John B. Taylor

If CONSERVATISM in America holds to and actively promotes the principles of economic freedom upon which the country was founded, then it will have a bright future, and so will America. At its most basic level, economic freedom means that people are free to decide what to produce, what to consume, what to buy and sell, and how to help others within the context of predictable government policy based on the rule of law, with strong incentives derived from the market system and with a clearly limited role for government.

Adherence to these principles is what made America a great and prosperous country. But when it has deviated from these principles—as in the 1930s, the 1970s, and now—economic performance deteriorated for all Americans and especially for the disadvantaged. When America moved back toward these principles as in the 1980s and 1990s, the economy improved as unemployment came down and economic growth rose.

While this historical experience tells us that America will prosper again if it returns to these principles, the obstacles are now greater than ever due to powerful countervailing forces both external and internal to the conservative movement.

Externally, those left of center are making the case that all America has to do is increase taxes on the rich or increase regulations on entrepreneurs or step up fiscal and monetary interventions and the economy will do better. An appeal to class warfare and even revenge may persuade some, and many young people and minorities appear to be buying into the arguments that incentives and the rule of law do not matter or that well-intentioned government activism can always do better than the market. But that is not what history or economics or even politics tells us.

Internally, many conservatives are forgetting or not trying hard enough to demonstrate the benefits of economic freedom, not only for the middle class but especially for the poor and disadvantaged. Highly taxed or excessively regulated firms scared off by unpredictable government controls on their prices and products are not going to expand or create jobs, and thus unemployment will remain high. Children in poor neighborhoods prevented by the government from going to good schools and learning needed skills will be trapped in high unemployment or low wages, and income inequality will persist across generations. And pro-growth policies will provide more resources for needed infrastructure and other public goods.

Ironically, reformers in China and other emerging markets were not afraid to tell the story of economic freedom as they moved away from central planning and their economies grew rapidly, bringing hundreds of millions of people out of poverty. While China has a long way to go, it is not an exaggeration to say that as China has been bringing people out of poverty, America has been putting more people into poverty. The reason is that America is moving away from these principles as China continues to move toward them.

To make this case for economic freedom, conservatives in the past have used terms like "compassionate conservatism," but adherence to the principles of economic freedom is compassionate by definition because it is the surest way to improve the lot of all Americans.

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