AMERICAN CORNERSTONE INSTITUTE
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Anlysis: Economic Liberty in America

One of the great stories about America is the country's economic dynamism. Put simply, the American economy has undergone seismic changes throughout its history, each time adapting and thriving in new circumstances. In the beginning, the nation's economy was predominantly agricultural. But it transformed first into an industrial powerhouse, and then a largely services-based economy. The U.S. rose to become an economic leader in labor productivity by the early 20th century, with an increasing share of the population participating in the labor force that had transformed steadily away from a low-value add agricultural sector to both industrial and services sectors. In spite of a full civil war and numerous severe financial crises, the U.S. became the world's leading economic power. This global economic dominance allowed America to safeguard the world while preserving our sacred American value system. America's economic might helped us win two world wars, bring an end to the cold war while liberating tens of millions in in eastern Europe and the Soviet Union from the tyranny of communism, and prosecute the global war on terror.

But that economic dynamism would not have been possible without the country's resolute commitment to the protection of free enterprise principles, including respect for the rule of law and private property, as well as celebration of individual initiative, discipline, dedication to limited government, and self-reliance, including specifically an independence from government. These ideals, along with protections of religious freedom, the right to life, and an enduring adherence to America's profound constitutional structure of government, have helped ensure America's continued durability and prosperity.

But American prosperity is not mandated by a law of the universe. Our economic resilience and dynamism can be lost if we abandon the ideals that brought it about in the first place. Sadly, that is starting to occur. The past several years have seen concerning signs of cultural splintering that threatens to undermine the institutional foundations that have long been the bedrock of American economic dynamism. America at all levels, including its business community, has become preoccupied by an ideology of "woke" progressivism, which has also regrettably gripped our nation's public and private institutions under some nebulous guise to impose "transformative justice" across our society. In addition to tearing apart the fabric of our civil society at the seams, this toxic ideology undermines the very principles that have led to American flourishing in the first place.

Worse still is the fact that this ideological movement is distracting from truly systematic threats to our nation's long-standing economic dynamism: the declining admiration for broad-based, free enterprise entrepreneurialism, the rise in the "salaried class,"[1] certainly including protected, largely white-collar public sector workforce,

[1] "The general endeavor to achieve security by restrictive measures, supported by the state, has in the course of time produced a progressive transformation of society – a transformation in which, as in so many other ways, Germany has led and the other countries have followed. This development has been hastened by another effect of socialist teaching, the deliberate disparagement of all activities involving economic risk and the moral opprobrium cast on the gains which make risks worth taking but which only few can win. […] We cannot blame our young men when they prefer the safe, salaried position to the risk of enterprise after they have heard from the earliest youth the former described as the superior, more unselfish and disinterested occupation. The younger generation of today has grown up in a world in which, in school and press, the spirit of commercial enterprise has been represented as disreputable and the making of profit as immoral, where to employ 100 people is represented as exploitation but to command the same number as honourable." Friedrich A. Hayek, The Road to Serfdom, annotated

increasing rent-seeking and collusiveness between big government and big business, a decades-long deterioration in the fabric of the nuclear family, an explosion of unsustainable fiscal spending and debt at all levels of American government, among numerous other alarming trends both internal and external to American society.

America can regain its economic dynamism by ensuring through its resolute commitment to the free enterprise principles embodied in the protections to rule of law, limited government, individual freedoms, and private property rights. The following reform pillars would provide a robust reform pathway to meaningfully confront the challenges that threaten to undermine the foundations for our American economic dynamism.

I. The Importance of Economic Dynamism and Economic Liberty to the American Project

"Our generation has forgotten that the system of private property is the most important guarantee of freedom. It is only because the control of the means of production is divided among many people acting independently that we as individuals can decide what to do with ourselves. When all the means of production are vested in a single hand, whether it be nominally that of 'society' as a whole or that of a dictator, whoever exercises this control has complete power over us. In the hands of private individuals, what is called economic power can be an instrument of coercion, but it is never control over the whole life of a person. But when economic power is centralized as an instrument of political power it creates a degree of dependence scarcely distinguishable from slavery. It has been said that, in a country where the sole employer is the state, opposition means death by slow starvation."

- Friedrich A. Hayek, The Road to Serfdom[2]

As noted by Hayek above, the heart of freedom is private property, entrepreneurship, and the separation of economic activity from the state. This is in part

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version of The Road to Serfdom *with* The Intellectuals and Socialism, p. 68, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

[2] Friedrich A. Hayek, The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, pp. 41-42, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

because the benefits of free enterprise are numerous, fostering the conditions across an economy to unleash society-enhancing innovations arising from risk-taking entrepreneurs, competition between firms and labor to produce what is truly valued in markets for goods and services, and increased efficiencies in the allocation of capital and labor resources leading to dynamic growth in employment, incomes, and profits. Importantly, the efficiency gains in capital and labor allocation over longer time periods as more financial resources are deployed through the pursuits, and the decisions of private citizens and firms displace a demoralizing malaise and income immobility transpiring from dependencies on government dictates and redistributive transfers.[3] Economist Arthur Brooks has highlighted how a feeling of earned success is one of the keys to happiness, while psychologist Martin Seligman noted the sense of "learned helplessness" that overcomes people who feel that the benefits and burdens of their life result from decisions they make rather than imposed upon them. Earned success can only be widespread, and learned helplessness largely avoided, through the bounty of economic choice presented by the free market.

Indeed, there is a profound moral dimension to the preservation of this core bedrock of the American free enterprise project: an entrepreneurial industriousness spawned from progress toward self-actualization, enriching the pillars across civil society and providing the foundational support of private social and financial support that has uplifted our nation's communities and stimulate upward intergenerational mobility.

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[3] Casey B.Mulligan, "Uncertainty, redistribution, and the labor market since 2007," IZA Journal of Labor Policy, Vol. 3, No. 8 (2014), accessed online at: https://izajolp.springeropen.com/articles/10.1186/2193-9004-3-8#ref-CR23. See also, Congressional Budget Office, "Effective Marginal Tax Rates for Low- and Moderate-Income Workers," November 2012, accessed online at: https://www.cbo.gov/sites/default/files/cbofiles/attachments/11-15-2012-MarginalTaxRates.pdf

II. Current Threats To Economic Liberty

"The character of the danger is, if possible, even less understood here than it was in Germany. The supreme tragedy is still not seen that in Germany it was largely people of good will who, by their socialist policies, prepared the way for the forces which stand for everything they detest. Few recognize that the rise of fascism and Marxism was not a reaction against the social trends preceding period but a necessary outcome of those tendencies. Yet it is significant that many of the leaders of these movements, from Mussolini down (and including Laval and Quisling) began as socialists and ended as fascists or Nazis."

- Friedrich A. Hayek, The Road to Serfdom[4]

The bedrock principles for prosperity under the founding American free enterprise project remains under threat from the long-term lull that government induces through ever-expanding promises of various forms of "security." Yet the price for these government-guarantees over social, physical, and financial security is a relinquishment of freedom toward a "Road to Serfdom."[5]

The American free enterprise project is certainly threatened with the expansion at all levels of government. This expansion of the Leviathan continues to gain momentum, regrettably through both periods of crisis and peace. Perhaps most worrying, there is an increasing dependency structure for wage and employment provided by the government, whether this be through an overly generous system of unemployment

[4] Friedrich A. Hayek, The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, pp. 39-40, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

[5] "Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his mercy. And an authority directing the whole economic system of the country would be the most powerful monopolist conceivable. [...] It would have complete power to decide what we are to be given and on what terms" Friedrich A. Hayek, The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, p. 63, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

compensation,[6] monopolistic behavior of unions, particularly public sector unions that threaten to undermine the fiscal viability of numerous public services, including the quality of our nation's schools, and the wage-setting power of governments in private markets through conditions of grants and other streams of taxpayer-funded revenue streams.[7]

America's free enterprise prosperity project indeed remains under threat from policies that continue to perpetuate commitments to unsustainable spending, as well as growth-inhibiting taxes and regulation.

