


Free Enterprise and the Common Good: Economic Science and Political– Economic Art as Complements

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 *Conservatism is currently engaged in a vigorous discussion on the relationship between two significant subjects: free markets and the common good. This report is the first in a series of differing perspectives Heritage will publish on this important debate.*

National Conservatism and Free Enterprise

Conservative intellectuals, commentators, and politicians are rethinking the relationship between free enterprise and the common good. Although critiques of the market have a long history in traditionalist circles, most American conservatives have held for several decades that protecting markets from government was essential for human flourishing. But that view is quickly changing as many elements of classical liberalism are now being challenged.

A statement of national conservative principles, written under the auspices of the Edmund Burke Foundation and published at *The American Conservative*, contains many reservations about, as well as an endorsement of, free enterprise.¹ “Today, globalized markets allow hostile foreign powers to despoil America and other countries of their manufacturing capacity,” the signatories complain. To protect the national interest, government must “aggressively pursue economic

independence” and “restore and upgrade manufacturing capabilities critical to the public welfare.” Other recommendations include “focus[ing] large-scale public resources” in “fields crucial for security and defense” and creating “[e]conomic and cultural conditions that foster stable family and congregational life.”² Achieving these goals means buttressing the invisible hand of the marketplace with the visible hand of the state. This reflects a growing belief that the association between free enterprise and the common good is contingent and fragile.

To be clear, the conversation has not been one-sided. Conservative defenders of markets have responded to these critiques, often forcefully.³ Now the debate about the role of markets is in full swing. At stake are imaginative policy and prudent statesmanship. The goal is understanding how, and under what conditions, free enterprise contributes to a community-centric understanding of human flourishing. This *First Principles* paper will evaluate the tensions and opportunities for collaboration that are possible between those committed to a classical-liberal understanding of political economy and those who are more willing to use government policy to advance human flourishing.

The author is not interested here in resolving the debate. Instead, this paper lays the groundwork to make the next stage of the debate as fruitful as possible. The author’s own sympathies lie on the classical-liberal side, but to transcend mere infighting, this paper will engage the national-conservative side charitably.⁴

Markets, Culture, and Human Thriving

Conservatives’ new attitudes toward markets emerged quickly, but not spontaneously. For several years, prominent voices expressed similar reservations about unrestricted production and exchange, often derived from dissatisfaction with individual liberty-centric philosophies. First, this paper will engage Catholic social thought (CST) as the clearest and most developed theory that deals with much of national conservatism’s concerns about capitalism. Not all national conservatives draw directly on CST, but an argument that is genuinely mindful of these principles should address national-conservative critiques of free markets.

CST underscores that man is created by a loving God with inherent dignity. As such, human flourishing matters tremendously. There is value to both capital and labor for societal well-being. CST resists the modern tendency to reduce the social and political order to individual desires, arguing

that there is a larger corporate reality that requires citizens to hold things in common with others and value the larger political good.

This paper will also show how the distinction between economics proper and political economy is important for responding effectively to national conservative concerns. It is indeed possible for statesmen to grasp economic principles but apply them badly, owing to poor priorities or to mistakes in their understanding of culture, tradition, or human nature. The German economist, Wilhelm Röpke, will feature prominently in this argument. An insightful and humane political economist, Röpke has a clear understanding of the problem of “proletarianization,” which can arise when workers are treated as cogs in the economic machine.

Applying Röpke’s insights to the arguments of the national conservatives, one can better evaluate their claims regarding core human goods and come to a greater understanding of the requisite policies. This will help to evaluate whether those policies may inadvertently undermine the very goods they seek.

Perhaps it would be more valuable to seek solutions to present social ills along the lines of what Röpke recommends, which is discussed later in the paper. But in any event, conservatives must strive to appreciate the complex relationship between markets, culture, and human thriving.

The Common Good and Catholic Social Teaching

CST is one of the main influences on national conservatism and common-good capitalism. Other faith traditions and moral paradigms have a seat at the table, too. It would be inaccurate to characterize the New Right’s economic thought as uniquely Catholic. Furthermore, many advocates of CST deny it supports common-good capitalism as a policy paradigm. There is no consensus among Catholics about the *specific* implications of the Church’s teachings for the public square.

And yet, CST does play a large role in shaping the common-good capitalist agenda. Many national conservatives and common-good capitalists *do* believe CST supports these positions. Thus, among the viewpoints making up conservatives’ attitudes to free enterprise, CST deserves special attention. Failure to engage these points would be irresponsible and uncharitable.

CST refers to the body of doctrine promulgated in response to the massive political and economic changes caused by the Industrial Revolution. Two papal encyclicals, *Rerum Novarum* and *Quadragesimo Anno*, apply foundational ideas to contemporary issues such as the

duties of capital and labor and the proper scope of government.⁵ Many of these teachings have since been incorporated into the *Catechism of the Catholic Church*.

The philosophy of CST may be concisely described as communitarian personalism. The human person, created in the image of God, is both a physical and spiritual reality. Groups of persons, such as families and states, have their own common life that is fulfilled in the thriving of constituent individuals. Within these communities, persons exercise rights and undertake duties that derive their legitimacy from natural law. Human beings can only flourish if they recognize this moral reality and conform themselves to it, working for both the good of self and neighbor. Furthermore, “Human society can be neither well-ordered nor prosperous unless it has some people invested with legitimate authority to preserve its institutions and to devote themselves as far as is necessary to work and care for the good of all.”⁶ Thus, a primary duty is loyalty to a community’s proper authorities—not blind obedience, but a willingness to render authorities their just claims.

