

# THE SPECTATOR

## How to defend free markets in the 21st century

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12 February 2023

It wasn't Liz Truss's failure to make big changes we should worry about. It was her inability to deliver even the most modest pro-market reforms after a decade in high office that ought to alarm us.

As Prime Minister for six weeks, Truss tried and failed reduce Britain's tax burden to about the level it was under Gordon Brown.

As a cabinet minister for ten years, Truss – a mother as well as a free marketeer – tried to reduce the costs of childcare by reducing red tape. Her efforts to change legally mandated child/carer ratios, despite mountains of evidence it could be done safely, were persistently thwarted.

If even someone who served as Minister for Child Care, Minister for Women, Chief Secretary to the Treasury, Lord Chancellor, Foreign Secretary and Prime Minister, cannot manage minor regulatory changes regarding childcare, what hope is there for free marketeers?

The reality is that free markets are in headlong retreat around the world, not just in Britain. After decades of greater trade liberalisation, a new form of protectionism is emerging.

The United States is in the process of 're-shoring' global supply chains, using subsidies and tariffs to ensure the domestic production of everything from microchips to electric cars. The European Union, too, under the guise of going green is seeking to make herself less dependent on Asian imports. China, admitted to the World Trade Organisation nearly 20 years ago in the hope that she might become more amenable to free trade, is aggressively mercantile.

Government has also been getting bigger. We tend to think of America as a land of limited government. In reality, there has been a remarkable expansion in the size of the state in the past decade or so. From 1990 to 2020, total government spending in the United States averaged around 25 per cent of GDP. By 2021, government spending as a percentage of GDP hit 42 per cent, the sort of level one might expect to see in Europe.

European governments, meanwhile, have reached the size one would expect to see in a socialist society. Government spending now accounts for over half of all output in France, Germany, the UK, Italy, Belgium and Sweden. The state in supposedly free market western countries is now larger than in communist China, where government spending as a percentage of output has risen from less than a fifth 20 years ago to a third today.

This is partly a consequence of Covid. All that 'locking down' made the world more authoritarian, normalising the idea that a small group of official 'experts' might decide what was right for the rest of us. As governments frantically scrambled for protective equipment and vaccines their instincts become more protectionist. And, of course, government spending soared to cope with the apparent emergency, yet somehow remains high despite alarm about the virus subsiding.

But Covid, which emerged in 2019, cannot explain why public officials in Britain were introducing price controls in the energy market long before. Nor can it account for the tendency for public officials on either side of the Atlantic to, for example, tax soda drinks or regulate the level of salt in food.

Before anyone had heard of Covid, in 2008 western governments nationalised banks that overexposed themselves to bad loans. A decade or more before then, central bankers had redefined their role from being lenders of last resort to engineers of economic growth using massive monetary manipulation.

Covid accelerated a trend towards more top down government which was already there.

**W**hen Liz Truss complains that she had been undermined by a public policy ‘establishment’, she wasn’t being a crazy conspiracy theorist. Many of those that make public policy in Britain, America and Europe hold a world view deeply ill-disposed towards the free market. Why?

It’s not that the people that make policy making for a living set out to be anti market. Their *déformation professionnelle* merely reflects the way that universities have been churning out social science graduates imbued with a corrupted kind of empiricism.

The sort of folk that run the policy making bureaucracy in Britain, America and Europe have been taught to hold various theories and then make observations in search of facts to fit the theory. This they call ‘evidence-based’ policy making (and who could argue with that, right?).

Seeking out observations to fit the theory – whether setting tax rates, trying to change the trajectory of an epidemic or regulate childcare – produces a flawed set of assumptions. It is a form of reasoning that the physicist and philosopher David Deutsch calls ‘inductivism’. No matter how much emphasis inductivists place on ‘the data’ or on modelling, it also gives rise to an excessive belief in the ability of policy makers to engineer particular outcomes. Who is a mere minister to presume to know better?

Inductivist reasoning has given rise to technocratic managerialism, almost irrespective of who or what the voters vote for.

But here’s the odd thing. This retreat from free market thinking happened at a time when there have never been more organisations dedicated to defending it. Much of academia might be hostile to free market ideas, but free market think tanks have never been more active or better funded than right now.

Here in the United States, Washington DC is full of think tanks, brimming with brilliant people and ideas. A network of state-based think tanks exists, advocating for the free market from my own Mississippi to Maine, from California to Carolina.

Across the Atlantic, London is home to a number of world class think tanks. Thanks to the efforts of the late Linda Whetstone, a network of free market organisations now straddles much of the globe, too.

All that advocacy infrastructure we free marketeers have put in place has not arrested the expansion of the state. We need to ask why.

Defending the free market is difficult. The way that the free market works is counter intuitive. The notion, for example, that we might depend largely on foreigners to feed us can be unsettling. That self-sufficiency might actually increase the risk of food shortages seems contrary to common sense.

It is easy for a politician to get a round of applause for promising to fix prices. The secondary effects of their price fixing are often harder to discern. Each time the state intervenes, the benefits of that intervention are usually concentrated, but the costs dispersed.