To add insult to injury, there is rising strain of "woke" progressive, social justice ideology[8] fueling a dangerous attitude of social resentment in American society that threatens to upend structures of meritocracy, competency, and peaceable trust necessary for private, non-coerced free trade that in turn is the bedrock of a dynamic, free enterprise society.

America deserves more than so-called "progress" through ideologically driven movements of resentment, guilt, and promises of government-sanctioned "security" all of which amounts to more power put into the hands of an elite Washington class. America has a duty to preserve the founding free enterprise conditions; she deserves to continue embodying the prosperity derived from a resolute commitment to protect

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[6] Over the past year, policy has perversely shifted from a social compact of providing an income safety net for those that cannot temporarily compete for market wages to a system that has paid individuals, including young workers that cannot reasonably expect to earn high wages, more to not work.

[7] This last category includes private firms competing for federal government contracts using as a basis the government's general schedule for pay.

[8] "Well-intentioned socialists, if they are honest people as Hayek contends, should be able to appreciate that reaching into one's own pockets to assist one's fellow man is laudable and praiseworthy. Reaching into another's pocket to do so is theft and by any standard of morality should be condemned." Walter E. Williams, Foreword to The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, pp. 16, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

private property and economic rights necessary preserve our freedoms of faith, community, liberty, and life.

A. America Is Becoming Less Free and As a Result Less Dynamic

Each year, the Heritage Foundation publishes its Index of Economic Freedom.[9] Today, out of the 178 nations ranked on the survey, America is only twentieth, with a rating of "mostly free." America is not even first in its region, with Canada and Chile ranking higher. This is the lowest ranking for the U.S. since the Index of Economic Freedom was first published in 1995. In 2019 America ranked twelfth, as a result of several years of pro-growth federal reforms, focused on deregulation and lowering corporate tax burdens. The 2021 ranking, by contrast, was driven by a deteriorating environment across a number of measures, including fiscal health, labor freedom, business freedom, government integrity, judicial effectiveness, and property rights. This ranking is almost surely to fall further over the next year given the breadth of anti-growth policies for which Congress and the Administration advocate.

Further, and notwithstanding substantial improvements in America's tax system over recent years, including lowering the statutory corporate income tax rate, the U.S. ranked 26 on the 2020 International Tax Competitiveness Index compiled by the Tax Foundation.[10] Based on a survey of 36 countries, the United States ranks 19 for corporate tax competitiveness, 23 for individual income taxes, 5 for consumption taxes,

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[9] The Index of Economic Freedom ranks 178 countries (compiled for the 2021 Index) according to "free" economies (only 5), "mostly free", "moderately free," "mostly unfree", and "repressed", with sub-rankings across three categories for each category. Terry Miller, Anthony Kim, Jim Roberts, and Patrick Tyrrell. 2021 Index of Economic Freedom. The Heritage Foundation. Accessed online: https://www.heritage.org/index/

[10] Daniel Bunn and Elke Asen, International Tax Competitiveness Index 2020. Tax Foundation. Accessed online: https://taxfoundation.org/publications/international-tax-competitiveness-index/

28 for property taxes, and 32 for international tax rules. The tax increases proposed by the Biden administration to fund its spending priorities, and tax increases that will be necessary to address America's debt and deficit issues, will most likely make these rankings worse, not better.

The U.S. also ranks sixth on the 2019 Ease of Doing Business Ranking compiled by the World Bank, a ranking based on a survey of 190 countries.[11] Despite its top 10 overall ranking on this survey, the U.S. interestingly only holds two sub-rankings in the top 10 (access to credit and resolving insolvency). On all other sub-rankings on this Ease of Doing Business survey, the U.S. scores outside the top 10:—17 on enforcing contracts, 24 on dealing with construction permits, 25 on paying taxes, 36 in protecting minority investors, 39 in trading across borders and registering property, 55 for starting a business, and 64 for getting electricity.

Further still, over the past several decades there has been a general decline in labor market dynamism. Economic research using firm (and establishment) level data suggests that American dynamism has been decreasing for at least the last 30 years—the share of American jobs created by new businesses was averaged 18.2 percent of total employment between 1980 and 1989, followed by a steady decline over the next two decades (16.7 percent (1990 to 1999) and 15.8 (2000 to 2009)), reaching a low of 12.4 percent in 2009.[12] The share of total employment created by new start-ups, while representing a smaller share of overall employment, fell about 25 percent over the same

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[11] Ease of Doing Business Rankings. The World Bank. Accessed online: https://www.doingbusiness.org/en/doingbusiness

[12] John Haltiwanger, Job Creation and Firm Dynamics in the U.S., The National Bureau of Economic Research (2012), pp. 28-33; accessed online: https://www.journals.uchicago.edu/doi/pdfplus/10.1086/663154

30-year period. The decline of American economic dynamism is supported in part by research surveying gross job creation, job destruction, and net job growth between 1980 and 2009. After accounting for gross job destruction (firm and establishment exits), net job creation followed the same pattern over the three decades between 1980 and 2009: falling from 2 percent of employment to 0.9 percent.[13]

Overall productivity has steadily increased for the last 70 years, even though real wages/household incomes have stagnated for the better part of the past half-century. Yet after reaching 67.3 percent in 2000, the overall labor force participation rate has steadily declined, reaching the lowest level in 40 years in 2015 at 62.4 percent. Over this same 40 year period two countervailing trends have persisted: the labor force participation rate for men age 25 and over has steadily declined and for women age 25 and over substantially rising, notwithstanding a slight decreased in the aftermath of the 2009 recession.[14]

B. Deficit Spending and Debt Undermine Economic Dynamism

"Major default episodes are typically spaced some years (or decades) apart, creating an illusion that 'this time is different' among policymakers and investors."

- Reinhart and Rogoff 2008[15]

[13] John Haltiwanger, Job Creation and Firm Dynamics in the U.S., The National Bureau of Economic Research (2012): 28-33; accessed online: https://www.journals.uchicago.edu/doi/pdfplus/10.1086/663154

[14] Alan B. Kreuger, Where Have All the Workers Gone? An Inquiry into the Decline of the U.S. Labor Force Participation Rate, Brookings Paper Economic Act (2017, Fall): 1-87; accessed online: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6364990/

[15] Carmen M.Reinhart and Kenneth S. Rogoff. This Time Is Different: A Panoramic View of Eight Centuries of Financial Crises. National Bureau of Economic Research Working Paper 13882. March 2008. Accessed online: https://www.nber.org/system/files/working_papers/w13882/w13882.pdf

Federal public debt has swelled to a staggering $28 trillion (a figure not accounting for unfunded liabilities in federal entitlement programs),[16] or 127 percent of national Gross Domestic Product (GDP),[17] and for the past fiscal year, almost 60 percent of federal spending has occurred with borrowed money.[18] Further, the Congressional Budget Office (CBO) projects that, absent substantive reforms in federal spending, particularly reforms in our nation's entitlement programs, deficit spending could increase to 5.7 percent of GDP in 2031 and 13.3 percent by 2051 (exceeding the average annual deficit of 3 percent of GDP over the past 50 years) and that federal debt held by the public (excluding other unfunded liabilities) could reach 202 percent of GDP by 2051.[19]