Authorities and the Common Good. Authorities are not self-legitimizing, however. They must uphold the “common good as a ‘moral force based on freedom and a sense of responsibility.’”⁷ By “common good,” the Catholic Church means “‘the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and more easily.’ The common good concerns the life of all. It calls for prudence from each—and even more from those who exercise the office of authority.”⁸ Those in authority and those under authority must cooperate to secure the common good, which includes respecting human rights, upholding justice, and maintaining peace and order.

Social Justice. Social justice is the link between the imperative of the common good and the principles of political-economic organization that enable persons and communities to flourish.⁹ The idea of social justice, despite recent misappropriation and abuse by progressives, has a rich history going back to classical antiquity. “Society ensures social justice when it provides the conditions that allow associations or individuals to obtain what is their due, according to their nature and their vocation.”¹⁰ This necessarily includes “the distribution of goods and remuneration for work.”¹¹ Economic issues cannot be severed from moral issues, just as social justice cannot be severed from the Church.

Private Property and Employer–Employee Relations. The Church has always recognized the right to private property and the duty to respect contracts. But these institutions are not ends in themselves. Both property

rights and contractual obligations must be structured to respect the common good.

For workers, dignified labor is both a duty and a right: “Everyone has the right of economic initiative; everyone should make legitimate use of his talents to contribute to the abundance that will benefit all and to harvest the just fruits of his labor.”¹² For employers, the quest for profits must be tempered by the duty to pay just wages: “A just wage is the legitimate fruit of work. To refuse or withhold it can be a grave injustice. In determining fair pay, both the needs and the contributions of each person must be taken into account.... Agreement between the parties is not sufficient to justify morally the amount to be received in wages.”¹³ A just wage must take into consideration not only workers’ productivity and business’ ability to pay, but also non-market factors—most importantly, the effects on institutions such as the family—that make a true partnership between labor and capital possible.

Subsidiarity

Commerce does not take place in a vacuum. How markets work depends on the underlying “rules of the game,” which are determined by political authorities. Securing the common good in markets presupposes a certain kind of political order. On the one hand, political authorities must have sufficient power to govern “the exercise of human rights in the economic sector.”¹⁴ On the other hand, the power to enforce rights could also be used to infringe upon them.

To meet this challenge, “the teaching of the Church has elaborated the principle of subsidiarity, according to which ‘a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to co-ordinate its activity with the activities of the rest of society, always with a view to the common good.’”¹⁵ Families and civic organizations are the first responders to social problems. More distant institutions, such as regional and national governments, should *only* intervene if the task in question is: (1) essential to the common good; (2) beyond the competence of local authorities; and (3) falls within the capacity of the higher authorities.

Subsidiarity is not a concession to sin. Treating subsidiarity as the “Catholic version” of *Federalist* No. 51¹⁶ misses the point. The objective is to empower the *proper* authority, not to bind authority as such. Personal and communal flourishing requires active civic engagement, which subsidiarity

protects. Beyond this, mandating a specific political constitution is outside the Church's purview: "If authority belongs to the order established by God, 'the choice of the political regime and the appointment of rulers are left to the free decision of the citizens.' The diversity of political regimes is morally acceptable, provided they serve the legitimate good of the communities that adopt them."¹⁷ So long as a regime upholds the common good while respecting the rights of local communities, it is compatible with the Catholic Church's moral teachings.

Subsidiarity and Free Enterprise. These principles help us understand national conservatives' reservations about free enterprise. They see in the political-economic order that has prevailed since the end of the Cold War "the absolute primacy of the law of the marketplace over human labor."¹⁸ Governing the economy "solely by the law of the marketplace fails social justice."¹⁹ Increasingly globalized financial markets and supply chains make "[r]easonable regulation of the marketplace and economic initiatives" too daunting a task for state and local governments.²⁰

In these circumstances, subsidiarity requires a more vigorous response by national authorities. Some advocates of national conservatism and common-good capitalism see themselves as constraining commerce in order to re-moralize it. Some want to save free enterprise from itself, while others want to subordinate free enterprise to communitarian virtue. This paper considers three major figures—Adrian Vermeule, Patrick Deneen, and Senator Marco Rubio (R-FL)—and their claims about economics, the common good, and how the state should intervene in markets on behalf of the common good. Although none signed the Burke Foundation's statement of principles, their widely read critiques of markets and theoretical advocacy of the common good merit consideration.

The Common-Good Capitalism Challenge

Adrian Vermeule. Adrian Vermeule, a Harvard constitutional law professor, is a major theoretician of the New Right. He is also one of the best known skeptics of Enlightenment liberalism, including classical liberalism. In a widely discussed 2019 *American Affairs* essay, Vermeule critiques liberals' reliance on "invisible hand" mechanisms for generating the information and incentives required to align individual welfare with societal harmony.²¹ Intriguingly, he uses concepts from contemporary economics to whittle down the claims of free marketeers.

On Vermeule's interpretation, the invisible hand of the marketplace requires nothing less than untrammelled competition, complete

information, and unfailing government enforcement of property rights. “Needless to say,” he writes, “this bears roughly the same relationship to actually existing economies that Star Trek bears to actually existing navies.”²² Economists’ appeal to the coordinative function of markets “is in this sense self-defeating.”²³

Technically, Vermeule confuses the *sufficient* conditions for maximally productive markets with the *necessary* conditions. But his error is much less interesting than the form of his argument. Vermeule’s indictment of free markets has been repeated countless times *by thinkers on the Left*. It is a fascinating indicator of ideological realignment that a prominent conservative wields arguments usually associated with progressivism against free enterprise.

