

A THIRD SCHOOL OF ECONOMIC THOUGHT

by BLAINE WINSHIP

This blog, like my last two—which I hope you’ve read—is about economics and politics. And like them, this isn’t the tedious stuff you were fed in college. It’s the stuff you really need to know, so please stick with me here.

To recap, there are two major groups in America that stand in the way of our economic freedom and prosperity: the liberal Democrats, who favor Big Government; and the moderate Republicans, who favor Big Business. Each has a corresponding school of economic thought. For the liberals, it’s the Keynesian school. For the moderates, it’s the Chicago school.

As I explained two blogs ago, the Keynesians champion Big Government spending, bureaucracy, and entitlements. But Big Government cannot deliver prosperity, because it hogs our wealth, destroys incentives and rewards for making our best better, and rewards the unproductive segments of society in order to buy their votes and gain power over us.

My most recent blog was about the second major political group, found within the so-called moderate wing of the Republican Party. The moderate Republicans favor Big Business, and favor having a relatively small number of Big Businesses competing within each segment of commerce. But they also *welcome* Big Government and its regulations. That’s because the regulations help to entrench the positions and profits of Big Businesses by crushing small businesses, which traditionally have been the source of 70 percent of economic and job growth in America—but no longer. Small businesses cannot afford to comply with the endless reams of costly regulations, and cannot afford to hire lobbyists to influence the federal government to give them the special subsidies, tax breaks, and regulatory advantages that the Big Businesses enjoy as the beneficiaries of crony capitalism.

The moderate Republicans tend to embrace the so-called Chicago school of economics. This school gradually has come to exalt quantifiable economic efficiencies above all else, leading many of its adherents to claim that having just two or three big players within each market is enough—as if that’s all the competition we need for a robust economy. Never mind that high industry concentration, combined with heavy regulatory burdens, prevents smaller upstarts from forming and competing to offer us newer and better goods and services that would help the upstarts become tomorrow’s big successes. Today’s giants—most of which didn’t even exist 50 years ago—want to keep hold of their lofty and profitable positions forever, whether we want them or not.

This blog deals with the remaining major political group, which includes many conservatives, Tea Partiers, libertarians, and free-market devotees, who as of now consider themselves to fall within the Republican Party. The members of this group, while disagreeing among themselves over other issues, share the view that the moderate Republicans, in supporting Big Businesses and Wall Street over small businesses and Main Street, are complicit in supporting the liberal Democrats’ agenda for growing the size, cost, and reach of the federal government. I believe that this third group also includes many undecided voters, and many

moderate Democrats who believe that the Democratic Party is taking America in the wrong direction.

This third group's views also correspond, however loosely, to a third school of economic thought, embraced in varying degrees by several noteworthy economists from the past, including Adam Smith and, more recently, Friedrich Hayek and Milton Friedman. For want of a better name, I'll call it the Moralnomics school.

Here's how the Moralnomics school works. As the name "Moralnomics" suggests, it's about the melding of universal morality and economic freedom. Economic freedom is the freedom of each person to participate—or not to participate—in commerce as he or she decides.

Like all freedoms, economic freedom rests upon the foundation of universal morality in merging self-interest and other-directedness. Universal morality, explained much more fully in Part III of my book, consists of both universal moral rules and universal moral principles.

In a nutshell, universal moral *rules* preserve civilization by protecting us from being dragged down into the metaphorical jungle, a dog-eat-dog milieu in which we are at risk from forces seeking to harm us or to steal the fruits of our labor. The moral rules establish minimal requirements for us to live by—such as don't kill, don't steal, don't lie.

Universal moral *principles* are different. They're *aspirational*. They're all about elevating us as individuals, by encouraging us to grow our distinct talents and to make our best better, so that we may be of greater value to other persons in any number of ways. When it comes to our commerce, universal moral principles encourage us to grow so that we confer economic benefits that other persons really want, as evidenced by their willingness to pay us for those benefits. The greater the benefits we can provide, the greater the rewards we can earn by pleasing other persons better. Who decides how valuable the benefits are? *We do*, as free sellers and buyers.

Let's keep in mind that it takes two—a seller and a buyer—to make a transaction. Economic freedom, then, is their freedom to participate in the transaction, and to do so on whatever terms they mutually agree upon. This is a win-win proposition. The buyer willingly parts with her money because she's better off getting the good or service she's buying. And the seller willingly parts with the good or service he's selling because he's better off getting the money. The buyer and seller do business together because they *both* benefit.