This is no trivial matter. The economic research is clear that high public debt levels reduce the growth potential of an economy—a reduction in growth rates from 3 percent to 2 percent, for example, would likely reduce GDP-per-person $20,000 over the next 20 years.[20]

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[16] https://fred.stlouisfed.org/series/GFDEBTN

[17] https://fred.stlouisfed.org/series/GFDEGDQ188S

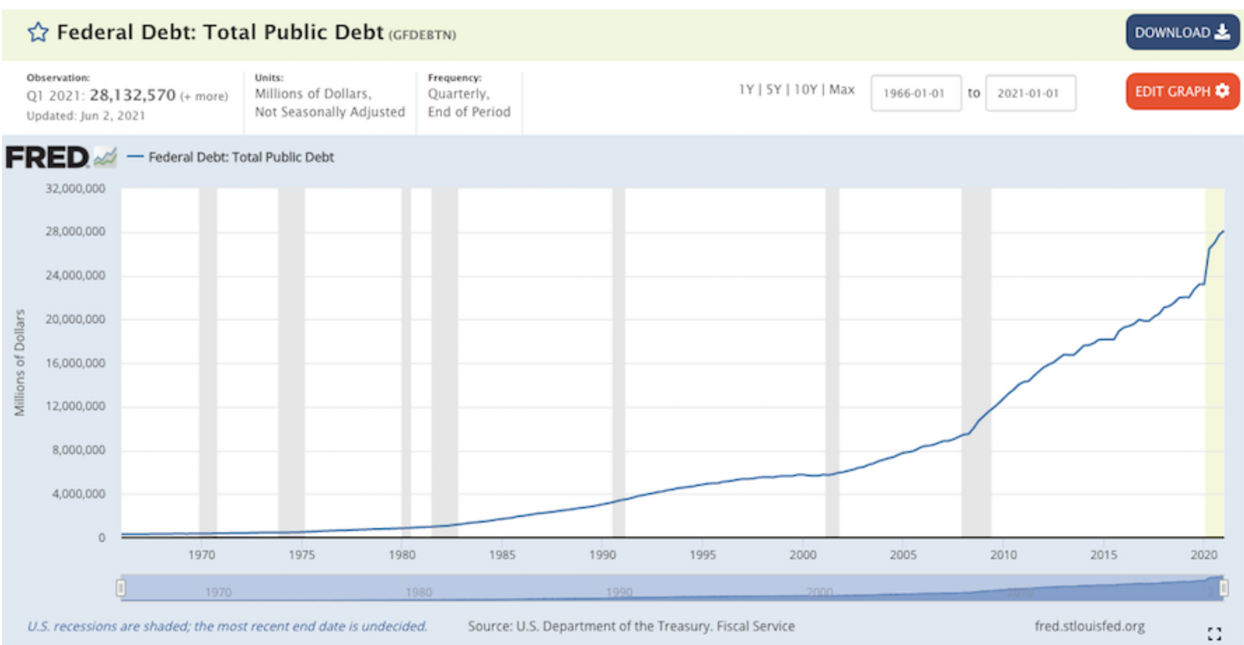
[18] Notwithstanding the $46 trillion in estimated unfunded liabilities in Medicare, Medicaid, and Social Security obligations, the federal government has amassed more than $28 trillion in federal public debt, which, under full terms of repayment would surely lower American living standards for decades.

[19] The 2021 Long-Term Budget Outlook. Congressional Budget Office. March 2021. Accessed online: https://www.cbo.gov/publication/56977#section1

[20] Most studies surveying the relationship between government debt and GDP growth find a threshold between 75 and 100 percent of GDP, and all studies except two show a negative relationship. See, Veronique de Rugy and Jack Salmon, "Debt and Growth: A Decade of Studies," Mercatus Center at George Mason University, Policy Brief on Government Spending, April 15, 2020, accessed online at: https://www.mercatus.org/publications/government-spending/debt-and-growth-decade-studies

As the Reinhart and Rogoff suggest in the quote above, it is easy to think that "this time is different," that the cautionary tales of debt crises that have occurred throughout world history and that has resulted in collapses of entire economies fail to apply to a current circumstance. Yet it is hard to know when debt will matter—in the short-run, to be sure, the Federal Reserve can keep monetizing debt even at the risk of higher inflation—and, more likely, we will not know whether it truly matters before it is too late and a default is unavoidable.

America has never defaulted on its debt.[21] But that may not be the case forever, even if the ultimate timeframe remains uncertain. Given the current state of our annual



deficits, as well as the size of the existing debt, the basic accounting logic suggests that hard choices will have to be made; choices that the American people may not be ready

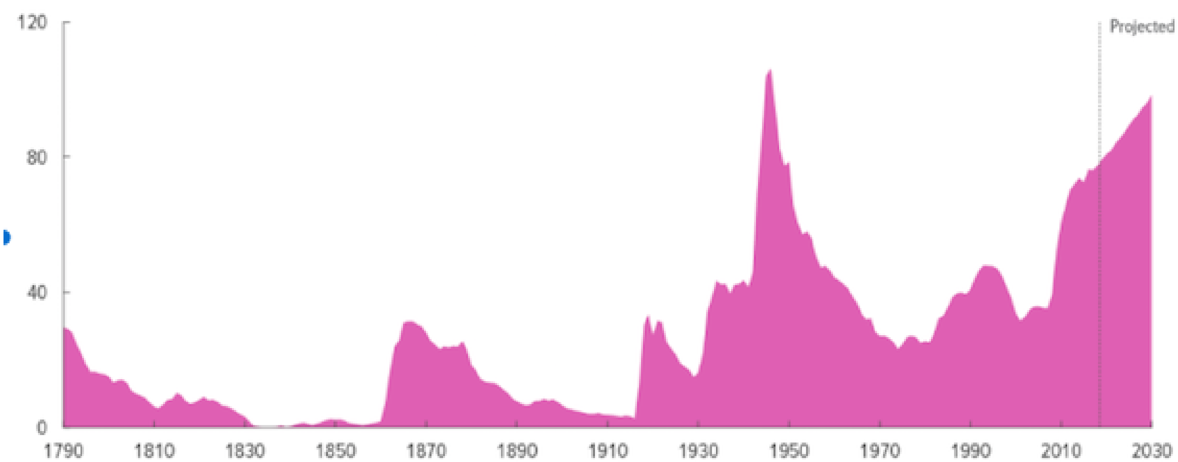
[21] The U.S. federal debt as a share of GDP never exceeded 40 percent—with a brief period of eliminating the debt during the Jackson Administration in the mid-1830s—over its first 120 years. Today, the debt-to-GDP ratio is above the level accumulated during World War II—the debt has more than tripled just since 2008 and given expected trajectory of federal spending will continue to rise. This time series view US federal debt-to-GDP is depicted in March 2020 primer report on Federal Debt by the Congressional Budget Office report. See Congressional Budget Office, "Federal Debt: A Primer," Figure S-1, March 2020, accessed online at: https://www.cbo.gov/publication/56309

to make. For example, for fiscal year 2019 (the last year before the pandemic), the federal deficit was $984 billion.[22] As of the first quarter of 2021, the federal debt held by the public[23] was just over $22 trillion. To simply hold that debt number constant would require a combination of spending cuts and tax increases of roughly $1 trillion, every year. To reduce the debt in half over a twenty-year window, that rises to over $1.5 trillion.[24] It is unclear if there is a political consensus to make the sacrifices necessary to accomplish this goal.