Patrick Deenen. Patrick Deenen, a Notre Dame political theorist, followed a similar line of attack in his 2018 book, *Why Liberalism Failed*.²⁴ Like Vermeule, Deenen’s target is liberalism *tout court*. Along the way he charges markets with hollowing out vital social institutions, especially churches and families. He contends liberals’ (including classically liberal conservatives’) support for free enterprise and limited government is contradictory.

The free market “depends on constant state energy, intervention, and support, and has consistently been supported by classical liberals for its solvent effect on traditional relationships, cultural norms, generational thinking, and the practices and habits that subordinate market considerations to concerns born of interpersonal bonds and charity.”²⁵ Rather than serving communities, markets come to dominate them. The logic of commerce parasitically feeds on the social space between markets and states. The latter become engorged as the former waste away.

Marco Rubio. These concerns are not restricted to the ivory tower. Common-good capitalism has worked its way into politics, changing the issue profiles that appeal to voters, and hence the makeup of winning coalitions. Take, for example, Senator Rubio, who campaigned for the Republican presidential nomination in 2016 as an orthodox conservative.

Now he staunchly advocates “common-good capitalism,” as exhibited by an address he gave at the Catholic University of America in November 2019.²⁶ Despite “years of robust economic growth, we still have millions of people unable to find dignified work and feeling forgotten, ignored, and left behind,” Senator Rubio lamented. He recognizes free enterprise enriched the nation but worries the current system of corporate capitalism does not honor “the obligation to invest for the benefit of our workers and our country.”²⁷

Rather than pure *laissez-faire* or outright command-and-control economies, the solution is common-good capitalism, “a system of free enterprise in which workers fulfill their obligations to work and enjoy the benefits of their work, and where businesses enjoy their right to make a profit and reinvest enough of those profits to create dignified work for Americans.” While Rubio describes common-good capitalism as a variety of free enterprise, he also asserts government’s compelling interest to guide commerce toward broader social goals.

The Science of Economics and the Art of Political Economy

The principles and thinkers surveyed above are compatible with many different institutions and policies. Furthermore, navigating the political landscape around economic policy design requires grappling with difficult contingencies. For advocates of common-good capitalism, there is no blueprint to follow, no algorithm that will deliver the correct result. Indeed, many national conservatives criticize liberals, including classical liberals, for thinking the good society can be put on autopilot.

This is one of many reasons the New Right views economics both as a discipline and profession, as a bounded field of study whose findings do not automatically translate into existing markets. Classically liberal economists were once a great asset to the “fusionist” conservative coalition. But now economists’ resistance to a policy agenda based on human flourishing (as conceived by the New Right) somewhat limits their expertise.

A Criticism of Economics. National conservatives criticize economics on two fronts. The first is that economic expertise is largely demarcated by the complex realities of the social and political order. Aided by ever-more sophisticated mathematical and statistical tools, economists make policy recommendations about complex variables with high degrees of confidence. However, their predictions are often wildly off the mark. Consider all the credentialed, high-status economists who insisted our current inflationary crisis was “transitory.” Additionally, economists’ mechanistic thinking blinds them to factors they cannot put in their models, such as statesmanship and the national interest. Especially for those sympathetic to populism, economists’ myopia is an example of the expert class’s pretenses at purely procedural governance.

Second, while economics purports to be a positive science, many of its supposedly value-free analyses smuggle in a crude and inhumane utilitarianism through the back door. Many economists do not realize they have strayed into normative territory when they assume wealth maximization

is an unobjectionable goal of policy. “Economics itself cannot provide a framework that orders economic flourishing to the higher ends economic flourishing should serve,” warns Mary Hirschfeld, a Villanova professor of economics and theology.²⁸ Yet economists act as if it can, or else as if such a framework is unnecessary.

Economists (including the author) would strongly object to these criticisms. However, in-depth counterarguments would likely appeal only to those who already agree. Properly understood, there are major differences between the *science of economics* and the *art of political economy*. In part, the free-enterprise debate has not been very fruitful because the debaters are addressing different things.

The Science of Economics. The science of economics comprises human action under conditions of scarcity. It is a descriptive body of “if-then” statements that trace out the implications of goal-oriented behavior.²⁹ The science of economics has no *inherent* connection to public policy. It becomes policy-relevant when combined with political, ethical, philosophical, and theological wisdom about the nature of the good society. Rigorous economics is necessary for harmonious political economy, but it is not sufficient.

Constructing policies and building institutions consistent with CST’s insights is clearly within the domain of political–economic art rather than economic science. But the quest for common-good capitalism cannot succeed without valid economics. To understand how the science–art distinction applies to the free enterprise debate, we should consult the works of Wilhelm Röpke.

Wilhelm Röpke. A prominent German economist in the years following World War II, Röpke made important contributions to economics, especially monetary theory and international trade. However, he saw his writings on political economy as his most important legacy. Moreover, Röpke’s scholarship is significant because he bridges the divides between national-conservative and classical-liberal conservative thought by rooting concerns about freedom of the working classes in property ownership and subsidiarity. He is willing to consider that markets may not always support widespread economic and political independence. For this reason, one should think carefully about his scientific economics and artful political economy.

