as long as there have been human societies, people have faced:

- The risk of growing too old and outliving their assets.
- The risk of dying young and leaving their dependents with inadequate resources.
- The risk of becoming disabled and unable to work and produce.
- The risk of becoming unemployed and finding there is no market for their skills.

In the past, the main way in which people insured against such risks was through families and

extended families. Yet as we moved into the 20th century, people had fewer children, relatives became more widely dispersed, and the family became an unreliable insurance provider. The result: People turned to government.

The new government-based substitutes almost invariably reflected the thinking of the Left. That is, they involved arbitrary redistribution from one person to another and from one generation to the next. They reliably ignored the need to save and invest today for tomorrow's benefits and the need to allow individuals, to the greatest extent possible, to reap the rewards of their good decisions and to bear the costs of bad ones.

Today there is recognition all over the world that we cannot continue with the government insurance schemes we have created. Thus, the political challenge is to replace political institutions that don't work with private institutions that do. More than 30 countries have completely or partially privatized their pension systems. Chile has a disability system that provides roughly the same benefits of the U.S. system at half the cost. Chile has also developed a partially privatized unemployment insurance system that should be the envy of the world.

We don't have to solve the biggest problems first. At the National Center for Policy Analysis, I have been involved with four relatively small initiatives that promise to become increasingly important over time:

- More than 12 million families are now managing some of their own health-care dollars in Health Savings Accounts.
- More than \$225 billion of retirement savings in Roth IRAs will never again be taxed.
- Millions of Baby Boomer retirees will be able to reach retirement age, receive their Social Security benefits, and keep working—supplying the economy with badly needed skills and expertise—without being penalized.

- Future participation in 401(k)s will be increased by one-third due to an NCPA/Brookings Institution proposal for automatic enrollment in diversified portfolios, producing higher and safer returns.

Each of these policy changes occurred on a Republican watch. Two of them were in the Contract with America. A savvy Republican party would have campaigned by saying: “Here are four things we have done so far; re-elect us and we will do ten more things just like them.” Yet how many Republican candidates said anything close to that?

Republicans had an opportunity to make real institutional changes. To put it charitably, they blew it. Even when they did the right thing, they didn’t bother to take credit for it. But despair not: If Republicans don’t do the right thing, Democrats will eventually do it for them.

John C. Goodman is president of the National Center for Policy Analysis.

Affirming the Founders’ Vision

By Jake Haulk

There’s no doubt about it. Americans are worried. In January 2009, the Conference Board Consumer Confidence Index dipped to its lowest monthly reading ever. Home prices are plunging, auto sales are extremely weak, job losses are mounting at a frightful pace, and the government is handing out borrowed money to banks, car companies, and seemingly to anyone with a friend in Congress. All things considered, Americans are justified in being uneasy.

Not since the end of the Carter era with its “malaise” have things looked so economically bleak. After Carter, the conservative Ronald Reagan came along with a radically different approach to government, based on a firm foundation of conservative principles, good humor, and unshakeable faith in what is right. Under his

great conservative leadership, the economy improved, and the nation’s fears were replaced with optimism.

Unfortunately, our current economic situation developed under a Republican president whose limited conservative economic credentials were tossed overboard in the waning days of his administration — since replaced by a Democratic president who was the most liberal, anti-conservative member of the U.S. Senate.

For people who have lost a job or face a home foreclosure, the desire to see quick action is understandable. This brings us to the crucial question: Is there a conservative message that can show middle- and working-class people there is a better way and at the same time alleviate some of their anxiety?

Conservatism’s biggest problem is that it offers little in the way of quick fixes to what ails the economy. Allowing market forces to work can take time. Easy money and credit are already here. The Federal Reserve is doing all it can. Congress and the administration have pulled out all the stops in terms of trying to prop up banks to keep them from failing. Unfortunately, the massive debt problems we face will take a while to work through. There is no easy shortcut.

It will take courage to tell the American people that the fixes being applied now will deepen the role of government in the economy. Nonetheless, it is imperative that conservatives have the courage to stand up for the country’s long-term well-being and fight efforts to achieve short-term relief at the expense of bigger problems in the future. That is a principal reason we are in such a mess. We must stop repeating that pattern before it is too late.

Conservatives should have a succinct, well-communicated message for middle- and working-class people, assuring them that prudent fiscal policies, low taxes, a pro-business environment, and individual liberty have been and will continue to be the best path to prosperity. Conservatives

must also stand for the rule of law. Specifically, conservatives should hold accountable the people who created the subprime mortgage fiasco. Conservatives should not defend people on Wall Street who have acted imprudently and thereby helped spread and worsen the calamity. Ratings agencies should be held accountable for their slack oversight.

Conservatives must stand up for working people who desperately do not want to be coerced into joining a union. Conservatives must not cater to or defend businesses that want the border with Mexico thrown open so they can hire the cheapest labor possible. Conservatives need to be on the side of hardworking Americans. It is the right thing to do.

Most working-class Americans who are not hard-core union members are fair minded but also want to be treated fairly. They care about their country and its future. Middle- and working-class people can handle the truth, if it comes from reliable and credible sources.

Conservatism, at its root, is a system of upholding the founding principles of our nation. The people need to be reminded of the greatness and nobility of those ideals. People want to believe in the Founders' vision. Conservatives must show them it is wise to do so.

Jake Haulk is president of the Allegheny Institute.

A New Leader

By Mike Jungbauer

The message of conservatism has been lost. Too often, campaigning politicians court their constituents with the virtues of free markets, limited government, and personal responsibility. This traditional conservative approach has yielded political victories for generations, but recent evidence suggests that conservative ideas are being abandoned by our elected officials. The only way we, as conservatives, can allay Americans'

economic fears is to apply those strong conservative principles and reflect those principles in our voting records.

Since the Reagan Era, conservatives have done poorly in communicating their belief system and what they offer economically for average workers. Newt Gingrich gave us some hope with the "Contract with America."

Today the financial system is in shambles, and yet Americans elected a liberal president and liberal Congress. Many people who were interviewed said they believed the Democrats could solve our financial woes and change the direction of the country. Voters felt that conservative economic principles don't work any more.

For middle-class people to have confidence in conservative principles, they must first understand that, for much of the past eight years, there hasn't been an honest application of conservatism. We may have had a Republican president in the White House, but that didn't automatically mean we had conservative principles applied.

Liberals may point to the conservative action of the Bush tax cuts and say that those conservative principles did not work, but conservative policies were not applied entirely. A true application of conservative economic philosophy would see tax cuts combined with at least equal reductions in government spending. Tax cuts are only half the conservative economic equation of success and prosperity; the other half is limited government.

Unfortunately, as of late, many politicians from the traditional home of conservatism have abandoned the principle of limited government. By abandoning that part of conservatism, we offer no distinct difference from anyone else running for office. Most people realize that government doesn't do well at running things, nor can it create jobs. Government's job is to foster growth and steer the ship with good policy.

Change back toward conservatism has to start with a well-engaged voting populous. If a candidate runs

on a conservative platform but does not apply those principles while in office, it is the duty of voters to remove that politician. We cannot continue to allow our elected officials to abandon conservative ideology because to do so only perpetuates the problem and confuses the public.

History is on our side. Conservative principles have worked in the past, and our elected officials need to draw on those successes as examples of why conservatism is the answer to our economic malaise.

Last and most important, the conservative movement needs an exceptional orator and a simple message once again. President Reagan had the ability to shape the public perception of conservatism with phrases like “government is not the solution to our problems, government is the problem.”

If the conservative movement follows the two basic principles of holding politicians accountable for their actions and looking to the past as evidence of our successes for solutions today, then a new conservative leader will emerge. And when that leader emerges, and only then, conservatives will have the ability to allay middle- and working-class Americans’ economic fears.

Mike Jungbauer is a sophomore Minnesota state senator from East Bethel.

Getting in Touch with the “Real America”

By Phyllis Kahn

Giving advice on the very large challenge confronting conservatism, as one of the most “liberal” DFL members of the Legislature, I am taking your request for a variety of opinions from all parts of the political spectrum seriously. I am most interested in analysis of the reasons for the “disappointing election cycle” (your words, not mine).

Why should I care? Without a viable Republican

party, the Democratic party will move to the right to fill the void, turning away from me and my liberal cohorts. Also, decisions become better when shaped by intelligent conflict, thus benefiting from effective opposition in the political process.

My first point is to return to some of the roots of conservatism, including getting government out of the lives of people whenever possible. This would mean leaving hot button issues of gay rights and abortion on the side. The opinions, particularly on issues affecting gays and lesbians, have such a generational tinge (younger folks just don’t understand the reasons for discrimination), that if conservatives don’t move on this issue, you will face becoming an even smaller sector of newer generations.

In some sense I consider myself more of a fiscal conservative than some of my opponents. For example, I believe all of our actions should be examined in the light of not just short-term but long-term fiscal impacts. A good example is health care. As long as we are unwilling to see people die in the streets, cutting access to basic health care (particularly preventative measures) means that sick people end up in an emergency room getting the most expensive and least effective care. I have heard of one case where a child died (at public expense) of a brain infection stemming from an abscessed tooth that could have been taken care of with about \$200 worth of standard dental care.