Over the past two centuries, thanks to our economic freedom as Americans, we've grown by making our best better in countless ways that have translated into better and more specialized goods and services. The high-tech boom, with its countless new applications, is one example of this.

Our commitment to universal education has played a major role in enabling us to produce these better and more specialized goods and services, and to do so in greater quantities and at more affordable prices.

At the same time, our increased productivity has enabled us to *earn* greater wealth through pleasing others better, so that we could afford to buy more and better things for ourselves and our loved ones.

This bringing together of universal morality and free market forces—however imperfectly we've done it thus far—explains better than anything else how America has come to be the wealthiest of nations, with the most successful and dominant middle class in recorded history.

Karl Marx, in fashioning his views on communism and socialism in the nineteenth century, did not foresee the rise of the great and affluent American middle class. The reason that Marx overlooked this is that the top-down government forces he favored did *not* bring it about. *We* did!

Top-down governments have never delivered widespread economic growth and prosperity, nor will they. That's because they replace economic freedom with top-down central planners who make the choices of what to produce and what to consume, and they do this with other people's money. Instead of a win-win situation where sellers compete to please buyers, and both sellers and buyers win from doing business together, the top-down State gives rise to a zero-sum game, in which each win must be matched by a loss.

Here's a key concept that I hope you'll never forget. Your economic freedom as a seller is meaningless unless buyers are free to shop around and make purchases as they choose. And your economic freedom as a buyer is meaningless unless you have ample choices available to you from an array of competing sellers who want to do business with you.

In Part V of my book, I explain economic freedom in far greater detail. There, I also discuss how that freedom can be undermined by 800-pound gorillas, or groups of 600-pound gorillas, dominating their respective markets, so that they limit the choices buyers can make and control the prices buyers pay.

But I also explain in my book why this sort of dominance usually is hard to maintain for long, *unless* the gorillas enlist the power of government to entrench their position.

The liberals in government are happy to go along with this, for it means more top-down government regulations to control commerce, in return for which the big get bigger and the rich get richer. Top-down systems have always enabled a few to become fabulously wealthy relative to everyone else, from Egypt under the pharaohs, to France under King Louis XIV, to Russia and China today with their handful of billionaires. The problem is that top-down systems don't help the rest of us to prosper.

In Part VI of my book, I delve into the history of the unholy marriage of Big Business and Big Government in America—a marriage that worked well enough, or so we thought, during the decades following World War II. But that was an unusual circumstance, because America benefitted from being the only major industrialized nation whose infrastructures had not been devastated by the war. Our post-war advantages are mostly gone now. The gradual erosion of

our economic freedom, brought about by the marriage of Big Government and Big Business, has left us weakened and vulnerable to falling into a Second Great Depression.

If we're going to set America on the right course to revitalize our economy and our hopes and dreams for the future, we must act quickly and wisely. Our starting point is to understand and appreciate the essential roles played:

- by universal morality, in encouraging us to make our best better;
- by bottom-up economic freedom, in allowing us to reward one another for pleasing us better; and
- by bottom-up political freedom, in keeping government on message for protecting our personal safety and our property rights, and for preserving our individual liberty.

We've got to change how our government functions, so that it becomes an ally, rather than an obstacle, to our economic success. We've got to strengthen our military and police forces, so that they can effectively protect us from forces that would harm us. We've got to reduce the burdens that government is placing on us. And we've got to overhaul our education system, so that we stop skewing our children's development to favor socialistic solutions that sound appealing to young, naïve minds, but which experience teaches us are not the path to prosperity, but the road to serfdom.

And we've got to stop apologizing for America's success. Our success has not made the peoples of other nations poor. Nor has the success of our more productive citizens made the rest of us poor. The solutions to America's problems will be found in embracing approaches that encourage us to bring out the best in ourselves as individuals and to make that best better. This, more than anything else, explains the wonder of America. And the departure from this, more than anything else, explains why today's America is on the verge of calamity.

Getting us on the right path is what Moralnomics is all about. I urge you to read my book, so that you truly comprehend what the liberal Democrats and the moderate Republicans are doing to us, what we can do about it, and what the best end-vision is for us, and so that you can make the wisest possible decisions as you cast your votes in this, the most important election cycle of our lifetime.