CST influenced Röpke’s thought. He sought to develop a political economy to promote human flourishing as many national conservatives understand it. When he tried to convince a welfare bureaucrat that human well-being depended on more than government transfer payments, the

bureaucrat replied with astonishment: “‘Why, you are a Catholic, are you?’ Röpke answered that ‘one did not have to be a Catholic in order to see things this way.’”³⁰ He saw his task as nothing less than a widespread restoration of liberty and property, “what the Papal Encyclical *Quadragesima Anno* (1931) has termed the *Redemptio Proletariorum*.”³¹

Röpke insisted on the scientific character of economics. In his unjustly neglected principles of economics textbook, he grounded the study of economics in the recognition of scarcity and utility. *Scarcity* means that the use of a good or service entails some (opportunity) cost; there is no free lunch. *Utility* is the scale of values that describes how businesses and households rank order their preferences.

Röpke on Economics. Goal-oriented behavior implies that people “arrange our purchases in such a fashion that the satisfaction procured by the last increment of one commodity will be approximately equal to that afforded by the last increment of any other commodity. This is the abstract explanation of what is, in reality, a very simple process, something we do at every hour of the day without waiting on the proper formula.”³² Economists call this the *equimarginal principle*. It is the foundation of the laws of supply and demand. Röpke used this principle to explain many phenomena that can be counterintuitive to those who have not studied economics: how the price mechanism rations goods, an opportunity-cost-centric explanation of production costs, and even the distribution of income between labor and capital.

This is standard economics. What is more original is Röpke’s use of these principles as the basis for his human-centric approach to political economy. For example, Röpke anticipates many of our current debates about antitrust policy and industrial policy. He has little patience for the pollyannish view that markets can solve all of society’s moral problems. The market “makes no pretense of providing solutions to the problems described above. It merely supplies the framework within which we must seek the answers to these last and most fundamental questions.”³³ Röpke worried about economic change disrupting established patterns of life, anticipating certain national conservative concerns. Yet he was also concerned about state interventions producing equal or greater market disruptions that would impede growth and incentives to invest and work.

Röpke on Proletarianization. Above all social maladies, Röpke struggled with a problem he called *proletarianization*: “economic and social dependence, a rootless, tenemented life, where men are strangers to nature, and overwhelmed by the dreariness of work.”³⁴ Röpke located the causes of proletarianization in the breakdown in moral communities “such as the neighborhood, the family, the parish, the Church, the occupation.”³⁵

One pernicious effect of proletarianization was the concentration of capital in the hands of large industries. By making it increasingly difficult for households to control the factors of production, industrial society inadvertently undermined a crucial pillar of free enterprise—widely dispersed property.³⁶ As a result, the mass of citizens had become unfree. Röpke’s conception of freedom is worth quoting at length:

Economic freedom as an essential form of personal liberty and as a premise of everything that follows belongs undeniably to the total picture of a society which is diametrically opposed to collectivism. While this social order is necessarily based on economic freedom, other factors are also essential. In order to recognize the true antithesis of a collectivist society we must look far beyond economic freedom. We shall find it in a society in which the greatest possible number of people leads a life based on private property and a self-chosen occupation, a life that gives them inward and, as much as possible, outward independence, which enables them to be really free and to consider economic liberty as a matter of course.³⁷

Thus, Röpke believes a *de jure* capitalist economy can be *de facto* collectivist if policies and institutions do not ensure all citizens enjoy a minimum of security and autonomy. Free enterprise is necessary for true liberty, but it is not sufficient. This explains how Röpke can appreciate the wonders of modern market economies while insisting they cannot be the source of their own order.

Combating monopolies, redistributing income, and even guiding production in essential industries are all valid public policy options. Both social philosophers and statesman should be open to “a radical spirit which keeps the great general aim of a free, just, de-collectivized, de-centralized and de-proletarized society before our eyes and encourages us to undertake, where necessary, even incisive operations.”³⁸

Principles at Work: Industrial Policy as Microcosm

CST provides moral guidance for economic policy by defining the common good and making it a central concern. Buttressed by sound economics, the art of political economy wrestles with policies and trade-offs that set the background conditions for personal and communal flourishing, as Röpke’s work demonstrates. But we must go one step further along the path to concreteness to find solutions to national problems. For the United States at present, what is the proper division of labor between the

invisible hand of markets and the visible hand of government to secure the common good?

Industrial Policy Debate. The current intra-conservative debate about industrial policy condenses these questions into an instructive example. Oren Cass is leading the new right intellectual charge for increased government direction of markets. Cass defines industrial policy as “public policy that encourages investment in particular sectors of the economy.”³⁹ Dismissive of the claim “that market economies...automatically allocate resources well across sectors,” he argues that holistic values justify the increased public direction of investment: “[I]f we value, as we should, the ability of individuals, their families, and their communities to participate as productive contributors to society, then our economy needs to generate good opportunities for workers of different aptitudes in different places.”⁴⁰

Given the importance of manufacturing for social values ranging from familial well-being to national security, Cass endorses several government initiatives, including “[s]upport[ing] private-sector R&D and commercialization with subsidies and specialized institutes,” “[i]ncreas[ing] infrastructure investment and reduc[ing] regulatory burdens on it,” and “[r]etaliat[ing] aggressively against mercantilist countries that undermine market competition.”⁴¹

Commendably, Cass admits he is not concerned with economic efficiency, defined as wealth maximization. He insists that one not reduce political economy to economics alone. Manufacturing support “has nothing to do with the most efficient allocation of resources at any point in time. It does not offer a higher return on capital.”⁴² The results of industrial policy should be judged according to the national interest, which has no direct relationship to efficiency.