Conservatives also need to examine their current war against science and intellectual effort. Minnesota’s stand against public funding of one of the most promising forms of new science, embryonic stem cell research, has put us well behind states like California, Massachusetts, and Wisconsin, which are moving ahead in this area without similar obstacles. (The change in federal policy as Obama has taken over from Bush should ease this problem for Minnesota and the entire country.)

As part of an intellectually honest fiscal discussion, we should not ignore the wishes of Minnesota farmers to move ahead in areas that conservatives have opposed. Two specific ones are trade and

educational embargoes with Cuba and consideration of hemp as an agricultural crop. The cultivation of industrial hemp is being actively pursued (now in court) by our neighbor from North Dakota, Republican (conservative?) legislator (now Speaker of the ND House) David Monson.

Back to the health care issue, when traveling to Cuba, conservatives should check out the health care options there and observe better results than ours at a very much lower cost.

Republicans might do well to learn the lesson Democrats started to learn after their less than successful 1968 convention and election. The main effect of inclusiveness is only to expand the breadth of a minority. Those Ron Paul supporters, you unnecessarily trashed, may end up on our side some day.

On the question of one of our most egregious hemorrhaging of dollars, talking to people is cheaper and preferable to beating them up most of the time. We have yet to deal with the full fiscal impact of the Iraq war, including repairing of the severely damaged returning soldiers. No tax reduction is worth turning our backs on those who gave so much.

In summary, working-class and middle-class Americans, particularly the younger generation, will want to see a party that understands the costs of its actions, appreciates intellectual honesty, does not waste time and money invading private lives, and understands the economics of avoiding short-term steps that yield long-term fiscal problems. It's a good platform for any part of the political spectrum.

Nobel Prize-winning economist Paul Krugman predicts that Republicans will stage a comeback when they “get in touch with the ‘real America,’ a country that is more diverse, more tolerant and more demanding of effective government than is dreamt of in their political philosophy.”

Phyllis Kahn is a Minnesota state representative from Minneapolis.

People Have to Eat

By Greg Kaza

The issue of service to the working class is especially relevant in a state like Arkansas, which has consistently ranked second- or third-worst in the nation in per capita income for nearly the entire Postwar Era, according to the U.S. Bureau of Economic Analysis. The Clinton administration raised taxes on the state's working class in 1983, vowing that tax increases spent on public education would lead to long-term income growth. The failure of that policy a quarter-century later is reflected in one sobering federal report: Arkansas per capita income was 75 percent of the U.S. level in 1983, and 77.7 percent in 1992 when Clinton left the governor's mansion. It was only 78.1 percent in 2007. This fact should always be cited in the people's indictment of Arkansas as a failed liberal social experiment.

Conservatism can allay the economic fears of working-class Americans by fighting to reduce their tax burden and regulations that prevent them from earning a living. Two examples in Arkansas are the grocery tax, which is doomed to rightful extinction, and a motor vehicle tax that makes it tougher for workers to accumulate seed capital.

One tax that Clinton increased was the state sales tax on groceries. This tax on the working class would be considered bizarre or cruel in most states, but few mounted a serious challenge until Clinton left for Washington. One Democratic state senator tried valiantly but unsuccessfully in the 1990s. A libertarian-led coalition mounted a 2002 initiative, but voters rejected the proposal, despite the endorsement of the *Arkansas Democrat-Gazette*. Arkansas grocery-tax abolitionists kept raising the issue, and Gov. Mike Beebe and the state Legislature in 2007 cut the tax from six to three percent. Beebe, a Democrat, has proposed another reduction to two percent. These actions have proven popular among Arkansas's working class. “People have to eat,” a woman explained outside a

grocery store in the Delta region, where income levels are among the lowest in Arkansas. The episode confirms real change is possible.

Many people also need motor vehicles to survive. One observes large numbers of older motor vehicles in working-class neighborhoods in Arkansas. Some people are forced to rely on other options. My wife, an Arkansas native, described a typical scene in a 2005 article:

A flash of sunlight reflects off the handlebars of an old weather-beaten bicycle with a bent frame. The bike is rusted and silver, not gold, like so much else in this neighborhood of struggling, working-class families. The bike's rider, a thin, middle-aged man, is sweating profusely as he toils under the mid-morning sun. Two crumpled brown bags, nearly full of aluminum cans, sit in the wire mesh silver basket attached to his bike. Every clink and clank of metal brings him closer to his goal of earning spending money for the week. He could be someone's father, and is certainly someone's son.

One factor is Arkansas's personal property tax on motor vehicles. Some workers continue driving older vehicles instead of making new purchases. Or, they rely on bikes and their own two feet. The motor vehicle tax, like the grocery tax, is an anachronism.

Government-erected tollbooths on the road to prosperity are prevalent in a poor state like Arkansas. They target African-American hair-braiders, entrepreneurial immigrants, and families who wish to operate garage sales longer than government proscriptions. Conservatives and libertarians should always defend the working class against government policies that restrict their ability to work, build capital, and achieve prosperity.

Greg Kaza is executive director of the Arkansas Policy Foundation (www.arkansaspolicyfoundation.org).

Deliver Superior Economic Performance

By Tom Kelly

How can free-market advocates better allay the economic fears of working- and middle-class Americans?

I have modified the question to rule out one possibility. Conservatives should not try to allay the economic fears of working- and middle-class Americans by abandoning free-market principles. The reason for this is simple – markets are the best way to organize economic activity. A market-based economic system creates more wealth than the alternatives.

Conservatives can't hope to compete with liberals in using government to favor particular constituencies. The last eight years demonstrate that voters are not going to choose conservatives if they are looking to government for handouts or protection. To win, conservatives must promise and deliver superior economic performance, and only markets can deliver that.

So what should free-market advocates do? Here are five immodest suggestions.

- **Get the fundamentals right.** At the end of Ronald Reagan's presidency, a majority of Americans regarded Republicans as more capable economic managers than Democrats. But it hasn't happened again since. If free-market advocates are going to win elections, we need to be regarded as better economic managers than liberals. That means getting the fundamentals right: sound money, expanding competition throughout our economy, and limiting the burden of government. Recent experience provides a lesson here. Early in his presidency, Bill Clinton decided to put sound economic management ahead of some of the special interests in the Democratic party. Taking the opposite approach, George W. Bush ran economic policy out of the political shop.

The contrast in results is instructive.

- **Recognize that economic insecurity is real.** From late 1982 through the end of 2006, the economy more than doubled in size. Inflation declined from double digits to two percent. The United States created tens of millions of jobs. Many products went from being luxury items to being commonplace consumer goods and services. The Internet, which didn't exist in 1982, is now ubiquitous. Americans, on the whole, are economically much better off today than they were a quarter-century ago. Conservatives are justifiably proud of the contribution that free-market policies made to this achievement. But the growth has come at a price. Although there were more jobs than ever at the peak of the most recent economic cycle, many of those jobs were less secure than most jobs a generation ago. The gains of the last quarter-century have been concentrated among the highly skilled – most notably, those with at least a college education. As a result, the mediocrity of our public schools is now a direct threat to the economic future of working- and middle-class children. The focus of many free-market advocates on income tax cuts (especially capital income tax cuts) is of little interest to working- and middle-class voters, who no longer pay very much income tax (and have little taxable income from capital). What is required here is not a change of principles but an adjustment of policies and a change of emphasis.
- **Take health care seriously.** Most conservatives, including many free market advocates, don't like to talk about health care. Liberals believe government should provide health care for everyone, are not shy about saying so. Because health care costs and coverage are a critical element of working- and middle-class insecurity, this puts us at a huge disadvantage. It will not be easy to reverse this, as the recent presidential campaign demonstrated. Presidential candidate John McCain advocated the most ambitious health care reform since the current system arose after

World War II, yet he was not able to communicate his proposals effectively, and most voters concerned about health care voted for Barack Obama. A market-driven health care system will deliver better results at lower cost than a government-run system. Free market advocates need to get middle- and working-class voters to understand this.

- **Reconnect the cause of economic freedom with the interests of working- and middle-class Americans.** Very few Americans, regardless of class, think expanding government is a good way to solve problems. Yet when confronted with a choice between one candidate who proposes solutions and another who seems to advocate nothing, they vote for the candidate who offers hope. To change that, we need to remind people how markets have improved their lives and how markets can be applied to current problems. This is not as easy as bellowing “every American has a right to _____ (fill in the blank with your favorite service)” on the campaign trail, but it can work. It was the idea behind “compassionate conservatism,” before that phrase became synonymous with selling out.
- **Challenge liberal premises.** I could not win a political debate with a young child if the debate were conducted in French. Yet that is often the position in which free-market advocates find themselves in when debating policy against the background of liberal premises. To win the debates, we must challenge the premises. When liberals argue that government spending is a “public good,” while private spending is selfish, we should reply that private spending primarily feeds and clothes our families while much public spending supports special interests. When liberals assume that expanding regulation protects the little guy, we must point out the ways in which regulation protects producer interests from competition that would benefit consumers. When liberals assert that they are offering change, we must reply that

government almost always protects established interests, to the detriment of people offering change in the marketplace.

In the 19th century, free market advocates were called liberals, and liberalism became synonymous with support for change. During the last century, supporters of bigger government took the name liberal (or progressive) and the mantle of reform. But advocates of freedom, particularly economic freedom, remain the true advocates of change and progress.