Figure S-1.

Federal Debt Held by the Public

Percentage of Gross Domestic Product



Source: Congressional Budget Office, using data from the Board of Governors of the Federal Reserve and the Department of the Treasury.

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[22] https://www.cnbc.com/2019/10/25/federal-deficit-increases-26percent-to-984-billion-for-fiscal-2019.html

[23] Debt held by the public is the value of all debt securities issued by the U.S. treasury, less the portion of the debt that is held by government accounts. https://www.treasury.gov/resource-center/faqs/Markets/Pages/national-debt.aspx

[24] This does not even take into account the forecast sharp increase in entitlement spending as the Baby Boom generation ages. As noted above, the unfunded government liabilities, driven almost entirely by entitlement spending, is tens of trillions of dollars.

There are other ways revenue can be raised to help reduce debt burdens. For example, during the Andrew Jackson administration, which was animated by a belief that public debt corrupted government and was "incompatible with real independence," the federal government reduced its debt to zero,[25] achieved in large part by selling federal lands.[26] But research suggests that highly indebted nations tend to "restructure" their debt through inflation and debt monetization.[27]

Further, fiscal debt pressures could arise from a declining dollar and any substantive alteration of the reserve currency status of the U.S. dollar.[28] To be sure, such a reserve currency regime change would require, among other factors, a substantial devaluing of a currency, a flight of capital to other financial markets (and hence currencies), along with the existence of a viable alternate economic superpower (with an open currency/economy to foreign capital), notwithstanding some hard currency (e.g., gold) or quasi-hard (inelastic supply) currency. While uncommon, the

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[25] "[In Jackson's first inaugural he [argued that] 'the unnecessary duration' of the public debt was 'incompatible with real independence' and that public debt constituted a moral danger which raised the specter of unrestrained self-indulgence, unembarrassed vice, and recklessness. Borrowing tempted the government to overspend and to expand beyond its legitimate sphere. Debt, in brief, corrupted government, encouraging it to exercise power it did not legitimately possess. Historically, power targeted the liberty of individuals. Hence the perpetuation of debt imperiled the freedom that Americans enjoyed. It eroded the political as well as the moral fiber of the nation." Carl Lane, "The Elimination of the National Debt in 1835 and the Meaning of Jacksonian Democracy," Vol. 25 No. 1 (2007): Essays in Economic and Business History, p. 70, accessed online at:
https://www.ebhsoc.org/journal/index.php/ebhs/article/view/175

[26] David P. Currie, "The Constitution in Congress: The Public Lands, 1829-1861," The University of Chicago Law Review, Vol. 70 No. 3 (Summer 2003), accessed online at:
https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=5218&context=uclrev

[27] Reinhart and Rogoff (2008) research shows that at least since World War II there has been a strong correlation between countries in default on debt and countries experiencing high inflation (over 20 percent year-over-year).

[28] China's economy in nominal terms remains second largest in the world, though already surpassed in 2014 in purchase power terms, and it expected to surpass the US in the next couple of years. China's economic growth, supported through a growing population, broad savings culture (even if state coerced), export and foreign investment focus, and currency resiliency, along with its expanding military presence, represent one clear threat to America's reserve currency status.

displacement of global reserve currencies is not without precedent; these regime changes have occurred in the past,[29] and the U.S. is not immune to such a threat. This is particularly true if the United States continues to pursue policies of an expanded public debt and monetary base along with the rise of the Chinese economy (and Yuan). In any event, if the U.S. were to face a circumstance of losing its global reserve currency status, this would put substantial strain on our nation to service its public debt obligations, almost surely necessitating "haircuts" to our growth potential to do so and resulting in lower living standards. Even this scenario assumes no additional negative feedback loops such as a debt/inflation spiral scenario, which could arise from sustained and higher interest rates (debt interest service payments crowding out principal payments) notwithstanding any reductions in economic growth to pay down debt.

In the near-term, continued monetary base expansions to pay down debt (even if only interest service payments), a devaluing of the currency, capital flight (outflows of foreign capital from the U.S. bond/debt/Treasuries/equity markets), and inflation, which is already surfacing in our economy at current levels, would further deteriorate purchasing power for U.S. households. This deterioration erodes long-term living standards, as individuals have less to put to savings and investment. Short of looking to uncommon global reserve currency displacement events, severe economic disruptions from over-indebtedness and sovereign debt default has certainly been the story of

[29] Carmen M. Reinhart and Kenneth S. Rogoff, "From Financial Crash to Debt Crisis," American Economic Review 101 (August 2011): 1676-1706, accessed online at: https://scholar.harvard.edu/files/rogoff/files/from_financial_crash.pdf

numerous emerging markets in the past several decades, where net exports and capital inflows were unable to maintain growing debt service payments.[30]

All told, debt can be a destabilizing force in an economy.[31] In extreme circumstances of sovereign debt default, domestic households and businesses incur significant burdens through currency devaluation, reductions in purchasing power, and broader economic recessions from both capital outflows and imposition of onerous capital control regimes to stem such capital flight.

America's debt addiction is not easily contained; the U.S. has largely become an indebted nation,[32] with median household debt almost totaling the median household income.[33] But household debt is not the only concern; states are in a debt crisis of their own. While there is wide disparity between the most indebted states (New York in terms of net position and Illinois in debt ratio terms) to the least indebted (Alaska both in net position and debt ratio terms), nine states had a debt ratio (total debt over total assets) exceeding 120 percent as of 2020: Illinois at 468.7 percent, New Jersey at 441.7 percent, Connecticut at 334.9 percent, Massachusetts at 305.5 percent, New York at 273.8 percent, Delaware at 174.2 percent, Maryland at 123.9 percent, Kentucky

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[30] Charles W. Calomiris, "Lessons from Argentina and Brazil," Cato Journal, Vol. 23, No. 1 (Spring/Summer 2003), accessed online at: https://www0.gsb.columbia.edu/faculty/ccalomiris/papers/Lessons%20Argentina%20Brazil.pdf

[31] Charles Calomiris and Stephen Haber. Fragile by Design: The Political Origins of Banking Crises and Scarce Credit. 2014.

[32] In the first quarter of 2021, total U.S. household debt increased $85 billion (0.6 percent) to nearly $15 trillion with housing/mortgage debt comprising 72 percent of total household debt balances. Quarterly Report on Household Debt and Credit, Center for Microeconomic Data at the New York Federal Reserve, May 2021, accessed online at: https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2021Q1.pdf

[33] Federal Reserve BULLETIN. Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances, Board of Governors of the Federal Reserve System, September 2020, Vol. 106, No. 5, accessed online at: https://www.federalreserve.gov/publications/files/scf20.pdf

at 121.4 percent, and California at 130.5 percent.[34] The primary factors driving the rising liabilities for heavily indebted states are borrowing (from the federal government generally) to cover current expenditures in state unemployment benefits, obligations to cover public pension, retirement, and health insurance costs, as well as education, infrastructure, and Medicaid spending, among other sources of state and municipal bond debt liability.[35]

Simply put, at all levels government borrowing is used to fund current consumption, rather than making investments that can benefit the future generations who will be responsible for paying back the borrowed funds. This will retard future economic dynamism, economic growth, and the liberty that comes with those things. Worse yet, future debt burdens will have a negative effect on intergenerational upward mobility. That mobility is the bedrock principle of the American Dream. And, without the American Dream, America becomes a less special place.