Although Cass does not use the phrase, this is implicitly a common-good argument. For the nation to flourish, its intermediary associations must flourish. These associations—families, towns, counties, and states—require specific background conditions, which are not reducible to subjective preference satisfaction, to thrive *as communities*. The common-good capitalism argument suggests that free enterprise alone cannot deliver these conditions, whereas industrial policy can.

Free Enterprise and the Knowledge Problem. Because industrial policy advocates have goals other than economic efficiency, free enterprise objections sometimes miss the mark. A popular criticism of industrial policy is that it is subject to the “knowledge problem.” Formulated by Nobel laureate Friedrich A. Hayek, the knowledge problem asserts the impossibility of comprehensive economic planning because the information required

to execute such a plan (the “data” of the central planning problem) is diffused throughout society. Top-down policy cannot harness it. Any attempt to supplant markets with a rationalized, hierarchical planning process is doomed to failure. This is one reason Scott Lincicome and Huan Zhu, in a Cato Institute working paper, question industrial policy.⁴³ However, they misunderstand the scope of Hayek’s arguments, and, as a result they are too quick to dismiss industrial policy as impractical.

Hayek developed his knowledge-centric approach to economics in response to the pretensions of early-to-mid-20th-century socialists. They believed they could use the tools of neoclassical economic theory to centrally plan the economy. Specifically, they held that the state could engineer efficiency by producing the quantity of goods that equated marginal cost and marginal benefit (allocative efficiency), using the combination of labor and capital that minimized average cost (productive efficiency). They were wrong, and Hayek was right.

But this debate is about the feasibility of state-led optimal resource allocation, where “optimal” takes its definition from the subjective-marginalist criteria of scientific economics. As we saw, this is not at all the goal of American industrial policy advocates. They have much narrower objectives: increasing employment and output in specific manufacturing sectors. As the author wrote in an essay for *National Review*:

National conservatives are forthright in their belief that economic efficiency and the national interest diverge. It’s the latter they’re trying to achieve. While their intermediate objectives differ—some want industrial policy for national-security reasons, others for supporting American families, and more still, because they think it might build a winning political coalition—they agree that manufacturing employment and output should be higher than they are now. There isn’t a Hayekian knowledge problem here. If the government wants to increase the number of factory workers or the output of domestic auto manufacturers, it can.⁴⁴

This is a basic matter of inputs and outputs. Certainly, there are informational costs to designing and implementing industrial policy, but this is no different from other policies.

Incentive Problems and Bureaucratic Self-Interest. Industrial policy skeptics are on much firmer ground when they discuss more familiar incentive problems. Politicians and bureaucrats “act not in the public interest, but in their own rational self-interest, and thus they use the political systems in which they operate to make themselves, not the general public,

better off. Elected officials' primary goal is therefore reelection, whereas bureaucrats strive to advance or protect their own careers," Lincicome and Zhu counsel.⁴⁵ Just so.

The defenders of industrial policy err when they dismiss these concerns with vague appeals to statesmanship and political prudence. These virtues are real, but they do not eliminate or supersede the threats of opportunism, regulatory capture, and rent extraction that loom over all policy. The political process got the U.S. to where it is now, which national conservatives believe is dangerous and intolerable. Can empowering the state with an industrial policy toolkit, increasing tariff schedules, and revisiting free trade agreements remove us from the precipice? That question must be at the forefront of a viable policy agenda.

Planning for Freedom?

Even on Christian and humanistic grounds, however, there are still problems with the basic strategies for industrial policy currently under debate. The goal of industrial policy is restoring economic independence and dignity to American households left behind by globalization. Yet by propping up manufacturing concerns and focusing on employment and wages, industrial policy may create an environment of servility that differs in degree, not in kind, from what common-good capitalists now decry. Industrial policy might make things better for some people by mitigating some of the harms of rapid economic change, but the required measures may actually increase the risks of proletarianization, potentially trapping even more Americans in dreary, servile lives.

The Risk of Dependency. Röpke recognized this problem decades ago.⁴⁶ His concern was proletarianization, which erodes the foundation of a free and virtuous society. When workers become dependent on employment and income sources over which they have no control, economic and political freedom atrophy. As discussed above, proletarianization is both cause and consequence of "giant enterprises and concentrations of property [which] have made a large part of the population dependent, urbanized cogs in the industrial-commercial hierarchy, recipients of wages and salaries," which results in "socio-economic collectivization."⁴⁷

Even if workers' material prosperity increases because of industrial policy, this would not be a strong foundation for freedom. A heavily industrialized economy has its own difficulties, including its "instability; its lack of social justice; the growing opportunities for monopolistic enrichment and the blackmailing policies of special interest," along with its own

“concentration of power” that presents opportunities for interest group capture and elite control.⁴⁸ Without effective countermeasures, widespread industrial policy could very well change the landscape of American political economy to something resembling the early years of President Franklin Delano Roosevelt’s New Deal state—hardly the picture of freedom and flourishing!⁴⁹

The ultimate problem, according to Röpke, is that “big business, concentration of capital and a predominant market economy (at the cost of self-sufficiency) have resulted in a large part of the population’s becoming dependent, urbanized receivers of indirect incomes (wages and salaries).”⁵⁰ There is a real danger industrial policy advocates are implicitly acquiescing to “a proletarianized [sic] world,” because they express their solutions primarily “in terms of money and income.”⁵¹

Steady cash flows for American households may be necessary for maintaining freedom, but they are not sufficient. Instead, as many common-good capitalists recognize, freedom is sustainable only if it stems from independence. The goal should not be replacing, for example, existing direct welfare (transfer payments) with new corporate welfare (targeted subsidies and taxes). One federal cash flow is just as precarious as another.