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Politics and Size

By Eric L. Lipman

When the Center posed its symposium question – “How Can Conservatism Better Allay the Economic Fears of Working-Class and Middle-Class Americans?” – I confess I was a bit agnostic about the inquiry and the answers that might be rendered. Not because the question is unimportant – it is very important – but more because in 2006 I traded my bold partisan stripes and long associations with a particular party for the muted black of an umpire’s uniform. In that move, I left every plan and calculation for political success to others – and I have not looked back.

More importantly, as this symposium shows, our state’s political field is not diminished one bit by my walk to the sidelines. In the essays that adjoin mine, for example, the Center has literally filled a book with suggestions on new maneuvers and refinements for those who have kept their political stripes.

So I took the liberty of bending the Center’s question just a little bit: I thought that I could contribute to the discussion by reflecting upon the *overall conditions in which any political contest occurs*. Like gravity, these

broader forces apply in equal measure to conservatives, moderates, and progressives alike. No political combatant is immune.

The first lesson is from Harvey Mackay, Minnesota’s envelope magnate and best-selling author of leadership books. A Mackay maxim is, “People will not care what you know until they know that you care.” As Mackay explains, building broad support in public life, in business, or in any enterprise, for that matter, is conditioned upon a genuine alignment of a leader’s vision with the real-life concerns of those whom the leader would engage. Whatever “it” is, it needs to matter.

Second, this alignment between a leadership vision and practical concerns is not a synonym for pandering. It is not something that can be fully captured in a survey of 500 households, a report of quarterly trends, or an official’s promise of local projects. It is something broader and deeper. Indeed, this alignment is a founding block for our federal Union. As detailed in the Declaration of Independence, because there was an endowment of rights by our Creator,

Governments are instituted among Men, deriving their just powers from the consent of the governed — That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness.

From the beginning, and on every day since, American political life has been about calibrating a whole range of linkages between governmental power and public service.

Third, and closest to the question the Center asked, governments are instituted amongst free people to confront the problem of size – the big, leviathan threats outside our doors. After the American Revolution, for example, Americans

preferred a confederacy of diffuse authority out of fear of what a centralized government might do. Later, a federal Union was forged because the early confederation was not well-matched to preserve prosperity against threats from abroad. Thus, as the pendulum has swung back and forth over two centuries – on the question of whether to have a national bank, on eliminating slavery, on how best to eradicate poverty, on whether to invade Iraq, or a million other questions – each debate has been about the use of government power to confront threats to public safety and happiness.

It is the same today. When addressing the current economic crises, partisans of all stripes will be asked, “For what purpose do you seek governmental power, and why?” Blended in their answers will be explicit or implicit statements about the relative risks of governmental action and their choice in targets. When candidates campaign, debate, barnstorm, and bargain, they all seek to turn the power of the collective against some threat that is larger than we are as individuals.

We have campaigns because Americans measure the relative breadth and urgency of the threats very differently. Deciding which threats to keep at bay, and in what order, is what our politics are about. Now, as in every age, size matters.

Eric L. Lipman is an administrative law judge with the Minnesota Office of Administrative Hearings and writes the legal blog “Within the Scope” (withinthescopes.blogspot.com).

The European Solution

By Jefferson Morley

As political liberal, I should say at the outset that I hope and expect the Obama administration to succeed in addressing the economic fears of working- and middle-class Americans. I also think that George Bush didn’t depart from the mainstream American conservatism in ignoring such fears. He embodied the right-wing consensus

of the last 30 years that tax cuts, deregulation, and free trade would take care of the American middle class. We liberals have long doubted that, and now we are vindicated.

But as a person who admires the values of humility, self-reliance, and realism that are often attributed to political conservatives, I know no political impulse is infallible and that vigorous debate can only be good for a democratic society. A more attractive (or rather, a less repulsive) conservatism would be a good thing.

So my first recommendation to my conservative friends is that they acknowledge such economic fears are real and go well beyond apprehensions of increased taxes or “socialism.” The electorate responded to the John McCain campaign by giving the liberal candidate the highest percentage of votes since the heyday of the Great Society. With foreclosures rising and 401(k) balances plummeting, the conservative who doesn’t acknowledge the reality of economic fears risks looking like a fool.

My second recommendation for conservatives is to get your intellectuals and the politicians back on the same page.

The conservative movement’s intellectual agenda is now set by mass media figures who measure their success by ratings and income, not by winning elections. Rush Limbaugh, Sean Hannity, Bill Kristol, Laura Ingraham, Ann Coulter and the editors of the *Wall Street Journal* do not have much incentive to develop a political storyline that will appeal to economically fearful Americans — at least not yet. Indeed, these wealthy talking heads can probably gain self-esteem, audience, and money in the next year or two by downplaying economic insecurity and scorning President Obama’s efforts to address it.

On the other hand, Republican office holders like Tim Pawlenty, Mitch McConnell, Eric Cantor, Arnold Schwarzenegger, and Charlie Crist *do* have the incentive to win elections. Yet they have little

capacity to develop a national economic message independently of conservative media. Until media and office holders coalesce around set of consistent (or at least not contradictory) themes about the economy, they will not have a coherent message for working- and middle-class Americans. Either conservative voters have to find new intellectual leadership, or the conservative media have to find a previously untapped capacity for self-reflection.

My third recommendation for conservatives is to repudiate the Bush administration as early and as often as possible. Bush completed American conservatism's improbable evolution from a force opposed to big government to a governing movement devoted to deficit spending and hostility to the very notion of good government. Only by speaking honestly about Bush's ideological failure can conservatives begin to reclaim the banner of good and small government as the foundation of long-term economic security.

On the jobs issue, this would mean emphasizing well-regulated free trade (as the engine of general prosperity), education and training (as opposed to government jobs programs), and comprehensive immigration reform (as a means of ending the race to the bottom that is devastating working-class wages). It also means abandoning the reflexive laissez-faire that died with Lehman Brothers, the nativist impulse that has too often disfigured American conservatism, and the anti-intellectualism that has turned skepticism about teacher's unions into hostility to public education.

On the health care issue, I think conservatives are going to have to reconcile themselves, like the conservative parties of Europe, to universal health care. It is simply not possible to have an internationally competitive post-industrial economy without a guarantee of medical coverage. It is not too early for conservatives to think how they can fashion a national health care system that offers more choice, less bureaucracy, and lower costs than that advocated by liberals. If they don't try, I predict that President Obama will beat them to it, and a liberal president will inherit the rewards

of a conservative approach.

On pensions, the Wall Street meltdown has vaporized the conservative dream of privatizing Social Security for at least a generation. The challenge for conservatives now is to defend Social Security by shoring up its financing as the population ages. To be credible and effective, this will require raising taxes or cutting benefits.

My conclusion — and I admit it is wholly self-interested — is that American conservatism can revive its prospects with working- and middle-class Americans by becoming more liberal in the classical and European sense of the word.

Jefferson Morley is a senior writer for the Washington Independent and other online news sites sponsored by the Center for Independent Media.

Rebuilding Trust

By Peter J. Nelson

As the Bank Panic of 1907 unfolded, President Theodore Roosevelt knew he'd be held responsible. In a letter dated just weeks into the panic, he wrote, "When the average man loses his money, he is simply a wounded snake and strikes right and left at anything, innocent or the reverse, that presents itself as conspicuous to the mind."

For Republicans needing balm for recent election wounds, it might be soothing to think that America simply struck at the party holding the presidency at a time of economic crisis.

To this point, exit polls show that most people could care less about political parties when their finances take a hit. Of voters who thought their financial situation had recently worsened, Bill Clinton won 60 percent in 1992, George W. Bush won 63 percent in 2000, and Barack Obama won 71 percent in 2008. In each case, the incumbent party lost this demographic by a large margin. The opposite held true for voters who believed their finances improved.

But it wasn't just unhinged emotion that pushed voters to the liberal Obama platform. Obama also won 57 percent of the more even-keeled voters who believed their finances stayed about the same. These numbers suggest that something more than wounded snakes put Obama in office.

This becomes even more apparent when you compare how this even-keeled group voted in past elections. Of the previous elections referenced above, votes were evenly split in all but one. The exception: George W. Bush garnered a remarkable 60 percent of these votes to Al Gore's 35 percent. Consequently, since at least 1976, Barack Obama is the first Democrat to gain this group's approval.

So, why does this matter?

As alluded to earlier, these voters aren't unhinged by the joy of newfound wealth or the dejection of job loss or some other financial stress. Less driven by emotion, these voters likely pay more attention to a politician's actual message and policies. In short, Barack Obama captured the people who really listen.

Surely some political science professor has the underlying data on this group and could outline a number of defining characteristics to explain how George W. Bush and Barack Obama managed to reach them so effectively. But without that, allow me to speculate.

I believe Bush in 2000 and Obama in 2008 shared three characteristics that won over the financially stable crowd.

- **First, they were optimistic.** When listening to both, it's clear they shared President Ronald Reagan's sense that "our best years are yet to come."
- **Second, they were confident.** Yes, Bush fumbled his words at times, but he never wavered; you knew where he stood. Whether you believe him or not, Obama gave

Americans clear-eyed assurance that his proposals would create jobs, reduce health care costs without upsetting current health plans, keep America safe while regaining our standing in the world, and keep social security viable for future generations.