C. The “Woke” Ideology Is A Threat to American Liberty

“Individualism, in contrast to socialism and all other forms of totalitarianism, is based on the respect of Christianity for the individual man and the belief that it is desirable that men should be free to develop their own individual gifts and bents.”

- Friedrich A. Hayek, The Road to Serfdom[36]

One of the hallmarks of America’s greatness has been its commitment to economic liberty. Our nation’s prosperity derives from its defense of economic freedom,

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[34] Andrew DePietro. States with the Most and Least Debt in 2020. Forbes. November 23, 2020. Accessed online: https://www.forbes.com/sites/andrewdepietro/2020/11/23/states-with-the-most-and-least-debt-in-2020/?sh=1290603378a3

[35] Steven Maguire. State and Local Government Debt: An Analysis. Congressional Research Service. April 14, 2011. Accessed online: https://fas.org/sgp/crs/misc/R41735.pdf

[36] Friedrich A. Hayek, The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, p. 42, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

focused on entrepreneurial, profit-seeking initiative and private property ownership.[37] Indeed, this is part of the bedrock of our nation's economic success, having stimulated centuries of entrepreneurship, innovation, and intergenerational wealth accumulation that has resulted in unimagined advancement in living standards for all Americans in its almost 245 year history. America's resolute commitment to free enterprise ideals has also had powerful spillover effects to the rest of the world: it has allowed our nation to win world wars against tyrannical autocrats and foreign powers, and it led to a base of wealth for which America has been able to compassionately lift people around the world out of poverty.

Today, however, a grave strain of political ideology, an ideology which has infiltrated our institutions and could fundamentally alter our society's foundations, the interlocking webs of private financial, cultural, and social capital that have been the cementing conditions for individual initiative, agency, and prosperity. The so-called "woke" progressivism, while not a new ideological strain, has bewilderingly gripped many cultural, business, and political institutions in the U.S. (and, indeed, across the West). This destructive ideology is a clear and present attack on our nation's fundamental value system. Importantly, it is strain of political ideology that historically has proven at best to result in a slow societal malaise and decay; yet at worst, it has been a political system that has castigated and sanctioned whole "groups" or "classes" of humans to oppressed living conditions for no other reason than that their initiative, hard work, productivity, and foresight threatened some perverted notion of societal

[37] "Prior to capitalism, the way people amassed great wealth was by looting, plundering and enslaving their fellow man. Capitalism made it possible to become wealthy by serving your fellow man." Walter E. Williams. See, Sarah Stanley, "Ten Quotes from economist Walter E. Williams," Acton Institute, March 31, 2016, accessed online at: https://blog.acton.org/archives/85905-ten-quotes-from-economist-walter-e-williams.html

"fairness."[38] To the "woke," equality of outcome is paramount. As a result, individuals, and entire communities if necessary, that show ingenuity and discipline must be squashed, and those characteristics expunged, lest unequal prosperity result. This is not merely a theoretical concern; one need look no further than the liquidation of the Kulaks ("almost prosperous peasants") by the Soviets to see how fanatical devotion to "equality" can have bloody consequences.

The assault on America's long-standing commitment to economic liberty seems to be getting worse. In its current iteration, the "woke" argue that any actual or perceived conditions of unfairness (of the past and its impact on present "inequities") can be resolved by a government that was itself the creator (or conduit for establishment) of certain oppressive laws and policy regimes.[39] But this gets it exactly backwards: the most pivotal transformations we have made as a nation has been to remove impediments that government first established. The paradigmatic example of this in our nation's bloody struggle to abolish slavery, which was perpetuated only through government acquiescence to the practice. In addition to its far more important moral

[38] "Although our modern socialists' promise of greater freedom is genuine and sincere, in recent years observer after observer has been impressed by the unforeseen consequences of socialism, the extraordinary similarity in many respects of the conditions under 'communism' and 'fascism'. As the writer Peter Drucker expressed it in 1939, 'the complete collapse of the belief in the attainability of freedom and equality through Marxism has forced Russia to travel the same road toward a totalitarian society of unfreedom and inequality which Germany has been following. Not that communism and fascism are essentially the same. Fascism is the stage reached after communism has proved an illusion, and it has proved as much an illusion in Russia as in pre-Hitler Germany.;" Friedrich A. Hayek, The Road to Serfdom, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, p. 48, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf.

[39] "How does something immoral, when done privately, become moral when it is done collectively? Furthermore, does legality establish morality? Slavery was legal; apartheid is legal; Stalinist, Nazi,and Maoist purges were legal. Clearly, the fact of legality does not justify these crimes. Legality, alone, cannot be the talisman of moral people.". Walter E. Williams, See, Sarah Stanley, "Ten Quotes from economist Walter E. Williams," Acton Institute, March 31, 2016, accessed online at: https://blog.acton.org/archives/85905-ten-quotes-from-economist-walter-e-williams.html

dimension,[40] abolishing slavery had a clear economic impact, as hundreds of thousands of people in this country who previously had no economic liberty could, for the first time, be free of the government restriction on their ability to enjoy the fruits of their own labor.

But the "woke," like the Bolshevik's before them, trust the leveling power of government above all, and will seek to expand the Leviathan to more and more corners of private life. There is no differential outcome too small, no claimed distress or slight too minor, for the "woke" to see as anything other than a problem for government to solve. Unfortunately for defenders of economic liberty and limited government, this will inevitably expand government's reach into society. And, as President Reagan noted in his farewell address, "as government expands, liberty contracts."[41]

III. How To Support Economic Liberty and Unleash American Prosperity

As Ben Franklin quipped, "[t]hose who would give up essential Liberty, to purchase a little temporary Safety, deserve neither Liberty nor Safety."[42] But Americans are increasingly losing touch with this wisdom when it comes to economic liberty. Numerous overt and quasi-government dependency structures, to provide economic "security," have been erected for at least the past century, beginning no later than the expansions of the federal government during the 1930s New Deal era policies, and

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[40] President Lincoln posited in his second inaugural address that God would require "every drop of blood drawn with the lash [to] be paid by another drawn with the sword" as retribution for America allowing slavery, because "the judgments of the Lord are true and righteous altogether." President Abraham Lincoln's Second Inaugural Address (1865), U.S. National Archives & Records Administration, accessed online at: https://www.ourdocuments.gov/print_friendly.php?flash=false&page=&doc=38&title=President+Abraham+Lincolns+Second+Inaugural+Address+%281865%29

[41] Ronald Reagan, Presidential Farewell Address to the Nation, January 11, 1989, accessed online at: https://www.reaganfoundation.org/ronald-reagan/reagan-quotes-speeches/farewell-address-to-the-nation-1/

[42] Benjamin Franklin, Pennsylvania Assembly: Reply to the Governor, November 11, 1755, accessed online at: https://founders.archives.gov/documents/Franklin/01-06-02-0107

continuing several decades later in the 1960s with the Great Society policies. There has been at best a social stagnation, and at worst decay, over this period, with an expectation of government security increasingly displacing traditional American notions of self-reliance.

Indeed, the role of the federal government has expanded significantly, a trend that has profoundly undermined American economic dynamism, and will continue to do so if left unchecked. Politicians routinely view legitimate crises as excuses to expand the role of government in private economic affairs. In the last year alone, to mitigate the spread of the novel coronavirus, the U.S. imposed the largest "sudden stop" in the U.S. economy since economy-wide interventions during World War II.