No one is born with these insights. They are not innately understood but must be learned. Instead of learning them, young people are taught to see the world in a way that leaves little sympathy for the notion that human affairs might best be left to organic design.

Young Europeans and Americans have had it drummed into them that the world faces an impending climate emergency, necessitating massive state intervention. Implicit in climate change catastrophism is a profound pessimism, the sense that the world is getting worse. If you believe that the world is getting worse, you are much more receptive to the idea that things should be reordered by top down design.

‘Woke’ ideas, too, have gone from university campuses into mainstream society. Old-school Marxists divided the world by class – capitalist oppressor versus oppressed workers. ‘Woke’ ideology should be thought of as a form of neo-Marxism, one that divides the world not by class, but in terms of race and gender – race oppressors versus oppressed.

Now entrenched in the corporate and public sectors, these ideas purport to explain how the world works by co-opting each of us into a hierarchy of victimhood and guilt. Unequal outcomes, according to this leftist narrative, are caused by the injustices of ‘the system’, rather than any differences in behaviour (so-called ‘systemic’ accounts for unequal outcomes ironically deny agency to precisely those supposedly oppressed people the left claims to champion).

However absurd we might believe this to be, this narrative does at least offer young minds an overarching view as to how the world works. Where is our counter narrative?

We were too busy focused on the minutiae of tax reform as a new left-wing narrative went mainstream. No wonder only 40 per cent of American’s aged 18 to 29, according to research by Pew, have a positive view of capitalism.

There is nothing wrong with reforming taxes. My own think tank, the Mississippi Center for Public Policy successfully led efforts to reduce our state income tax. My point is that if we are to win the war of ideas, we need to convince people about the moral merits of the market, too.

In place of catastrophism, we should begin by showing that we live in an elevated age. Almost everyone alive today enjoys a vastly better existence than they would have had in any previous period in human history – thanks to the free market.

For most of our existence as a species, there wasn’t much in the way of markets. People produced most of what they consumed for themselves – which accounts for why there was so little to consume, and people remained poor. But then along came the modern market economy, which emerged first in Holland and then England in the sixteenth and seventeenth centuries.

Instead of the normal subsistence existence, the Dutch and the English began to buy and sell to get what they needed. This system of free market exchange meant they could eat food they had not grown, build houses with timber they did not fell, and cloth themselves with textiles they had not woven. As a result, living standards in early modern Holland and England began to soar, accompanied by a dramatic rise in life expectancy.

Over the intervening 300 years, this system of free market exchange has grown to become ever more complex, encompassing an ever larger portion of humankind. Wherever the free market system took hold – Europe or America, Asia, South America or Africa – people began to live wealthier and healthier lives.

This process of market-driven progress that began three or four hundred years ago accelerated in the past half century. As a result, most people alive today are at least twice as rich as their grandparents. In China

and parts of Asia, average incomes are many multiple of what they were in the 1950s. Life expectancy has increased, too, with particularly pronounced improvements in Africa and Asia in recent decades.

As the free-market system expanded, it saw ever more specialisation and exchange. The effect of this has been to make technology – from search engines and iPhones to air travel and solar panelling – which was once the preserve of the rich available to billions.

Instead of oppressor versus the oppressed, the modern market economy has made us interdependent, each of us partners in a web of mutual prosperity.

It's an exhilarating story that needs to be told. To stand a chance against the left's advancing narrative, we must be more than analytically right. We can only win if we are able to explain how the world around us works.

So how might we popularise this counter narrative? How do we take ideas found in books such as Matt Ridley's *The Rational Optimist* or Daniel Hannan's *Inventing Freedom*, and make them part of the popular conversation? Frederick Hayek popularised the role that intellectuals played advancing socialism. How do we today popularise our critique of over confident elites attempting to engineer outcomes they cannot possibly control?

A generation ago, Milton Friedman realised that it was not enough for him to write a book, *Free to Choose*, which made the moral case for the free market. He also had to present them to people in a format that they would absorb. The result was a ten-part TV series. Aired on most major US networks, Friedman's presentation changed how millions of Americans saw the world.

Some in the free-market movement have made a good job of doing something similar using the new media. PragerU, Reason and FEE (the Foundation for Economic Education) have produced content that articulates free market concepts that are watched by millions around the world.

For several decades, Rush Limbaugh used radio to present a conservative analysis of current affairs to millions of Americans. Today, a new generation of commentators has emerged achieving with the new media what Rush using radio. Joe Rogan, Ben Shapiro, Dave Rubin and Dennis Prager have each acquired audiences of millions. In Britain, assorted YouTubers have achieved something similar.

But is there not a danger that these new media pundits are speaking to an audience that already agrees with them? Such is the fragmentary nature of the modern media market, there is little prospect of reaching beyond those that already subscribe to their world view the way that Rush Limbaugh's ubiquitous broadcasts were able to.

How can we reach beyond those that already agree with us?