- **Third, they were realistic.** Bush did not shy away from the reality that Social Security and Medicare were not sustainable and needed to be fixed; Gore, on the other hand, proposed his make-believe lockbox. Obama was straight with the American people about the present economic crisis; McCain told us the American economy was sound.

Bring these three ingredients together, and you have a recipe for gaining the public's trust. Optimism from politicians is usually expressed by assuring the public that faithfully following our nation's shared ideals can only lead to better days. Faith in our nation's ideals is longhand for patriotism, an obvious prerequisite for public trust. Confidence creates trust simply because people tend to believe you more when you show you believe in yourself. Finally, being realistic proves you understand people's problems. If a politician isn't realistic about problems, then why would a thoughtful voter trust him for solutions?

If conservatives in Congress expect to defend against Obama's massive, trillion-dollar, debt-compounding stimulus giveaway, then they must match Obama's optimism, confidence, and realism. Only then will the public start listening to more sensible solutions. When thoughtful voters start listening again, they'll swing back to their more conservative convictions, and we'll understand the Obama election for the anomaly it was.

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Growth Beats Redistribution

By Grover G. Norquist

The best and only effective way to allay economic fears of middle-income Americans is to enact federal and state policies that create strong, rapid, and continuous economic growth. If jobs are plentiful and incomes are rising, most of the ploys of the Left fail. With rising employment and incomes — as in the 1980s and after the 1994 Republican congressional victory — one cannot generate fear of international trade, outsourcing, and immigrants nor gain support for make-work government jobs programs.

This means reducing taxes on capital gains downwards towards zero. The corporate capital gains tax is not 15 percent but 35 percent and locks up much older investment. Abolishing the death tax, which consumes capital, could create jobs. Expensing all new investment, rather than having long depreciation schedules, would reduce the cost of capital and simplify the tax code.

We need to reduce regulatory burdens on young families. There are zoning laws that limit working at home. There are restrictions on allowing people to work as independent contractors rather than employees if they wish. Defined contribution pensions and savings for retirement, homes, education, and health should be tax free, portable, and simple. The legislation exists to create such Lifetime Savings Accounts and Retirement Savings Accounts.

Some columnists have suggested that the Republicans should abandon pro-growth tax reductions and should chase after the Democrats with their strategy of putting middle-income Americans on welfare, thereby expanding welfare programs up the income ladder. As Peter Ferrara has patiently pointed out to the historically learning impaired, this has been tried and has failed in the past. But the new “reformers” mimic the continuous Democratic plea: Please, Republicans, stop calling for lower taxes on income, capital gains, and death. The

Democrats oppose our support for those tax cuts because they have seen them win elections for Republicans. That is why it is odd that some purported Republican columnists now claim that pro-growth policies “no longer speak to voters.”

And it is particularly weird given the Democrats’ capture of the House, Senate, and presidency, which threatens the return of the higher tax rates that created a strong anti-tax movement.

Forty percent of the present federal income tax is collected from the highest one percent of taxpayers, and 97 percent from the top 50 percent of income earners. But remember that a majority of Americans wish to abolish the death tax, which hits fewer than two percent of taxpayers. It seems that envy is not as powerful a political force as the Left hopes or the Right fears.

The argument for lower marginal tax rates is threefold. One: It is just. People who earn a dollar should keep it. Two: Lower tax rates on income and capital reduce the drag of the government on the economy, and the economy grows faster without the boat anchor of high tax rates. This creates jobs and higher incomes for all Americans willing to work. Third: Envy is a sin, not a political program.

Growth and job creation constitute a better economic strategy than redistribution of existing wealth. The strategy won the Cold War. It is why Europe grew away from the Ottoman Empire. It is why North America is richer than South America. It is the difference between North and South Korea, East and West Germany, and any American city and its suburbs.

Growth and job creation through lower marginal tax rates and fewer regulations also beats welfare handouts as a political strategy. Why try and compete with Democrats on welfare handouts when they can always offer more? Even if we won with the strategy — it doesn’t work.

Grover Norquist is president of Americans for Tax Reform (www.atr.org) and author of Leave Us Alone – Getting the Government's Hands Off Our

Money, Our Guns, Our Lives.

From Fear to Hope

By Bruce Peterson

I appreciate the invitation to me, a spiritual progressive and a member of the respectful opposition, to write this essay. One of the reasons for the respect is that I have noticed Mitch Pearlstein not only welcomes encounters with diverse viewpoints, he seems to enjoy them. We need more of that.

I also appreciate the question. I occasionally hear insinuations that fear is not a bad motivating force. Yet individual children growing up awash in the chemistry of fight or flight become mistrustful and antisocial. Fear is not good for countries, either. Fear led our country into its most shameful conduct in my lifetime, the officially sanctioned mistreatment and rendition of prisoners.

In his most recent book, *The Left Hand of God*, Rabbi Michael Lerner, founder of the Network of Spiritual Progressives, explains that politics swings on a continuum from fear to hope. Most of us have the capacity for both. External circumstances have less impact on the balance at any given time than the framework through which we interpret events, which skillful political leaders have a strong hand in shaping. I have heard Rabbi Lerner explain eloquently the different possible reactions to the 9/11 attacks. The scary message is that a well-organized group of fanatics wants to kill thousands of Americans. The more hopeful message is that in the midst of the tragedy caused by a small group, hundreds of firefighters risked and gave their lives to people in need, millions of Americans provided direct relief and emotional support to people who had suffered, and the entire world, for a time, offered its prayers.

The predominant message from our leaders was the scary one. Thus, we engaged in mistreatment of prisoners, curtailment of civil liberties, and foreign adventures in pursuit of nonexistent weapons of mass destruction.

We are now facing an economic crisis, which in its own way could be construed as the political equivalent of 9/11. To an individual worker, the similarities are readily apparent – outside forces, strange and hard to understand, threaten serious harm. The vulnerability of workers in the global economy of the 21st century is unparalleled. In tribal, village, or feudal societies, everyone had a place dictated by generations of custom and culture, had work to do, and had at least some claim, however meager, on the community's resources. In our own frontier society, anyone with enough health and vigor could find a piece of land to till. Even in a society dominated by large manufacturers, at least most people healthy enough to work had some economic security. But in an unstable global economy, total industries can evaporate overnight and render worthless a worker's lifetime of training, experience, and loyalty. In the highly technological sectors of the global economy, making a transition to new jobs or industries requires time, information, and retraining, as well as some support in the meantime.

To allay fear in such circumstances requires an unambiguous message from all points on the political spectrum: We are a large community banded together for mutual aid, protection, and fulfillment. We care about each other. We will help each other in times of need. What we need now is faith in each other, not in the market or in the myth that anyone can succeed on his own.

I would start conveying this message with prayer: for the health and prosperity of the world, for the security and stability of those with jobs, and for the well-being and fortitude of people without work. I would add attention: I want to know about the plight of displaced workers. I want to hear the fears of those who feel at risk. I want the media to tell me, I want workers to be vocal, and I want a national conversation (like this one) that emphasizes that we care. I would include education: History, economics, and social studies ought to be right up to date, and schools ought to

be sure that the children of professionals and policy-makers understand life with a nine-dollar-an-hour job and what poor education, health care, and parenting can do to the prospects for something better.

Now, prayer, attention, and education — like talk — are cheap, especially to someone out of work or about to be. That person needs adequate unemployment insurance, sophisticated retraining opportunities, and jobs for which to train. I have no doubt that the necessary economic and social policies will fall into place if the prevailing consciousness in this country is the hopeful one that comes from knowing we are all in this together. If we are hopeful and confident instead of fearful, we will be more energetic, more creative, and more successful on all fronts.

How can conservatism allay economic fears? By steadily tempering pride and independence about being “self made” with the compassion and generosity that come from recognizing that “there but for the grace of God go I.”

Bruce Peterson is past chair of the Minnesota Chapter of the Network of Spiritual Progressives.

Sam’s Club Values, not Family Values

By Todd Peterson

Focus. Focus! Focus!! The importance of a clear, simple message cannot be overstated. If we are to regain the political franchise that allays working- and middle-class economic fears, we need to cut the noise of other issues or at least put them firmly in the back seat. James Carville captured the economic franchise in 1992 with a simple sign at his desk, “It’s the economy, stupid,” and conservatives have yet to reclaim that clarion message.

The closest we’ve come to a clear economic message is “no new taxes,” and that, it turns out,

inspires little confidence in conservatives to be trusted with the economy as a whole. Taxes are but one piece of the bigger economic puzzle. With an economic meltdown kicking us firmly out of power, “no new taxes” simply falls short of promoting the real conservative formula that private enterprises, not government agencies, are the engine of the economy. We’ve lost Ronald Reagan’s high ground that equated cutting taxes to getting big government off the backs of the private enterprise engine. By failing to craft a more prominent message of care for the economy, “no new taxes” smacks of greed and smugness — hardly a comfort to working- and middle-class Americans.

Meanwhile, there seems to be no intelligent design to how the louder conservative message has evolved. We’ve shouted everything, except “the economy.” We’ve been enraptured with security (appropriately so, for a time) and family values (with little effect). We won the 2004 election with a successful record against terrorism, though even then we didn’t coin as simple a phrase as “It’s security, stupid.” To the contrary, no sooner had we won on “security” than we declared, no, it was really a “family values” victory. Over dinner with a member of Congress, I was asked why no one seemed to appreciate what conservatives had delivered. I had two words for her, “Terri Schiavo.” By convening Congress as though that tragic Florida case was a federal emergency, conservatives signaled in spectacular fashion we had no sense for why we were re-elected just three months earlier and ultimately why we were not elected just four months ago.

