



# Book The Battle

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

Arthur C. Brooks  
Basic Books, 2010  
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### Recommendation

Nothing less than the future of America is at stake, says conservative public policy expert Arthur C. Brooks in his dissection of the nation’s political and economic scene. Relying on surveys, polls and statistics (some almost up-to-the-minute, some quite dated), he posits a split in the U.S. between a 70% majority that supports free enterprise, limited government and less taxes, and a 30% minority made up of the “intellectual upper class” and its followers who cheer “social democracy,” big government and soaking the rich. Brooks, head of the American Enterprise Institute, discusses the U.S.’s historical love of free enterprise. Along with the expected critiques of the liberal media and academia, he makes an accessible case that free enterprise’s supporters should focus less on money and materialism as the reasons for their advocacy, and more on the morality and values of personal achievement and success in an opportunity-driven economy. *BooksInShort* suggests his book – an extended editorial statement – to all sides of the political spectrum whether it confirms your opinions or acts a basis for worthwhile debate.

### Take-Aways

- America faces a stark choice between free enterprise and “statism.”
- The U.S. is statistically divided: 30% of its citizens prefer big government and European-style “social democracy.”
- The 70% majority, however, believes that free markets and limited government provide the best future for all Americans.
- Entrepreneurship may well be in Americans’ DNA, given the U.S.’s immigration history.
- The financial crisis presented the “30% coalition” with a chance to create bigger deficits, more entitlements and greater political interference in Americans’ “economic lives.”
- Young Americans know socialism only in theory and not in practice.
- The “Obama narrative” absolves the U.S. government and its citizens of any blame in the mortgage crisis.
- Money is only a tool, not a proxy, for the “earned success” that free enterprise provides.
- Free enterprise ensures Americans the “pursuit of happiness” by allowing them “optimism,” “meaning” and “control” over their economic lives.
- The U.S. should endorse “equality of opportunity, not equality of income.”

### Summary

#### “Culture War”

In the aftermath of the 2008-2009 economic crisis, the U.S. is at a crossroads. It must choose between “two competing visions of America’s future.” One is based on the free enterprise system, which relies on entrepreneurial spirit, ensures individual freedom and keeps government at bay. The other represents the creeping “European

statism” of bloated government, nationalized companies and “increasing income distribution.” The two systems cannot coexist; one side must emerge victorious in this new culture war.

“Entrepreneurship was and is the purest expression of America’s free enterprise culture and the essence of the American Dream.”

From the time of the Founding Fathers, Americans have independently directed their “economic lives” through free enterprise. The system “respects private property, encourages industry, celebrates liberty, limits government and creates individual opportunity.” People can work without constraints, reaping “rewards and consequences, positive and negative.” This sets Americans apart from Europeans and their “social democracy”: Europeans are less likely than Americans to value competition and to relate their success to their own labors. For example, though Germans are known to work hard, only 20% of Germans say they are likely to teach this value to their children. In contrast, Americans’ DNA is probably stamped with the entrepreneurial gene, carried down by generations of immigrants “who tend to be entrepreneurial” and who come “from around the world,” all intermarrying and advancing the “genetic mutation” of free enterprise.

## The “70-30” Split: A Statistical Background

In a January 2010 Gallup poll that gauged Americans’ feelings about capitalism and socialism, 61% affirmed capitalism and disapproved of socialism. Older respondents were more negative about socialism, and gave free enterprise an 86% approval score. Most Americans reported that their taxes are too high, though they supported taxing the rich, just not at current rates. A 2009 poll found that 69% believed the maximum tax rate should be 20% or less. (The corporate rate now goes up to 39%.) Big corporations took a reputation hit during the economic crisis, yet a 2009 Pew Research survey found that 76% of Americans believed that U.S. business makes the nation great. Just more than half said unions harm the economy, while 95% supported small business. About half of the Pew respondents said government does more harm than good in advancing people’s economic lives; 57% were worried about too much government regulation, and 69% preferred less government, fewer taxes and fewer services. Trust is an issue: Some 81% expressed either little or no faith in the federal government.

“Between Republican chaos and Democratic leftism, many Americans have had no place to go.”