Governments cannot guarantee prosperity for everyone. At their best, governments seek to foster broad based prosperity by creating the conditions ideal for economic growth and wealth creation, most importantly through robust protections of contract and property rights. At their worst, they limit contract and property rights, and seek to confiscate private resources and redistribute the resources across society. Over time this approach constrains productivity growth in private markets, and threatens American economic dynamism.[43]

But, even without the distorting effect of redistributive policies, the growth of government in general hampers economic liberty. To support the growth of government, more private sector resources must be usurped to finance government

[43] Notwithstanding markets with genuine monopolistic/oligopolistic price-setting power (assuming at least under inelastic demand conditions), private citizens gain through non-coerced, mutually beneficial trade and exchange. Private companies, lacking what the government alone possesses (and can grant and decree alone to private companies), cannot command consumers buy their goods and services, even among industries with high concentration, so long as there are not prohibitively high barriers to entry, there is still market forces driving firms to compete for new consumers (and maintain existing customers).

salaries, assistance, and regulatory programs, the last of these having even further stifling effects on our nation's innovative and productive capacity. Further, government interventions in economic affairs puts unequal power in hands of a narrow band of policy-makers, with little, if any, reasonable capability for citizenry to opt out (or, so to speak, vote with their feet).[44]

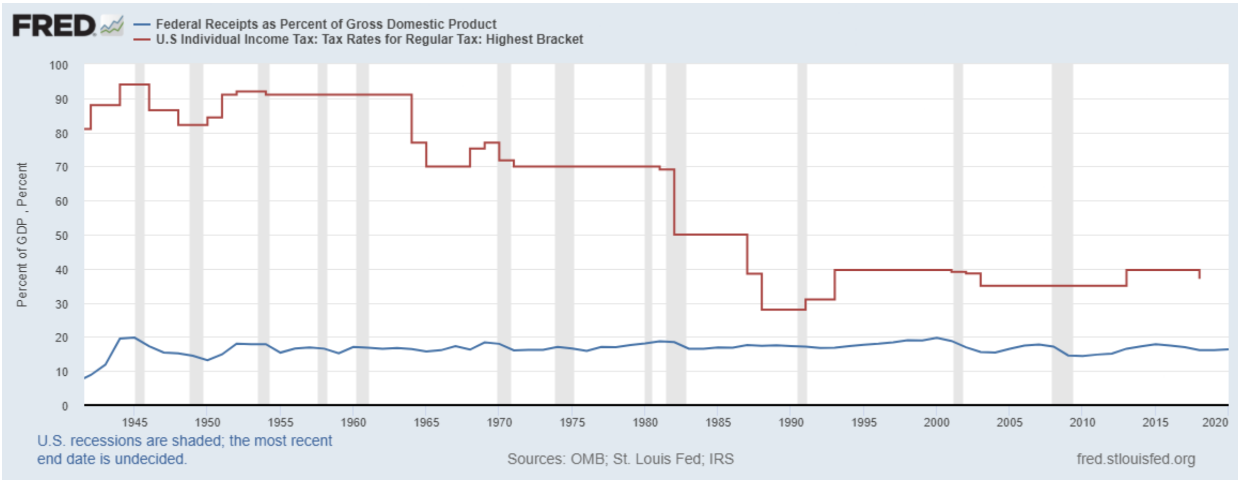
But we are not condemned to this fate. We can take steps to make America more free, more dynamic, and more prosperous. It just requires government getting out of the way.

A. Maintain Economic Competitiveness Through Lower Spending and Lower Taxes

Despite what advocates of tax increases claim, the U.S. does not have a revenue problem. The federal government annually collects an estimated $3.4 trillion in total receipts (half of which come through individual tax receipts).[45] And, since at least the end of World War II, the amount that the government collects is relatively fixed as a percentage of GDP, regardless of the top marginal tax rate:

[44] For advocates of government redistribution, even among instances where quality of product/service increases with downward price pressure, there is almost always reason to find fault in any profit-motive, disregarding the fact that politicians themselves almost always gain (profit), even if through nothing other than being re-elected to office, from whatever form of benevolence they may promise through expanded assistance programs, higher regulation, etc.

[45] Congressional Budget Office estimate, https://www.cbo.gov/topics/taxes (retrieved July 15, 2021)



We must acknowledge that our country cannot solve its fiscal challenges by adding additional tax burdens on our nation's most successful economic producers, in part because changes to the tax code only distort economic activity, rather than raise revenue.

The paramount consideration for any income tax system should be to minimize distortions on the broader economy.[46] Many politicians today argue that high earners do not "pay their fair share," and seek to increase marginal tax rates. But, leaving aside, as shown above, that changes to top marginal rates do not have a substantial impact on revenue collection as a percentage of GDP, the assertion that high earners are not taxed enough does not withstand scrutiny. According to the Tax Foundation, the top 50 percent of all taxpayer paid 97 percent of all individual taxes, and the top one percent, which accounted for about 20 percent of total national income, paid nearly 40 percent of all federal individual income taxes. And for enjoying the "privilege" of having a tax burden that is twice their share of national income, the water does not come out of

[46] Though, for many politicians, changing economic behavior through tax policy is a feature, not a bug.

their taps twice as fast, they do not enjoy twice as much security from the national defense their taxes fund, and they do not have access to twice as many national parks.

Mean incomes for households in the highest quintile has increased substantially over the last 50 years while mean incomes in the other four quintiles has remained approximately the same. This relative income inequality between the highest quintile and the bottom four quintiles may matter if households occupied only one quintile over their lifetime. Yet, data suggest that while there may be some degree of relative immobility over shorter-term periods across income quintiles, households are certainly mobile over time. Economic research using long-term data following the same households reveals a dynamic movement among households over time, with approximately 12 percent of households earning in the top 1 percent of the income distribution for at least one year, even though only 0.6 percent of households will remain in the top 1 percent over a decade.[47] This same research shows further that nearly three-fourths of households will spend a year in the top 20 percent of the income distribution, 56 percent a year in the top 10 percent, and 39 percent a year in the top 5 percent of the income distribution.

The Tax Foundation has also estimated that over time raising corporate income tax rates from 21 percent to 28 percent will lead to a 1.4 percent reduction in the capital stock and a 0.6 percent decrease in wage rates. Following the logic of this modeling framework, the reduction in investment and total capital stock over time would depress wages and incomes. Indeed, the results of the Tax Foundation's modeling of the corporate income tax rate increases suggest that after-tax income would likely decrease

[47] Mark R. Rank, "From Rags to Riches to Rags," The New York Times, April 18, 2014, accessed online at: https://www.nytimes.com/2014/04/20/opinion/sunday/from-rags-to-riches-to-rags.html

for households in all income quintiles (ranging from an estimated $740 cumulative drop in after-tax incomes for households in the lowest income quintile to $19,150 for households in the highest income quintile). Further, as discussed above, raising corporate income taxes (and capital gains taxes) will not resolve our nation's tsunami of debt. The increased tax will disproportionately fall on households that already bear the greatest share of the federal tax burden.[48]

Unfortunately, the pro-growth reforms of recent years have already come under attack. These attacks rely on unrealistic assumptions that tax increases would have little, if any, negative impact on income-boosting capital investment and base changes in the economy. Rather than minimizing economic distortion, the tax increasing proposals rely on the premise of "retributive justice" to ensure the most productive and economically successful pay a "fairer" share in the nation's tax burden, which proponents of these job-killing reforms present misleading as a false choice in the resolution of the nation's fiscal health.