Probably 80 percent of my Harvard Business School classmates share conservative economic values, yet in the wake of the Schiavo debacle, fellow alumnus Andrew Tobias, treasurer of the Democratic National Committee, was able to tempt (not taunt) these conservative alums in an open letter (a year ago) with, “You only thought you were Republican. . . . I hereby pronounce you — at least for a while, until you get your party back — a thoughtful, moderate Democrat.” That message succeeded in the 2008 election.

There is no way to allay economic fears by simply tacking the economy as an afterthought onto a cluttered and haphazard political message. When I take over troubled companies like Chippewa Spring Water or UnderWater World, the first thing I do is clarify the message and focus every last resource on that singular objective. Employees (insiders) need to adopt that focus immediately and customers (outsiders) need to be given every opportunity to recognize that focus. It's the message. It's the brand. Chippewa had a "real spring." UnderWater World had "sharks." Such brands take years to earn. I spent one summer promoting "turtles" and figure it set me back about three years, regardless of how cute those turtles were. In the aftermath I had to re-educate employees and the public to the fact that we were the place for sharks. For every dollar I spent off message saying "turtles," I had to spend two dollars getting back on message saying "sharks."

As Jim Collins writes in his brilliantly researched book *Good to Great*, the "stop doing" list is often more important than the "to do" list. While family values are no doubt valuable, had we focused relentlessly on the economy, there is no doubt Mitt Romney would have shined as the conservative with the best chops for the economic job — the best in a long time. Instead, we forced Romney to prove he was a "real" conservative in all other ways. I, for one, lost interest in the unproductive sideshow and rallied behind John McCain as the remaining candidate most willing to stifle the noise that plagues conservatism. In Minnesota, we can now rally behind Tim Pawlenty's winning message that conservatives stand for modernizing government to deliver services at Sam's Club value.

"It's the economy, stupid!" I wish we had said that.

Todd Peterson is managing director of Spring House Capital.

Keep Vigilant Eye on Endorsements

By Bill Pulkrabek

Conservatism is suffering from a self-inflicted credibility crisis.

The first priority of conservatism must be to assuage its disillusioned base. Conservative activists worked for years – election cycle after election cycle – to procure the troika of federal control for the conservative cause by ultimately capturing the presidency and both houses of Congress.

Conservatism finally triumphed and "achieved" its political goal – President Bush and the Republicans had *carte blanche* over the federal government from 2002 to 2006. Unfortunately, they squandered their long-awaited opportunity.

What happened during this timeframe to advance conservative public policy at the federal level? Nothing.

Were permanent income tax cuts implemented? No.

Was a balanced budget passed? No.

Was entitlement reform via Social Security and Medicare addressed? No.

Were capital gains reductions realized? No.

Was there an across-the-board reduction in the size and scope of the federal government? No.

Is it any mystery why conservatism has been wiped from the federal political map? No.

Over the course of the last two election cycles, conservative activists have watched with indignation as the toils of their labor have been squandered. The electoral backlash spawned from such ineptness of conservative officeholders at the

federal level wiped out legions of conservatives at the state and local levels as well, simply because of guilt by association.

Now, the same conservative activists, the lifeblood of political campaigns, are once again being drafted to give their time, money, and resources. They are being told to put back in power the establishment that delivered exactly nothing for them. It is not surprising that morale and motivation are low during this credibility crisis.

Conservative activists must believe in their own cause again before taking their message to the masses. Yet now is just the right time for conservatism to allay the economic fears of working- and middle-class Americans by affirming the merits of capitalism and free markets. Now is not the time to allow the Left to frame the political discussion.

The Left's economic "solution" is to borrow or print money, intrusively hand pick industry winners and losers, and artificially inflate public spending in the short-term. "We're doing something" is not the right answer.

Conservatives need once again to demonstrate to working- and middle-class Americans that the government is usually their economic oppressor, not their liberator. Conservatives need to be strong advocates of small businesses, which are the conduit to job security. Furthermore, conservatives must promote that individual choice and liberty are invaluable.

It's back to the basics for conservatism. Conservatives must regain their collective title as champions of fiscal reform, fiscal responsibility, and fiscal accountability. The planning aspect is not rocket science: write a political game plan with corollary legislation, develop realistic and tangible goals, and slap a cute label on it.

Now, for the hard part: Convince elected conservatives to have the political courage and fortitude actually to implement their plan.

Having served as a fiscally conservative elected official for the past 14 years, this is the most difficult tenet. Too many conservatives talk a good game on the campaign trail but, once in office, digress to a "don't rock the boat" mentality.

If conservatism is to regain its credibility, activists need to keep a vigilant eye on political endorsements of future candidates. Activists need to ensure that future candidates will do something bold if elected, not just talk about it.

Conservatism must redeem and ready itself for upcoming leadership, and that assumes the Left squanders its present opportunity to lead. While on the sidelines, conservatives must be diligent to restore and bolster the credibility of their cause.

Bill Pulkrabek is a Washington County commissioner.

Hail Cicero

By Larry Purdy

"The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance."

Roughly paraphrasing Cicero from 55 B.C., what have we learned in two millennia? Apparently not as much as we should have.

I begin with this simple and, one would think, unobjectionable premise: Practicing conservatism is the best deterrent to economic difficulties. But that begs the question of whether conservatism's message *in and of itself* — without a demonstrable devotion to conservative principles — can effectively allay the fears associated with looming, or existing, economic hardships. The question is particularly pertinent in a society whose citizens increasingly abjure conservative principles.

The problem is not conservatism per se. The problem is in understanding why so many contemporary Americans seem ignorant of its teachings. Understanding begins with this disturbing fact: More and more Americans seem comfortable looking to government (that is to say, looking *beyond* themselves) to provide their basic services. The problem is compounded by the fact that “basic services” have transmogrified to the point where such things as universal health care and affordable housing have been elevated by liberalism and its adherents into fundamental human — perhaps allegedly even constitutional — rights owed protection by the U.S. government. As worthy as these aspirations may be, the question is whether, in an imperfect world, they ever can be permanently achieved.

A final compounding factor is this: Associated with the increased willingness to rely on others (i.e., the government) is the reduced expectation that individual effort and sacrifice constitute any portion of an essential quid pro quo before these basic services are forthcoming. Consequently, when contrasted with liberalism’s utopian promises, conservatism — with its tougher demand that free individuals exercise restraint and self-impose sacrifice—is for many people the less attractive message. Thus, wherever liberalism is successful in selling the availability of “free” services to ever-increasing populations, its message unquestionably supplants conservatism as the better to allay economic fears.

Of course, conservatism openly teaches what liberalism actively obscures. Basic services do not come free of charge. Yet, for those intoxicated by the thought of perpetual economic rescue by the government, the message of liberalism resonates. Moreover, its dominance in the near term is likely to remain unchallenged until the first of two inevitable events take place. Either we see a measurable change in our educational system where the concepts embraced by conservatism are studied and applied seriously or we experience the painful collapse of another society fathered by liberalism and its unsustainable promises.

The first scenario, which offers the better prophylaxis against the onset of poor economic conditions, is less likely to happen first. In our elementary and high schools, in our colleges and universities, it is increasingly rare for American students to be exposed to anything other than modern caricatures of conservatism. Absent a meaningful reintegration of conservative principles (“Ask not what your country can do for you . . .”) into our curricula, the lessons of conservatism will remain less and less studied and more and more unlearned and, thus, unavailable to ward off economic hardships or to allay economic fears.

Finally, as long as conservatism remains in exile, we face the likelihood that the second, more painful, event — economic collapse — will occur first. (One can argue it already has begun.) Practicing conservatives, of course, are better positioned to survive it; and conservatism will perforce reemerge. Still, what a tragic reason for it to do so.

Larry Purdy is a Minneapolis attorney.

First, Admit Error

By Don Racheter

In order to recapture the trust and allegiance of working- and middle-class Americans, leaders of the Republican Party must first admit the error of their ways in being “big-government conservatives” when they controlled Congress. They then must work very hard to come up with proposals for dealing with public issues that will put money in citizens’ pockets instead of taking it from them. “Business as usual” in our state and national capitals and me-too-but-not-so-much emulation of the Democrats’ proposals for more government intervention in average citizens’ lives will not work.

For example, rather than voting for billion- and trillion-dollar bailouts of favored (campaign-contributing) industries, conservatives should propose and vote for tax holidays, tax cuts, and tax reductions for individuals and job-creating small

businesses. This will jump-start an economic recovery. When working- and middle-class Americans see that leaders are putting the money where their mouths are, trust will start to be rebuilt.

Another way to rebuild trust is to lead by example. In these perilous economic times, many working- and middle-class Americans are fearful they may have to take unpaid furloughs, take pay cuts, or lose their jobs. This is a time when politicians should be voluntarily taking pay cuts, cutting government budgets, and holding the line on wages and benefits for government workers, instead of supporting more holidays and pay raises. At Iowa State University, the president, athletic director, and several coaches have announced they will work for one week without pay to help the school balance its budget this year. Conservative leaders should emulate their good example and call on other government leaders and workers to follow suit, particularly in places like Iowa, where the average government worker makes 145 percent of the average private-sector worker.