These percentages, which tend to hold true over time, indicate a roughly 70% to 30% split in the U.S. population’s views, with the majority favoring free enterprise and less government involvement. Most of the country – “the nonintellectual upper class (engineers, bankers, and the like), the middle class, the working class and the lower class” – has become more conservative over the past four decades. But the 30% liberal minority doesn’t support free enterprise and wants government to solve society’s issues. This group is made up of “leaders and followers”: The leaders are the “intellectual upper class,” those in the top 5% income bracket who have master’s or doctorate degrees, and work as lawyers, teachers, journalists and entertainers. Academics, who skew “far left” politically, are an important part of this minority. The absolute leader of this “elite” is “activist, best-selling author and Ivy League academic, President Barack Obama.”

“The forces of statism are back with a vengeance.”

Well-known liberal haunts, such as San Francisco, California, and Seattle, Washington, house a good number of the minority’s followers. African-Americans and Hispanics, too, fall into this 30%, because they are more likely to trust the government to help them achieve economic success. People younger than 30 are the most important followers in the 30% crowd. They tend to be more favorably disposed to socialism than their elders, because these young people understand socialism only in theory – mostly learned in classrooms led by leftist professors – and not in practice. The best ways to keep young people in this socialist-sympathizing camp is to reduce their loans (with the president’s plan to erase student debts in exchange for government service), give them government employment (the feds added 13,000 jobs to the government payroll in 2009) and shrink their taxes (47% of Americans will soon pay no taxes at all due to the stimulus). It won’t be long before the U.S. changes from “a nation of makers into a nation of takers.”

“Free enterprise does far more for the human soul than any amount of redistribution ever can.”

This shift to the economic left can’t be blamed on either political party, nor did statism’s advance begin with Obama. Republicans, who once stood for fiscal conservatism and less government, inflated the federal budget from 2001 to 2008 with earmarks, entitlements and bailouts.

## Game-Changer

The economic crisis made Obama president, and having Congress in Democratic hands presented an opportunity for the “30% coalition” to push a socialistic agenda. Stepping into the void left by the Republicans’ failure to address the financial panic, Obama wove an account of the crisis’s causes and solutions based on five arguments. Those arguments and their counterarguments are:

1. **“Government was not the primary cause of the economic crisis”** – In fact, government instigated the crisis by encouraging Fannie Mae and Freddie Mac to guarantee subprime mortgages to unworthy borrowers. This federal “social engineering” subverted the markets to extend home ownership to everyone. Regulations were in place; the second Bush administration upped regulatory personnel and expenses by 60%.
2. **“The government understands the crisis and knows how to fix it”** – No one, especially the government, forecast the economic downturn, so why should Americans believe that bureaucrats hold the answers? Programs like Cash for Clunkers (to spur auto sales) and the First-Time Homebuyer Credit (to urge house purchases) failed to achieve their goals, but not before spending enormous amounts of taxpayer money.
3. **“Main Street Americans were nothing more than victims of the crisis”** – Absolving irresponsible homebuyers of the foreclosure disaster is inequitable, and most people did not abandon their “underwater” houses. The Obama program to lessen “at-risk” borrowers’ mortgage payments failed; nearly 50% of the restructurings defaulted when obligors “simply walked away from mortgages they considered a bad investment.”
4. **“The only way to save the economy is through government growth and deficit spending”** – Stimulus spending does little to end recessions, but it saddles future generations with more debt. Unemployment remained close to 10% when a third of the stimulus had been disbursed, so inflation, not jobs, will likely grow. And much of the government’s payments have gone to “pork-barrel projects and social engineering.”
5. **“The middle class will not pay for the stimulus package. Only the rich will”** – Raising taxes on the wealthy will not cover deficits and pay for more outlay. Instead, it will act as a disincentive for the rich to produce. The middle class will end up paying higher taxes, plus the costs of the health care plan and the bank and corporate bailout.