Property, Not Payments

As the industrial policy example shows, the common-good capitalist agenda needs a greater appreciation for the relationship between economic and political freedom. Conventionally, economic freedom is downstream from political freedom. Get the political “rules of the game” right, and material well-being follows. Röpke offers another perspective: Political freedom is often downstream from economic freedom. If a critical mass of households remains dependent on the vicissitudes of commercial society, they have little reason to defend a socio-political order characterized by small-r republican institutions, including local self-governance and diffusions of power.

Of course, if the goal of industrial policy is merely altering the distribution of income, this objection has little force. Yet those common-good capitalists who advocate industrial policy make clear they seek a fundamental revival of American political economy with a view to human flourishing.⁵² Thus, they must grapple with a difficult but necessary truth: The vagaries of politics are just as insecure a foundation for national renewal as the vagaries of markets.

Röpke’s answer was transcending the narrow limits of “incomes policy” debates, reorienting proposals from *payments* to *property*. Widespread

ownership of productive assets is the best protection against proletarianization. It adds an additional layer of security beyond cash transfers alone. Of course, not even property ownership is an unbreachable bulwark. From mallets to mutual funds, markets are very good at pricing income-generating assets—and what the market can price, it can devalue. Nevertheless, the independence afforded by property ownership makes households less reliant on impersonal bureaucratic structures, whether of corporate firms or the administrative state.

Tools, craft implements, and similar productive factors are obvious candidates for freedom-preserving property. However, these forms of capital probably mattered more in Röpke's time than in ours. A proposal in the spirit of Röpke, tailored to current conditions, would focus on promoting small business ownership. Rather than industrial conglomerates with salaried employees, the goal is many smaller enterprises, especially in agriculture and manufacturing. Independent proprietors make for independent citizens; supporting them means cultivating a social class with a meaningful stake in the maintenance of ordered liberty.⁵³

Common-good capitalists worry about the market's potential erosion of various social goods. However, merely redirecting federal cash flows cannot be the answer to substantive (and often institutional) impediments to human flourishing. Their argument is that free enterprise, when considered alone and not balanced by other community and family purposes, tends to consume the social and political capital required for humane living; the rejoinder must go beyond "subsidies for things I wish to promote and taxes for things I wish to discourage."

If this sketch of Röpke's wasteland accurately describes the American situation, then helming the administrative state and implementing new fiscal programs will not resolve the problem. Perhaps industrial policy can help local communities and intermediate associations to climb out of their holes, but if one takes the common-good capitalist program seriously, the U.S. should not content itself with policy that suspends workers in a precarious equilibrium above a ditch of vulnerability. The true goal is to level the field—ensuring current and future workers possess a meaningful degree of economic independence, which also lays the foundation for political independence. At minimum, this means reducing the tax and regulatory burdens that disproportionately harm small-scale enterprises. A "servile state," which includes a hierarchical-industrial state, is not a viable solution to the problems of political dependence and civic decay.⁵⁴

Free Enterprise, Free Society

As we have seen, advocates and opponents of industrial policy often talk past each other. Both sides fail to grasp the substantive arguments of their opponents. This happens with a range of new-conservative policy proposals as well. This paper's purpose is not to endorse or condemn these policies but to clarify the disputed issues. This brings the discussion back to free enterprise, the basic set of social, legal, and economic institutions that govern private property and voluntary exchange. National conservatives and classical-liberal conservatives disagree on the role of government, especially the federal government, in overseeing markets. Persuasion depends on tackling the heart of the issue: What is the relationship between free enterprise and free societies?

Dispersed Property. The strongest argument for free enterprise never relied on economic efficiency. Wealth maximization is instrumental: Society values it because it allows the “purchase” of other substantive goods. What matters is the ability of private property, and hence *dispersed* property, to check power.⁵⁵

Hayek preferred the label “several property” to “private property” because it highlighted this social function of ownership.⁵⁶ Even more famously, Milton Friedman argued political and economic freedom reinforced each other.⁵⁷ The classical-liberal conception of negative liberty and free enterprise held that the state's comparative advantage lay in its role as a referee—not a player—of the economic game. The incredible sophistication of the market price system as a communication and coordination device impels humility when considering government interventions.⁵⁸ In addition, commercial society affords great opportunities to serve one another through creative acts of production and entrepreneurship.⁵⁹ These are important insights, which are ignored at one's peril.

Maintaining a Free Society. Yet one cannot ignore the national conservatives' reservations. The chief objection is that the distribution of resources under free enterprise may not support the maintenance of a free society. For institutions to survive, citizens must have a stake in the social order. As Röpke argued, property ownership may provide that stake, as well as a vital means of independence. It is important to remember that markets select for wealth-maximizing outcomes, which can differ from freedom-preserving outcomes. For example, low-cost production methods may concentrate capital in few hands, which creates a locus for private capture of public power. Although decentralized production and distribution would

cost more, they may also provide households the incentive and ability to resist political encroachments on liberty. In the language of economics, free enterprise comes with a freedom “externality,” a cost that market mechanisms alone have difficulty assigning.

Whether the national-conservative rejoinder succeeds or fails depends on identifying the social goods free enterprise insufficiently bolsters. It also depends on finding a policy or group of policies that are means–ends consistent in delivering these goods. The science of economics can tell us about means–ends consistency and specify the trade-offs. But deciding on what the social goods policy should pursue, as well as whether the costs are worth bearing, is a matter for the art of political economy.