It is not enough to “do right” — conservatives have to ensure that working- and middle-class Americans know they, instead of the liberals, are the ones to look to for citizen-friendly public policy. Because liberals seem to have no shame at pitching collectivist and socialistic programs that have proven time and again to fail but which are very alluring because they promise something for nothing, and because the mainstream media won’t tell the positives of the Republican story or call the liberals on their lies, conservative leaders must make much greater use of new media to deliver their messages to average citizens.

Conservative leaders also must hammer the message over and over and over and over and over. Direct mail, blogs, paid ads on radio and cable TV, talk radio, twitters, podcasts, Facebook, YouTube, e-mail chains — the potential is there, if conservative leaders have the will to punch their message through. We need to fight the fear-mongering of the Democrats and their liberal media allies with the facts.

Average citizens are not stupid or unable to grasp the facts, but they are busy with their lives and don’t waste energy seeking out information on public issues. They rely on messages from the mainstream media, often inadvertently while watching nonpolitical shows or the news. If we don’t provide them with the other side of the issues, who can blame them for being in fear and thinking government programs are the only answer to life’s crises?

Don Racheter is president of Public Interest Institute in Iowa.

“The Way Out is Through”

By Kristin J. Robbins

Conservatives can best allay the economic fears of working- and middle-class Americans by articulating clearly how free-market policies will provide the shortest and most effective route out of the current recession.

We will not likely know for many years whether the initial bailout of the banks was essential to forestall a global economic crisis. We do know, however, that continuing to bail out other industries and significantly increasing the size and reach of government by re-creating the Great Society will delay market corrections necessary to clean out the system and get the economy growing again.

A wise old saying would be well-heeded in today’s climate to rush to “save” anything and everything: “The way out is through.”

Whether we want to acknowledge it or not, economies go through cycles with relative regularity. Economies heat up, investment increases capacity, jobs are created, demand increases, supply increases, and a new equilibrium is achieved. Then something changes — perhaps it is a change in the weather that adversely affects supply or transportation, perhaps it is a change in

technology that renders something obsolete, or perhaps (and quite commonly) it is simply information or regulatory changes that re-align incentives. The economy then cools off. Demand drops and jobs are lost as companies and consumers pull back.

But this “downturn” is actually laying the groundwork for the next upswing. Companies become more efficient, labor becomes more productive, laid-off workers get new or additional education and training. As those changes take effect, new products are developed, investment increases capacity, jobs are created, demand increases, and a new period of growth gets underway.

In relatively recent years, the over-reaching beyond equilibrium in particular sectors has been characterized as a “bubble.”

Whether the bubble is in the tech sector, the housing sector, or hedge funds, it is not sustainable and eventually will “burst.” Contrary to popular opinion, bursting the bubble is actually good for the economy in the long run. We don’t want more and more people betting on the bubble, causing it to grow and then hurting even more people when it bursts.

Unfortunately, because of the recent synergy between the housing and financial bubbles, the strongest incentive lately was to prevent the burst – keep it going as long as possible and pretend it was based on solid growth, rather than shaky instruments and artificial mandates.

Contrary to the views of many, the burst showed the strength of the market system – heaving through all the intricate paper and complicated legal structures to say, “Enough!” Rather than an example of market failure, as critics suggest, it was actually an example of market success.

The question before us is whether we will allow the markets to clear themselves and reset prices in a way that reflects actual value, or whether we will

create new bubbles in the automobile, banking, and housing industries by giving them cash and legal protection without allowing them to go through the “creative destruction” of the downside of the economic cycle.

Working- and middle-class Americans instinctively understand the market in a way that seems to escape many economists and policymakers. They don’t want the government propping up bloated industries or bad paper, and their anger over the bailouts reflects this common sense.

The best way for conservatives to allay the economic fears of middle-class Americans is to hold back the tidal wave of politicians rushing to “save” various industries and allow the markets the time needed to go through the admittedly painful adjustments necessary to “reboot” the economy and start the growth cycle again.

Average Americans don’t want the government to create a new breed of entitlement programs. They don’t even really want a consumption-based “stimulus package.” Like the banks that made bad loans, Americans recognize that they overspent and were not prepared for the inevitable downside of the economic cycle. Any money they get now they want to save or use to pay down personal debt.

Working- and middle-class Americans want real opportunities to work and create and learn and compete. They want to be able to save and invest and have it be there when they need it. They don’t want artificial gains or false promises or marketing slogans that push them to buy more stuff they know they don’t really need or want.

Conservatives don’t have to “allay” the fears of working- and middle-class Americans. We need to listen to them and become their voice in the national debate. We need to heed their commonsense warnings about continued bailouts, create the political space for the markets to reboot, and provide basic unemployment insurance and education and training opportunities so that they will be ready to lead the upswing when it starts.

Working- and middle-class Americans get that they are the ultimate solution to the current crisis. It is their ideas, their savings, their productivity, and their consumer decisions that will drive the recovery. Conservatives have to make sure that the current penchant for bailouts doesn't get in their way.

Kristin J. Robbins is executive director of the Economic Club of Minnesota.

Conservatism Starts at Home

By Lyall Schwarzkopf

As a conservative person, I believe I cannot live off of someone else's money. When I purchased a home, I bought one that I knew I could afford, and I used a 20-year mortgage to pay for it. When I buy a car — a used car — I do not buy it unless I can pay cash for it. I pay off my credit card each month, so I watch how I use my credit card. I learned very early in life that receiving interest is much better than paying it. I have tried to teach my children the same conservative principles.

As I watch the meltdown of today's economy, I wonder what happened to these conservative ideas. Unfortunately, many people borrowed to buy a home they could not afford. Other people maxed out their credit cards and then maxed out others. Many people were not saving for a rainy day.

On the other hand, most working- and middle-class Americans have used some or all of these principles in their daily living. People who have savings, people who have a mortgage they can afford, people who make limited use of credit cards, and people who have good job skills, should have no fear of the present economic downturn. They have the wherewithal to weather the storm.

For those working- and middle-class Americans who have not lived by these principles, we need to use our conservative ideals to help our brethren.

Today we are in a recession. So how can conservative ideals help us get out of the recession and build a stronger America for all working- and middle-class people?

I believe we need to get people back to work as quickly as possible. Americans are not productive if unemployed. Bailing out failed businesses is not the answer. We need to encourage government to provide low taxes and low-cost money to businesses. Schools need to be encouraged to provide well-educated and well-trained workers to businesses. Government needs to assure American businesses that they are on an equal playing field with foreign corporations. In addition, we need to encourage entrepreneurs to create new products, produce better and more efficient products, and provide services that people need at reasonable prices. Putting all these things together, we can allay the economic fears of Americans, and people will be working again.

I believe we need to get our national debt under control. The government, like individuals, needs to learn to live within its means. When one borrows money, one has to pay it back with interest. We paid \$451 billion in interest on our national debt in 2008. Just think of what \$451 billion less in national taxes would do for the economy.

I want to hold down more taxes and yet make sure that there is a safety net available to Americans who need a little help from time to time. Unemployment benefits may need to be extended. Medicaid and other health care programs may be needed. Rental subsidy programs may be needed along with food programs. To pay for this, I believe that government must reinvent itself. We need to cut less-needed programs, eliminate nonessential programs, and re-work programs to be more efficient and cost less money.

Finally, if the recession becomes so severe that businesses cannot or will not survive, then, and only then, should government establish work programs that will build or re-build America. I believe that work programs should add value to

what we presently have. For example, work programs could be used to develop our own supply of energy for the future, teach people better ways to care for their health, rebuild roads and bridges and eliminate roads that are no longer needed, and develop new ways to build less expensive homes, to name just a few.

By using a conservative approach to the recession, working- and middle-class Americans will be stronger and more productive in the future, and we will build a better America.

Lyall Schwarzkopf is a former state legislator, a former Minneapolis city clerk and city administrator, and served as Gov. Arne Carlson's first chief of staff.

A New Amalgam

By Brett Singer

Last November, when the Republicans lost the White House and any hope of holding the Democrats to narrow majorities in Congress, they lost more than their power in Washington. Today, the Republican Party and the conservative movement in America face a crisis unparalleled since the 1970s. For the first time in decades, American conservatism appears to have no answer for the Democratic majority.

The challenge that Republicans now face is to devise a new policy formula that will restore their credibility. The answer is not as remote as some might think. Republicans might note how well received Mike Huckabee's economic message was in the 2008 primaries. Huckabee combined a conservative tone on social issues but a much more moderate tone on economic issues. He emphasized that 80 percent of the jobs in America come from small businesses and advocated in favor of fair trade. Despite poor fund-raising and a weak campaign organization, he performed surprisingly well in many states, showing the party establishment just how challenged it was.

With the country in a recession and more and more Americans losing their jobs, conservatism's long-standing advocacy of trusting the free market and opposing government intervention could be seen as anachronistic, if it goes unchanged.

Statistical evidence shows that working-class voters have been hit the hardest by the recession. Since 2005, the Big Three automakers in Detroit have closed 35 plants, eliminating almost 150,000 jobs. Even before the worst phase, the country was uneasy about the impact of federal trade policy. In 2004, an online *Seattle Post-Intelligencer* poll showed that 79 percent of respondents thought that outsourcing jobs overseas "hurt" the U.S. economy in the long run. With job losses like these and anxiety this pronounced, the Republican Party will be hard-pressed to convince working-class voters that the free-market approach in its purest form is the solution to the country's economic woes.