A more sensible approach would be for policymakers to acknowledge that our nation does not have revenue problem—it has a spending problem. To be sure, until we act to reset the trajectory of federal spending, it is simply a misleading proposition to

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[48] Even before considering any dynamic offsets from lower output/applicable income bases, the increased projected static revenue generated by a corporate tax increase (estimated by the Congressional Budget Office (CBO) at $675 billion over ten years) will still only amount to about 6 percent of the total projected cumulative federal budget deficit (estimated by CBO at $12.3 trillion over the next ten years). This is likely an optimistic accounting of the budgetary effects of raising corporate (and capital gains) income taxes. The Tax Foundation provides one economic evaluation of the dynamic effects of increasing the corporate income tax rate from 21 percent to 28 percent, estimating that the policy reform could lead over a ten year projection frame to $720 billion in lower total output and reduced average incomes for households across all income quintiles. See, Options for Reducing the Deficit: 2021 to 2030. Congressional Budget Office. December 2020. Accessed online: https://www.cbo.gov/system/files/2020-12/56783-budget-options.pdf. See also, Erica York. Raising the Corporate Rate to 28 Percent Reduces GDP by $720 Billion of Ten Years. Tax Foundation. April 21, 2021. Accessed online: https://taxfoundation.org/increase-corporate-tax-rate-28-percent/

think that raising taxes on productive capital and income will resolve our nation's fiscal imbalances. Raising corporate incomes taxes will almost surely lead to lower economic growth, increased spending (which will further exacerbate the fiscal imbalances), and greater dependence on the government. It is crucial for American economic dynamism to maintain a competitive tax system, with lowest possible rates on both labor and capital income. This will help the country continue to attract global capital into our economy, and ultimately ensure more resources in the hands of successful American entrepreneurs and businesses.

B. Restore Federal Fiscal Sanity through meaningful reductions in federal spending, social security, and entitlement reforms.

Federal spending has simply exploded in recent decades, resulting in the highest levels of federal debt in U.S. history; surpassing the level last reached during World War II. Today, notwithstanding certain national defense priorities in recent decades, federal policymakers have continued to opportunistically use various crises as justifications to expand discretionary spending—to bailout households that were swarmed with debt many should never have had, financial firms taking outsized bets with the implicit guarantee of taxpayers, among a general perceived benevolence to expand social safety net spending, such as the recent expansion of Medicaid. Further, federal entitlement spending, particularly in Medicare, continues to crowd out a greater share of future federal spending. The current estimate of combined unfunded liabilities is $46 Trillion. To make matters worse, even under some unlikely scenario interest rates remain low, net interest costs on federal debt will continue to rise, with the CBO forecasting these payments amounting to 2.4 percent of GDP by 2031 and 8.6 percent by 2051.

Complicating fiscal reforms is the fact that the U.S. is an aging society, with one of the lowest labor force participation rates among prime age men. Further, labor force participation for men age 25 and over has been declining for the last half century.

The Federal government must get its fiscal house in order if the country hopes to avoid any negative economic scenario, particularly one that threatens an adjustment in the global reserve currency status of the U.S. dollar, which could occur under a continuation of our projected debt tsunami. Importantly, we must acknowledge that reforms avoiding increased tax burdens on our nation's most productive households and businesses are the least disruptive reform scenario path. Thus, reforms must begin with firm commitments to constrain federal discretionary spending, in addition to reforms to federal mandatory spending programs. All of these reforms should both encourage work and make households more responsible for their own expenses.

One obvious and necessary reform must be to increase the minimum age of eligibility in receiving social security benefits. The Social Security program has had incredible mission creep since its establishment nearly 90 years ago as an income insurance program for those that lived past the median life expectancy. It has also displaced a greater focus on self-reliant financial planning for many households, which assume that social security benefits are an adequate substitution for sound retirement planning. This is true even for moderate to high income/wealth households that should never need such subsidies, even with their pre-payment into the program.

Reforms should also strengthen greater policy incentives for uses of health savings accounts (HSAs), even if only replacement of federal expenditures during end of life care—the majority of Medicare expenditures occurs in the last several months of recipients life.[49] HSAs, while not a new concept, should be encouraged to crowd-in private, first dollar coverage even for health/medical spending in non-elderly, working age individuals/households (greater emphasis on patient first-dollar coverage will almost certainly incentivize greater individual discretion over both quality and cost (price transparency) in health/medical care spending with insurance truly covering gaps in medical procedures spending that may reasonably require specialized third-party (insurance company) cost-sharing and negotiation with doctor/hospital providers.

C. Unburden our nation's higher education finance system.

For decades, federal subsidies in the U.S. higher education finance system have put significant upward pressure on the cost of degrees and created an enormous student loan debt burden.[50] The steadily rising higher education burdens have already resulted in some early stage fissures, which without some structural changes are likely to worsen—degrees that are being pursued and attained do not always correspond to productive career paths, making it harder for these individuals to initiate forming households, purchasing homes, have children, save for retirement, etc.[51] To be sure, a principal moral hazard in higher education is the amount of debt (both intensive/extensive margins) that is obligated to young adults, in many instances

[49] Reforms should also consider changes in Medicaid, including phasing in lower asset thresholds for Medicaid eligibility in skilled nursing home coverage.

[50] Zack Friedman, "Student Loan Debt Statistics in 2021: A Record $1.7 Trillion," Forbes Online, February 20, 2021, accessed online at: https://www.forbes.com/sites/zackfriedman/2021/02/20/student-loan-debt-statistics-in-2021-a-record-17-trillion/?sh=13094ce01431

[51] One estimate by Federal Reserve economists estimates student loan debt reduces economic growth at least 0.05 percent annually. Yet, the growing burden of debt for many that remain underemployed will translate to delays of household formation, income growth, and the stunt the ability to save for lifecycle financial needs. Laura Feiveson, Alvaro Mezza, and Kamila Sommer, "Student Loan Debt and Aggregate Consumption Growth," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, February 21, 2018, accessed online at: https://www.federalreserve.gov/econres/notes/feds-notes/student-loan-debt-and-aggregate-consumption-growth-20180221.htm

parents for undergraduates, that elect degrees that translate to low paying careers, influence career track, and put additional cost to taxpayers that never receive such subsidies.

This system of federal subsidies that has been erected over the last half century in higher education finance has driven up the cost of attaining higher education degrees, enriching institutions of higher education, yet at the expense of students that all too often earn degrees with dubious productive value while saddling enormous debt repayment levels. The system of federal subsidies in U.S. higher education finance is simply unsustainable, unfair for taxpayers that foot the bill of mounting giveaways of the full cost of the debt incurred, and ultimately constrains the capacity for free enterprise and liberty, when students follow perverse incentives toward sclerotic career paths that demand little entrepreneurial risk-taking and a reliance on taxpayers for salaries.[52]

Reforms of the U.S. higher education finance system should integrate back-end incentives for borrowers (and/or penalties to higher education institutions that both facilitate bad underwriting and ultimately cannot place students into programs) that encourage the attainment of skilled degrees and productive employment and career

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[52] "The selection of the personnel of the intellectuals is also closely connected with the predominant interest which they show in general and abstract ideas. Speculation about the possible entire reconstruction of society give the intellectual a fare much more to his taste than the more practical and short-run considerations of those who aim at a piecemeal improvement of the existing order. In particular, socialist thought owes its appeal to the young largely to its visionary character; the very courage to indulge in Utopian thought is in this respect a source of strength to the socialists which traditional liberalism sadly lacks. This difference operates in favour of socialism, not only because speculation about general principles provides an opportunity for the play of the imagination of those who are unencumbered by much knowledge of the facts of present-day life, but also because it satisfies a legitimate desire for the understanding of the rational basis of any social order and gives scope for the exercise of that constructive urge for which liberalism, after it had won its great victories, left few outlets. The intellectual, by his whole disposition, is uninterested in technical details or practical difficulties. What appeal to him are the broad visions, the specious comprehension of the social order as a whole which a planned system promises." Friedrich A. Hayek, The Intellectuals and Socialism, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, pp. 121-122, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

tracks. There must be stronger disincentives for borrowers and institutions of higher education for placement into degrees that ultimately will result non-repayment, and more importantly, in no employment and underemployment over time.[53]

Ultimately, education reforms are paramount for our nation. We must have a higher education system that provides individuals, in a cost-effective manner, with the knowledge, skills, and abilities needed to be productive members of society, both as workers and citizens. Without structural reforms higher education institutions, America, absent continuing to rely on foreign talent, will fail to compete in the high skilled, high productivity labor force necessary to maintain our economic competitive edge and maintain American economic dynamism.