Five Questions. A common-good capitalism policy agenda should answer five questions:

1. What is the external social or political cost to market resource allocation?
2. What is the proposed corrective policy?
3. What are the costs and benefits one may reasonably expect from implementing that policy?
4. How does the policy affect the scale and scope of government, social cohesion, and family formation?
5. Retrospectively, how can society know the policy is working as intended?

As an example, the process would look something like this for industrial policy:

- Only strong, independent families can maintain the character of a free society. The decline in manufacturing employment harms the common good by making too many families vulnerable to the vagaries of globalized markets.
- A package of fiscal incentives (e.g., vocational education subsidies, differential wage and profit taxation) can bolster manufacturing employment, revitalizing local communities and offering a path to dignity through productive work.

- A package of regulatory reforms can bolster manufacturing by decreasing compliance costs, increasing both productivity and employment.
- Complementary programs, such as tax credits for families and small businesses, can help households acquire capital and other forms of productive property, providing a path to economic independence.
- “Certainly, the policies that emerge from our political process will be imperfect, opportunities for regulatory capture will abound, market distortions will emerge. But...for all the limitations of our politics, adoption of an industrial policy will improve upon the status quo.”⁶⁰ Cass’s acknowledgement is a welcome start, but a much fuller reckoning of the costs is needed, especially because “regulatory capture” and “market distortions” often worsen the problems common-good capitalism is intended to solve. If the entrenched decision procedures of the state reflect special interests (corporate rent-seeking, bureaucratic mission creep, etc.) over the general interest of the sovereign people, tactical political victories will result in strategic constitutional losses.
- Society should see positive effects on manufacturing employment, manufacturing wages, migration patterns, property ownership, and civic engagement. Crucially, it would be necessary in some way to compare outcomes when some of the measures improve (manufacturing employment and wages) and others worsen (politicization of capital markets, lobbying costs). This is a matter of weighing, not merely counting.

Conclusion

The free enterprise debate will continue for years to come. Healthy families, energetic civic institutions, and popular government are all desirable things. To get them, society must delineate the proper spheres of markets and politics. The question is not whether to jettison free enterprise in favor of the common good, but how to orient free enterprise in support of the common good. This requires properly understanding the common good and how free enterprise affects it, non-materially as well as materially. The U.S. must learn to treat hard-nosed economics and humane political economy as complements, not substitutes.

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Endnotes

1. Edmund Burke Foundation, "Statement of Principles," *The American Conservative*, June 15, 2022, <https://www.theamericanconservative.com/national-conservatism-a-statement-of-principles/> (accessed August 17, 2022). The statement of principles affirms, "We believe that an economy based on private property and free enterprise is best suited to promoting the prosperity of the nation and accords with traditions of individual liberty that are central to the Anglo-American political tradition. We reject the socialist principle which supposes that the economic activity of the nation can be conducted in accordance with a rational plan by the state."
2. Ibid.
3. See, for example, Samuel Gregg, "Liberalism's Visible Hands," *American Mind*, September 2019, <https://americanmind.org/features/the-common-good-will-out-or-will-it/liberalisms-visible-hands/> (accessed September 29, 2022); John McGinnis, "Originalism for the Common Good," *Law & Liberty*, April 28, 2022, <https://lawliberty.org/book-review/originalism-for-the-common-good/> (accessed September 29, 2022); and Richard Reinsch, "Full Spectrum Liberalism," *National Review*, February 2019, <https://www.nationalreview.com/2018/02/in-defense-of-full-spectrum-liberalism/> (accessed September 29, 2022). Although not a conservative, Deirdre McCloskey's critique of anti-liberalism is also worth reading. See Deirdre McCloskey, "Why Liberalism's Critics Fail," *Modern Age*, July 19, 2018, <https://isi.org/modern-age/why-liberalisms-critics-fail/> (accessed September 29, 2022).
4. Conservative challenges to classically liberal political economy are discussed below. For an overview of classical-liberal economics, classic texts by Mises, Hayek, and Friedman are a good place to start (but not to end). See, for example, Ludwig von Mises, *Liberalism: In the Classical Tradition* (Auburn, AL: Ludwig von Mises Institute, 2002 [1927]); F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 2011 [1960]); and Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2002 [1962]).
5. Pope Leo XIII, *Rerum Novarum* (Of Revolutionary Change), May 15, 1891, https://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html (accessed February 22, 2023), and Pope Pius XI, *Quadragesimo Anno* (In the Fortieth Year), May 15, 1931, https://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html (accessed February 22, 2023).
6. Catechism of the Catholic Church (Doubleday, 1994), § 1897, https://www.vatican.va/archive/ENG0015/_INDEX.HTM (accessed August 22, 2022).
7. Catechism of the Catholic Church, § 1902.
8. Catechism of the Catholic Church, § 1906. This section specifically refers to the political common good. Other kinds of communities have their common good as well.
9. On the relationship between social justice, legal justice, and the common good, see Samuel Gregg's introduction to the Law & Liberty symposium on social justice: "What Is Social Justice?" introduction, *Law & Liberty*, April 2013, <https://lawliberty.org/forum/what-is-social-justice/> (accessed September 29, 2022).
10. Catechism of the Catholic Church, § 1928.
11. Catechism of the Catholic Church, § 1940.
12. Catechism of the Catholic Church, § 2429.
13. Catechism of the Catholic Church, § 2434.
14. Catechism of the Catholic Church, § 2431.
15. Catechism of the Catholic Church, § 1883.
16. See James Madison, *The Federalist* No. 51, <https://founders.archives.gov/documents/Hamilton/01-04-02-0199> (accessed February 23, 2023).
17. Catechism of the Catholic Church, § 1901.
18. Catechism of the Catholic Church, § 2425.
19. Ibid.
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22. Ibid.
23. Ibid.
24. Patrick Deneen, *Why Liberalism Failed* (New Haven: Yale University Press, 2018).
25. Ibid., p. 53.