In the Republican primaries, Huckabee was a voice for much more drastic change, as far as the party's economic message was concerned. Although he did not prevail, his approach might be instructive in crafting a Republican economic message that will win back working-class voters and defeat the Democratic monopoly on winning new voters in hard economic times.

A new book, *Grand New Party: How the Republicans Can Win the Working Class and Save the American Dream*, by Ross Douthat and Reihan Salam expounds on these issues with greater depth and eloquence. It astutely points out that after each Republican electoral success, working-class voters become disenchanted with the Republicans' governing and return to supporting Democrats. The authors note that the Republican majority lost its way economically when it failed to distinguish "between being pro-market and pro-business, between spending that fosters dependency and spending that fosters upward social mobility." Among their specific remedies, the authors recommend improving affordable housing and reducing payroll taxes for the working class. Most

of their proposals are modest, to be sure. But the book provides a good starting point for how the Republican Party can cultivate a more centrist agenda on fiscal policy in a way that effectively addresses the concerns of working-class voters.

The idea that Republicans advocate a strong moral code on social issues and also help the working class manage risk is one that, until recently, had not been seriously entertained in the national primaries. The challenge for the party will be to become an amalgam of social conservatism of old and of economics that address the danger and adversity that working-class voters face today, without becoming an unreconstructed Rockefeller party. It is a balancing act that will be difficult to achieve in the near future, but if successfully accomplished, could forge a coalition leading to a Republican resurgence sooner than many expect.

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Allay Fears by Reforming Health Care

By Grace-Marie Turner and Amy Menefee

In this time of economic turmoil, many workers are losing not only their jobs but their health insurance. They are learning firsthand the perils of outdated public policies that tie health insurance to the workplace.

It doesn't have to be this way.

The United States is alone among industrialized nations in providing health insurance through the workplace. This is a relic of the Postwar Era, when the foundations for today's system were established: Workers get a generous but invisible tax break for health insurance, as long as they get coverage through their jobs.

This policy is simply not working for tens of millions of Americans who don't get health insurance at work and for tens of millions more who would prefer insurance they could own and take with them from job to job.

In an economy where four in ten workers change jobs every year, reform is clearly needed. Modernizing federal tax policy could go a long way toward combating the fear of middle-income Americans that they are one pink slip away from losing their health insurance.

Conservatives would do well to advocate several policy changes to make health insurance more portable and more affordable.

- Make tax advantages equally available to individuals to help them purchase private health insurance.
- Create new markets for more affordable, portable insurance.
- And protect people with pre-existing conditions so they can purchase and maintain insurance coverage.

First, making health insurance more accessible requires making tax advantages equally available. Today that part of a worker's compensation package that goes to pay for health insurance is protected from both income and payroll taxes. But only people who get their health insurance at work benefit from these tax breaks.

Americans, including the currently uninsured, could receive direct credits to help them purchase private insurance. The subsidies could be in the form of direct vouchers or tax credits that would be refundable; thus, people would be eligible for the full value even if they didn't owe that much in taxes.

Congress would decide how much the credits would be worth, but they could be used to purchase only insurance. The great majority of Americans likely would continue to receive their health

insurance at work; therefore, replacing the current tax exclusion for job-based insurance with a new tax credit would be little more than a bookkeeping change for them.

For those without policies through work, this tax credit would be new money to help them buy insurance.

The tax subsidy for employment-based health insurance already is worth \$250 billion a year. Most of it goes to higher-income workers. The subsidy could be distributed more fairly to give everyone an equal chance to buy coverage and to encourage people to shop for the best value.

If tax subsidies were fairer and portable, people would not have to lose their coverage when they lost or changed jobs.

That leads us to the second point: creating a nationwide market for portable insurance.

We should open the health insurance market to competition by allowing people to buy policies across state lines. This would give people many more options for policies that aren't burdened by expensive state mandates and regulations that drive out competition and drive up prices.

Economists Steve Parente, Roger Feldman, Jean Abraham et al. showed in a University of Minnesota study that opening up competition among the states for health insurance would mean an additional 12 million people could get health insurance, without any new spending by the federal government.

People could choose the best plan for themselves and their families and, by their choices, put pressure on companies to offer innovative plans at the best prices.

Portable tax breaks and interstate shopping also would allow people to join with others across the country to obtain lower group insurance rates. Members of professional societies, labor unions, religious organizations, and others could buy

coverage that would not be chained to a particular workplace. And if people decided to move to a different state, they wouldn't lose health coverage.

Third, we need a new system to help higher-risk individuals, especially those with pre-existing conditions, from being denied coverage. We can provide a better safety net, and it does not require re-engineering the entire health sector.

Idaho and Utah have created programs that guarantee citizens access to affordable private health insurance. They have used funding from insurance carriers and state tax revenues to underwrite the costs. The federal government could establish or redirect payments to the states to support safety net programs, including better-functioning high-risk pools.

These policy proposals build on the current system and fill the gaps with fairer subsidies, new incentives for more affordable policies, and new programs to assist those who are left behind in the current system. Pursuing these changes would address a growing economic fear among working Americans and allow health care decisions to be made by patients and doctors, not by politicians and bureaucrats.

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“A Mysterious, Eclectic Bundle of Beliefs”

By Lou Wangberg

When we ask, “How can conservatism better allay the economic fears of working- and middle-class Americans,” we reveal our belief that conservatism has not done this job well.

Grappling with this question is ironic. Our Founding Fathers were substantially conservative. Our Constitution is a bundle of intricate compromises — all designed to “conserve” power to the people. Matthew Roberts wrote in 2006:

Conservatism is a mysterious, eclectic bundle of beliefs. Because conservatism itself has such an abhorrence of ideologies, it cannot really be called an ideology but perhaps the “anti-ideology.” The word itself comes from the Latin verb *conservare*, which means to preserve, keep safe, maintain, keep intact, guard, and observe. If conservatism can be summed up in one phrase, it is “the respect and preservation of tradition.”

From Burke to Reagan, America has been and is essentially conservative, even today with anxious reaction to a worldwide economic downturn. It is important to note a few things about conservatism.

- The Republican party and conservatism are not interchangeable. Political parties have one and only one purpose, and that is to elect candidates. Parties do not care about ideology.
- Being conservative is not about blindly advocating “small” government.
- Being conservative is not about “limited” government spending.
- Conservatism has not always been correct.

Most labels describing conservatism are clichés. For example, small government and/or lower taxes do not guarantee “respect and preservation of tradition.” Personal responsibility is associated with being conservative because larger government supported by higher taxes tends to reduce it, but the connection is not automatic.

Understandably, Americans today are frightened. The news of 2008 hammered continuously to undermine self-confidence. People fear losing their jobs, their homes, their savings, their retirement savings, etc. We live in uncertain

times. Is there any practical thing that conservatism can do to remove these fears, and should it do so, even if it can?

In these wobbly times as a nation, we seek homeostasis or a return to stability. We desire a status that respects and preserves tradition, leaving us in a comfortable economic and emotional state. In seeking steadiness, we grab hold of glib generalities that promise to remove our anxiety. We do so without having a full understanding of the ideas or their potential impact, much less the unintended consequences. We make un-conservative decisions.

Upon what ground can or should conservatism have appeal? It cannot stop economic adversity. However, wise conservatism can reduce anxiety with a firm but clear explanation of what it offers, as well as the consequences of the alternative.

Some conservative principles that will appeal to the middle class in the long run include:

- **“Smart-investment” policies.** The middle class values productive work. When people feel secure in their jobs, they tend to choose conservative approaches to problems. The government must invest to promote growth and reduce economic dislocation. Ensuring secure home ownership is one basic smart investment.
- **“Firm-security” policies.** Maintenance of public order — both from outside threats and internal dissent is essential.
- **“Right-sized” policies.** Government is never efficient, and, therefore, programs should seldom be directly government delivered. Difficult as it is, a rigorous application of conservatism will reduce the size of government.
- **“Smart-social” policy.** Programs to assist people with problems often do not return as much value as their cost. The resources used

are viewed as wasteful and inefficient. When society understands the value it receives, then the citizenry will support the program.

- **“Positive-choice,” not destructive options.** Two examples: Our middle class has a divorce rate in the vicinity of 50 percent, and significant numbers drop out of college or never enroll. Conservatism should work to reduce divorces and increase college completion rates — even if it means higher taxes.
- **“Smart-thinking” policies.** Some problems, such as the current economic downturn, are so large that the private sector cannot solve them alone. When the government must necessarily intervene, it should serve as a backstop or insurance for the solution — not create permanent agencies that never disappear. In most cases, we need reform and not removal of programs.
- **“Smart-tax” policy.** The question is not whether taxes are too high or too low but whether there is enough value realized. When the case is properly made for any tax and citizens know the benefits they or others will receive, then it will be supported.

As humans, we operate in our self-interest. The challenge for conservatism, if it is to “allay economic fears,” is to communicate that it is in the self-interest of all Americans to use conservative thinking.

Lou Wangberg, a teacher, is a former lieutenant governor of Minnesota.