## “The Pursuit of Happiness”

The battle between the 70% and 30% contingents, between free enterprise and state control, hinges on “human flourishing,” not on materialism. As the 30% minority fights against income inequality, its members appear morally superior; they believe that addressing this issue will bring “happiness and fairness” to everyone. The 70% majority now must begin to “claim the moral high ground” in its defense of free enterprise, instead of appearing selfish and hard-hearted. In fact, the 30% minority is “fundamentally materialistic.” This group believes that money makes people content and that spreading around more funds will make more people even more satisfied. But studies show that money does not buy happiness (except in destitute countries). People can muster their own industriousness and resourcefulness to advance and achieve happiness. The 70 percenters support the notion that money is just a tool for achieving the “less tangible and more transcendental” self-satisfaction of “earned success.” This explains why rich entrepreneurs reach for multiple triumphs; they are not motivated by even more money, but by the fulfillment of creating something of value.

“There is a very real threat before us that the 30% coalition may transform our great nation forever.”

The 30% group points to the increase in the U.S. Gini coefficient (a measure of growing income inequality) over the past 30 years as a reason for its stance on redistributing wealth. It believes that dragging higher-income levels down (through taxation) has the same effect as raising lower-income groups (through entitlements), as long as the process reduces inequality. This group argues that government must correct all its inherent biases and injustices, so every American can share the wealth. Yet a 2005 poll indicates that 80% of Americans believe that “hard work and perseverance can usually overcome...disadvantages.” Earned success and the pursuit of happiness come from having an equal opportunity to move up, not an equal guarantee of supposed accomplishment. Earned success is crucial for three reasons:

1. **“Optimism”** – The heart of the American Dream is achieving a better future through diligent effort and opportunity, a vision that carries a sense of hope. Rightists identify themselves as confident. A survey found that “even poor conservatives are more optimistic than rich liberals.” This optimism gap has existed for about three decades, irrespective of which political party has been in charge. Yet progressive taxation removes the incentive to attain more money, and raising taxes on the rich doesn’t result in more revenues. The U.S. already has higher corporate tax rates than any country except Japan.
2. **“Meaning”** – Americans see work as a consequential part of their lives. Free enterprise gives them a sense of fulfillment and productivity. Despite Europeans’ “cradle-to-grave systems of job security,” Americans are much more apt than the French, Germans, British and Spanish to describe themselves as “completely satisfied with their jobs.”
3. **“Control”** – People are happier when they can direct their efforts and work to “determine their own destinies.” The self-employed, who enjoy not having a boss, rank the highest among all job categories in work satisfaction, despite toiling more hours and generally earning lower pay than parallel workers. To foster independence, the U.S. should temper government’s power and restrain programs like “Obamacare,” which represents the 30% minority’s attempt to take away citizens’ control of their health care.

## A Moral Argument for Free Enterprise

The “backlash” from the 30% minority’s efforts to force its thinking and ideals on the 70% majority resulted in the “Tea Party” movement and the town hall protests against health care reform. Yet the 30% “kulturkampf” continues, and the forces of free enterprise must win the “battle for the soul of America.” In addition to earned success, four other core principles should steer the free-enterprise faction:

1. **“America stands for equality of opportunity, not equality of income”** – The concept of equality – a original philosophical bulwark of the U.S. – continues to ensure citizens equity under the law, in politics and in religion. But the 30% minority has hijacked that idea and extended it to equality of outcomes. They want everyone to get the same results, regardless of effort or talent. The majority knows that all individuals should have the opportunity to succeed or fail, even if income inequality – “above some acceptable floor” – is the result. “This is America’s culture war in a nutshell.”
2. **“We seek to stimulate true prosperity, not treat poverty”** – Just as microloans allow borrowers to work for financial success, so should the U.S. focus on the “prosperity-based solutions” of creating jobs and educating the poor, not giving them handouts.
3. **“America can and should be a gift to the world”** – The U.S.’s military, economic and commercial strengths add to the globe’s collective wealth. America should not apologize for its foreign policy or its position as a “global hyperpower.”
4. **“What truly matters is principle, not political power”** – The “political turmoil” America is facing could be the impetus for a new way forward, one in which the tenets of free enterprise can emerge victorious over redistributionist statism.

## About the Author

**Arthur C. Brooks**, president of the American Enterprise Institute for Public Policy Research, has written eight books, including *Gross National Happiness* and *Who Really Cares*.

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