It is not a coincidence that some of the most effective advocates of conservative viewpoints today are not politicians or policy wonks, but those that started out as stand-up comedians. Joe Rogan and Dave Rubin in America, Konstantin Kisin, Dominic Frisby and Andrew Doyle in Britain all started out on the comedy stage, making wry observations about the world around them.

Satire and subversive humour, more than policy papers, are going to be critical weapons in the drive to undermine progressive ideology. As conservatives adapt to using new media, I suspect we will see broader output. Moving on from the simple talk show genre we get today, we will see documentaries and mockumentaries. (Think of the fun a genuine satirist would have with Harry and Meghan, or Greta Thunberg.) Someday soon I suspect it might be possible to watch a drama that isn't a subtle – or not so subtle – lecture on identarian ideology.

Politics and policy lies downstream from culture. If we engage far more broadly than with mere policy genres, we stand a much better chance of winning policy fights.

One reason this has not already happened is that Big Tech tends to be ultra-progressive and inclined to censor a world view that conflicts with their own. During the Covid panic, for example, many of those that even questioned the efficacy of state mandated lockdowns were censored. Can anyone really imagine YouTube allowing mockumentaries that skewered leftist orthodoxies?

Free marketeers need to ensure their ideas are heard, but the way to achieve this is not to demand state regulation of Big Tech. Giving the state oversight over Big Tech's output might simply entrench its anti-free market slant.

When social media platforms manipulate what viewers see they pay a price. As Mark Zuckerberg seemed to admit in a recent interview with Joe Rogan, if the algorithms give us what they want, rather than what we want, we tune out – and the social media platforms lose market share. See Facebook's audience data and share price for details.

Big Tech censors are engaged in a counter reformation. However vigorously they might suppress what they don't approve of, they will not be able to stop the subversion of the leftist elite's ideology.

Our greatest cause for optimism is America. Yes, federal spending has risen, and many states have raised taxes and smothered themselves in regulations. But many southern states have moved in the opposite direction, eliminating red tape and cutting taxes. Some have eliminated state income tax altogether.

As the traditional business clusters centered around New York, Chicago and California have faltered, states run along more free-market lines have flourished. From Texas to Tennessee and Florida, a 'new South' has emerged. It is already the most populous part of America, pulling in not only people but capital and innovation.

Free market Southern states are not only a rebuke to the more statist states. Their success provides a model to follow once they have exhausted the alternatives in states like Oregon and Illinois.

After the Soviet system fell apart 30 years ago, it became fashionable to believe that the world was converging in the same direction. Free markets, based on universal values, were going to become ubiquitous, and nation states and their peculiarities less important.

The free market system did indeed embrace the world to such an extent we even called the process 'globalisation'. But in reality, it might have been better understood as a process of benign 'Americanisation'.

Nation states did not cease to be unimportant in the new global order. Quite the contrary, one nation state in particular – the United States – underpinned it. The idea that the world is converging towards universal values is an illusion.

China under Xi seems to have pivoted away from the pro-market policies established under Deng, resuscitating a fondness for micromanagement. Turkey, too, is not run by those looking to emulate the West, but by those who speak of restoring Ottoman glory.

We often unthinkingly include continental Europe as part of 'the West'. Wasn't it the case that much of Europe was incorporated into a system of free markets and limited government by Anglo American force of arms 80 years ago? Does the European Union today, a multinational agglomeration of people, presided over by a remote elite owe more to an Anglo-American tradition or a Habsburg one?

Among the opinion forming classes in America and Britain, however, the delusion of universal values has taken hold. Both are presided over by those who see nation states, including their own, as mere geographic spaces, occupied by interchangeable people bound by little besides economic activity.

This cultural relativism – a belief that all cultures are equally capable of producing Shakespeare or vaccines or free markets or, for that matter, genocide – is the foundational fallacy of the modern left. Cultural relativism has spawned a deep antipathy not only to the free market, but challenges the very legitimacy of the Anglo-American nation states.

Rather than marvel at how a small island off the northwest coast of Europe began a series of innovations that was to lift herself – and eventually the whole world – out of poverty, Britain's achievement, we are told, was made at the expense of others. Instead of celebrating the ascent of America, we are invited to regard the United States as a nation 'founded by slave-owners on stolen land'.

If we really want to defend the free market our priority must be to tell the story of (Anglo) American exceptionalism.

That 13 ramshackle British colonies might rise up to become the greatest Republic in history is extraordinary. That they might have done so by proclaiming the principle that each of us are created equal, in possession of the right to 'life, liberty and the pursuit of happiness' makes the United States not just a material achievement, but a revolutionary moral achievement, too.

America is the first great power in human history that has used her strength not to subjugate people and create an empire, but to set people free and demand the dissolution of empires. Three times she has used her might to save the free world, first from German militarism, then from the Nazis and most recently from Soviet communism.

For all her imperfections, there is no other nation on the planet that people of every creed, colour and culture would rather call home than the United States.

America's story is the story of freedom, a tale of how free individuals and free markets, not technocratic elites, produced the greatest society to have ever existed. If we want to defend free markets, it is time to tell it.

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