Addicted to “Things”

By Cheri Pierson Yecke

American society in the 21st century shies from anything that even remotely resembles making judgments. It is this milquetoast reluctance to classify anything as decidedly good or bad that

leads us to believe that we can allay the fears of middle- and working-class citizens regarding economic realities. This is like soothing an alcoholic, bottle in hand, into believing that there is nothing wrong with his actions.

The hard fact is that, in both cases, addictive behavior has trumped common sense.

Let’s face it: Far too many Americans are addicted to “things.” We have so much stuff that we have to rent mini-storage rooms to pack away what we cannot sell on eBay. A dual sense of entitlement and instant gratification has swept our culture: *Get it now! Don’t wait! Be the first to own one!*

I am convinced that the main cause of economic problems is an inability or unwillingness to practice delayed gratification. The best lesson my mother ever taught me was this: “Don’t expect to have overnight what it took your father and me 30 years to earn.”

She told me this as I prepared to marry a Marine Corps private. We were both 18, young, naive, and could have easily experienced the fate which consumed so many of our peers: Buy a stereo, buy a color TV, argue about money, go out to eat regularly, argue about money, see our bills pile up, argue about money — you get the picture. Few of those free-spending couples are still married.

There was a day when people took pride in not being beholden to anyone. For example, in the 1944 movie *The Fighting Sullivans*, the father addressed his five sons as they were preparing to leave for World War II. He compiled a list of the money, labor, or items that his sons owed their friends and neighbors, because it would have been a mark of shame on this family if anyone had left town owing someone else. Although Mr. Sullivan had to take out a mortgage to cover his sons’ debts, this was seen as necessary for protecting the family name, and, more importantly, it meant doing the right thing. It was recognizing and accepting the concept of personal responsibility.

Not anymore.

The cold, hard reality is that the majority of Americans are living beyond their means. This is seen in the prevalence of Lexus and Mercedes vehicles parked at inner-city schools. It is seen in the teenage attitude that says: “My parents owe me [fill in the blank]: \$150 tennis shoes, a smart phone, a weekly allowance, a college education.” It’s present, too, as that teenager becomes an adult who refuses to take responsibility for his or her own welfare, demanding instead that “the government owes me [fill in another blank].”

We have become a culture that bows to the god of consumerism. The more we amass, the more status we think we gain. The covers of popular magazines are awash with photos of celebrities who pay more for a handbag than most of us spent for our first home.

We would be irresponsible if we tried to make people feel better about their avarice. Reassuring an alcoholic is called enabling, and serves only to prolong the addiction.

It’s been almost 36 years since Mom gave me her sage advice, and it has served me well. We have worked hard and lived below our means; more importantly, we have passed these values to our children.

The conservative values of delayed gratification, self-reliance, and personal responsibility, long out of fashion in American culture, deserve resurrection. Only then will the middle class, the working class, and the working poor know the pride and power of not being beholden to anyone. Only then will they know the resulting feeling of liberation that far surpasses the insatiable lust and fleeting satisfaction of servitude to things.

Decades later, the advice I received as a newlywed has aged better than any of the gifts on our registry. After all, that other stuff was, well, just stuff. Mom’s gift, by contrast, was the gift of freedom.

Cherie Pierson Yecke is dean of graduate programs at Harding University in Arkansas.

Beyond Culture Wars and Boomer Fixations

By Stephen B. Young

The election of Barack Obama by clear majority of Americans was a completely unexpected and unpredicted apotheosis for the United States. It was a turning towards the “God” of our Republic, bringing us closer than ever before to that transcendent ideal.

To what do I refer?

The Declaration of Independence, of course.

It is important to remember that, unlike almost every other state in the history of human kind, our nation has a birth date: July 4, 1776. Our nation was established on that day to live up to certain noble truths. Most important among these is the proposition that all men are created equal.

Though the Declaration of Independence said that such a truth was self-evident, our practice then, in part, was one of denial of truth. Because of chattel slavery, followed by the humiliation and moral stain of Jim Crow segregation and then by welfare dependency for some and marginalization in the criminal justice system for others, America has been among the sin-wounded in the eyes of nature and of nature’s God.

A noxious kind of fear-based white racism, given plausibility for many through association with biblical interpretation, sustained our addiction to such sin over many decades.

But, as Lincoln said in his Second Inaugural Address, every drop of blood drawn by the lash must be repaid by another, drawn by the sword, or by some other form of adversity. If America is ever to truly prosper, atonement is required in some form and at some time.

With the election of Obama, the sin of racial slavery and segregation is now substantially

required. From this day until the ending of the world, Americans of every race and creed can go forward with a new pride and sense of historic responsibility.

We are now the first among white peoples to have so transcended our past racism.

Now, what does this have to do with self-styled conservatives, with mere conservatives, with the Religious Right, with the Republican Party? Everything.

The culture war between conservatives and liberals, now in its fourth decade, has been transcended. It is over, and neither side won.

The Republican Party must return to the truths of the Declaration of Independence, the Constitution, the wisdom of the Founders and the Framers, the statesmanship of Washington, and the magnanimous dignity of Lincoln.

To do this, the party must make the hard choice of severing its alliance with and dependence on white social conservatives who justify their politics of human hubris with biblically based, jingoistic arrogance.

The ideals of America are universal, right for all people. They rise above sect and race, social class and ethnic pride, indulgence and prejudice—even above personal pleasures and consumerism.

There is a word that used to be used to describe this American creed of creeds: it was “liberalism,” meaning the party of liberty and the party of free will acted upon out of a deep sense of moral responsibility.

To recover the practical aspects of that noble liberalism, Republican Party leaders can read John Locke, Adam Smith (both his *Theory of the Moral Sentiments* as well as his *Wealth of Nations*), the Federalist Papers, and the addresses of George Washington and Abraham Lincoln. It's not hard to do.

But two conclusions must come from such study. First, these seminal thinkers believed in the “moral sense” as expressive of human dignity. The Founders did not accept liberty unconstrained by moral reasoning. They supported free markets and limited government because they had faith in the character of citizens. The moral sense in each of us makes us social citizens, with obligations to more than our own pleasures and profits. Thus, some government regulation of markets is acceptable as is some level of government taxation of private wealth. The issue is: how much?

The second conclusion to be drawn from our American tradition of liberty is that economics is more important than sex as a subject for government concern. A range of issues around gender identities and unwanted pregnancies that have provided passion for the Culture War among the Baby Boomers are just that: fodder for a culture war within one generation of Americans.

The country has moved on beyond Boomer divisiveness and selfishness. Even more, the current financial crisis is forcing the country to move beyond Boomer fixations on having it all now and to get back to basics. Americans want and deserve economic security and prosperity. Opportunity for all, not just for elites, is the American way.

After Lincoln's victory in the Civil War, the election of Barack Hussein Obama as president is the second most important thing to have happened to Americans since our birth as a nation.

This American apotheosis demands that the Republican Party at least seek a new understanding of how it can best contribute to the pursuit of life, liberty, and happiness.

Stephen B. Young is Global Executive Director of the Caux Round Table.



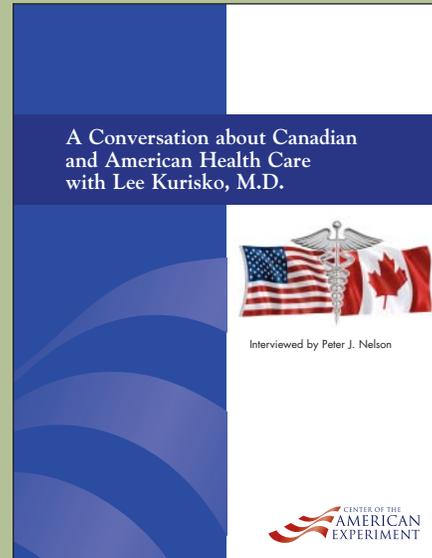
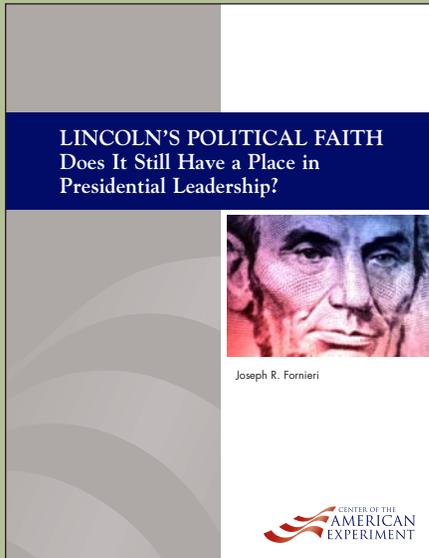
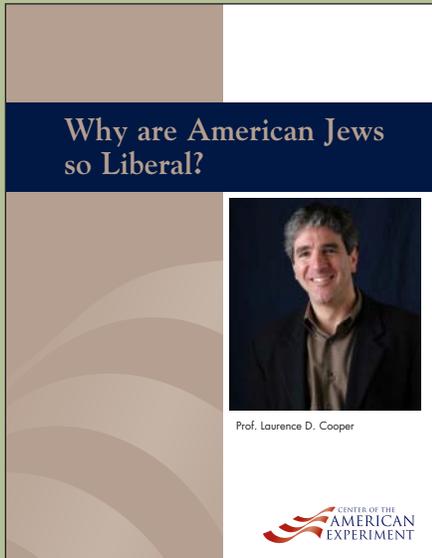
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