D. Federal Reserve and Financial System Reforms.

The Federal Reserve has become an outsized influencer of our nation's economy, and has increasingly become a de facto instrument of federal lawmakers to expand profligate fiscal policy. This power over the nation's financial system and economy has only exacerbated moral hazard concerns related in particular to investor and corporate bailouts, with absolutely enormous interventions in our nation's housing finance system throughout the last two recessions through trillions of dollars in purchases of mortgage-related and other corporate assets.

Essentially, an expansive, increasingly opaque scope of operations used by the Federal Reserve transfers more power to government elites, who can essentially pick winners and losers in the economy, and does little, if anything, to alter the productive capacity of an economy. Worse, these government interventions can create moral

[53] Creating forcing mechanisms for higher education institutions is paramount, which may need to come from forced cuts in federal allocations and constrain schools to fund the most productive departments (most likely will not be the over-hyped social studies type programs that receive outsized attention today).

hazard within the banking and financial system. It also allows for an even greater concentration of power in Washington elites, which further serves to erode trust in market-based incentives and free enterprise ideals.

Going forward, it is crucial policymakers to ensure there is appropriate oversight of the Federal Reserve's market interventions—various Congressional leaders in recent years have advocated for Federal Reserve transparency by requiring an institutional audit. It is also critical for policymakers to maintain proper guardrails ensuring at a minimum the Federal Reserve does not maneuver outside of its explicit statutory authorities, with no further mission creep, especially any actual (or interpreted) powers that would provide it the regulatory discretion over non-financial companies and industries (akin to regulatory purview Congress provided the Federal Stability Oversight Council (FSOC) to regulate economic activities of financial companies that the FSOC determines would pose a threat to broader financial stability).

Reforms should also consider ideally eliminating GSEs in housing and finance, removing from their respective charters any explicit or interpretive notion of affirmative obligations to advance policies that expand the footprint of the federal government and elevate system-wide risks. Short of ending GSEs and federal guarantees in housing and finance, reforms should consider lowering the qualifying thresholds for program participation—lowering the loan limits for federal mortgage insurance/guarantee programs, Federal Deposit Insurance Corporation (FDIC) guarantee coverage, etc.

E. Remove unnecessary regulatory barriers that restrict uses of our nation's abundant natural resources, stifle job creation, and entrepreneurial innovation:

"The successful use of competition does not preclude some types of government interference. For instance, to limit working hours, to require certain sanitary arrangements, to provide an extensive system of social services is fully compatible with the preservation of competition. […] But the fact that we have to resort to direct regulation by authority where the conditions for the proper working of competition cannot be created does not prove that we should suppress competition where it can be made to function."

Friedrich A. Hayek, The Intellectuals and Socialism[54]

The over-regulation in the U.S. economy comes at an enormous cost to our potential growth with some estimates suggest that the current regulations reduce GDP growth nearly 1 percent per annum.[55] Nor, as some political elites argue, are we going regulate toward growth. As already highlighted, the U.S. continued to decline in business and labor freedom, two of the three sub-categories surveyed in the regulatory barriers component of the Index of Economic Freedom. The cumulative costs of regulation in the U.S. economy are enormous, increasing cost of capital for firms, reducing business and economic growth over time.[56]

To maintain American economic dynamism, it is imperative reforms continue removing federal regulatory constraints that stifle entrepreneurial innovation, discourage full employment, and productive capacity of our nation's vast natural resources. Ideally,

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[54] Friedrich A. Hayek, The Intellectuals and Socialism, annotated version of The Road to Serfdom *with* The Intellectuals and Socialism, p. 46, accessed online at: https://cdn.mises.org/Road%20to%20serfdom.pdf

[55] "While static analysis of individual regulations sometimes predicts beneficial effects for society, policymakers should consider the results of this study [which predicts the cumulative cost of regulations reduce the annual growth rate of the US economy an average of 0.8 percent] not only when creating new regulations, but also when considering reform of the regulatory process itself. By altering investment decisions and disrupting the innovation that comes from investment in knowledge creation, regulations have a cumulative and detrimental effect on economic growth—and, over time, have a real impact on American families and workers." Bentley Coffey, Patrick McLaughlin, and Pietro Peretto, "The Cumulative Cost of Regulations," Mercatus Center at George Mason University, Working Papers, April 26, 2016, accessed online at: https://www.mercatus.org/publications/regulation/cumulative-cost-regulations

[56] Bentley Coffey, Patrick McLaughlin, and Pietro Peretto, "The Cumulative Cost of Regulations," Mercatus Center at George Mason University, Working Papers, April 26, 2016, accessed online at: https://www.mercatus.org/publications/regulation/cumulative-cost-regulations. See also, Charles W. Calomiris, Harry Mamaysky, and Ruoke Yang, "Measuring the Cost of Regulation: A Text-Based Approach," National Bureau of Economic Research (NBER), Working Paper Number 26856, March 2020, accessed online at: https://www.nber.org/system/files/working_papers/w26856/w26856.pdf

federal reforms would seriously contemplate eliminating unnecessary and meddling regulatory agencies (e.g. the Consumer Financial Protection Bureau) that constrain market access for consumers and entrants for potentially competitive businesses, increase risk (e.g., Community Reinvestment Act), and restrict productive uses of our nation's natural resources and federal lands (Environmental Protection Agency).

Moreover, federal reforms should contemplate further instituting permanent competitive civil service reforms that would remove uncompetitive protection of the government salaried bureaucracy, as well as reduce overlap and redundancy through consolidation of federal programs and reforms of federal workforce through restructurings (e.g., merging housing programs under one Department/agency; merge mortgage guarantee programs under one Department/agency; etc.).

IV. Conclusion

As Thomas Jefferson profoundly advised: "The condition upon which God hath given liberty to man is eternal vigilance." Freedom, certainly including economic freedoms, must be valued over the servitude that eventually comes from a reliance on a distant provider of security; individuals must value, protect, and commit to the self-discipline and personal growth necessary to preserve these core American values. After all, marginal cessations of power to governments are almost never "given" back. As Robert Higgs has poignantly surveyed, government's opportunistically use moments of crisis to expand the power of the Leviathan over individuals in society.

America cannot succumb an ideology that accepts a revised value system that cedes individual and economic liberties for ever-broadening promises of "security" by a federal government that continues to be ascribed characteristics of a benevolent distant provider to meet an ever-broadening set of "basic" needs of households and communities. It is not too late pullback back from the precipice of abandoning the free enterprise ideals that have been central to American economic dynamism; our nation must maintain a resolute commitment to the ideals economic liberty that have propelled more than two centuries of dynamic growth potential.

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