26. Marco Rubio, “Catholic Social Doctrine and the Dignity of Work,” speech given at the Catholic University of America, November 5, 2019, https://www.rubio.senate.gov/public/_cache/files/6d09ae19-8df3-4755-b301-795154a68c59/C58480B07D02452574C5DB8D603803EF.final---cua-speech-11.5.19.pdf (accessed August 18, 2022).
27. Ibid.
28. Mary L. Hirschfeld, *Aquinas and the Market* (Cambridge, MA: Harvard University Press, 2018), p. 3.
29. The logic of purposiveness is universal. To apply it, economists add details that account for historical or contextual contingencies.
30. Wilhelm Röpke, *The Social Crisis of Our Time* (New Jersey: Transaction Publishers, 1992), p. 224.
31. Ibid., p. 225.
32. Wilhelm Röpke, *The Economics of the Free Society*, Patrick M. Boorman, trans. (Chicago: Henry Regnery, 1963) p. 13.
33. Ibid.
34. Röpke, *The Social Crisis of Our Time*, p. 14.
35. Ibid, p. 10.
36. Mark Mitchell applies this insight to contemporary politics: “[D]emocracy without private property is fundamentally unstable and will not survive.... [A] proletarianized citizenry is incompatible with the republican form of government established by the U.S. Constitution. Without an effective majority of citizens who own property and whose characters have been shaped by property ownership—a vibrant middle class—the Founders’ Constitution will not survive.” Mark T. Mitchell, *Plutocratic Socialism: The Future of Private Property and the Fate of the Middle Class* (Eugene, OR: Front Porch Republic Books, 2022), p. 14.
37. Ibid., pp. 177–178.
38. Ibid., p. 199.
39. Oren Cass and Scott Lincome, “Should the U.S. Adopt an Industrial Policy?” Reason Foundation, January 13, 2021, <https://americancompass.org/articles/should-the-u-s-adopt-an-industrial-policy/> (accessed August 29, 2022).
40. Oren Cass, “America Should Adopt an Industrial Policy,” Manhattan Institute, July 23, 2019, <https://www.manhattan-institute.org/resolved-that-america-should-adopt-an-industrial-policy> (accessed August 29, 2022).
41. Ibid.
42. Ibid.
43. Scott Lincome and Huan Zhu, “Questioning Industrial Policy,” Cato Institute, September 28, 2021, <https://www.cato.org/white-paper/questioning-industrial-policy> (accessed August 30, 2022).
44. Alexander William Salter, “Industrial Policy is Unwise But Not Impossible,” *National Review*, December 14, 2021, <https://www.nationalreview.com/2021/12/industrial-policy-is-unwise-but-not-impossible/> (accessed August 30, 2022).
45. Lincome and Zhu, “Questioning Industrial Policy.”
46. Richard Reinsch’s essay on Röpke provides an excellent overview. Richard M. Reinsch II, “The Moral Foundations of the Market Order: The 1776 Series,” Real Clear Public Affairs, June 30, 2021, https://www.realclearpublicaffairs.com/articles/2021/06/30/the_moral_foundations_of_the_market_order_783054.html (accessed February 22, 2023).
47. Röpke, *The Social Crisis of Our Time*, p. 15.
48. Ibid., pp. 18–19.
49. Furthermore, economic arrangements dependent on government largesse have their own sustainability problems. Workers and taxpayers in unprotected sectors who are expected to produce the wealth to finance industrial policy also have reason to question its prudence.
50. Ibid., p. 145.
51. Ibid.
52. See, for example, American Compass’s “Rebooting the American System,” essays, American Compass, <https://americancompass.org/rebooting-the-american-system/> (accessed February 22, 2023).
53. Common good capitalism’s current agenda may adequately address other issues related to independence. The most obvious is national security. Conservatives have raised concern about the sensitivity of U.S. supply chains to interference by geopolitical foes—China foremost among them. Restrictions on goods and capital flows between the U.S. and its authoritarian rivals may make us less wealthy in the abstract, but corresponding improvements in economic resilience and military preparedness could be worth it. See, for example, Joshua R. Hendrickson and Alexander William Salter, “See No Evil,” *American Mind*, December 16, 2021, <https://americanmind.org/salvo/see-no-evil/> (accessed February 22, 2023), and Alexander William Salter, “Trade Less, Raid Less: Decoupling Lowers the Risk of War With China,” *Fortune*, February 3, 2022, <https://fortune.com/2022/02/03/trade-less-raid-less-decoupling-lowers-the-risk-of-war-with-china-usa-biden-policy-international-a-w-salter/> (accessed February 22, 2023).
54. Compare Hilaire Belloc, *The Servile State* (Indianapolis: Liberty Fund, 1977 [1912]).

55. Fundamentally, private property supports personal flourishing. Man develops his talents and practices virtue by using our property well. Because the Old Right and New Right largely agree on this point, it is not discussed at length. Instead, contentions arise when one moves to the communal dimensions of property. For example, do sufficiently large accumulations of property by some parties threaten the lives and livelihoods afforded by property to other parties? Disagreements between classical-liberal conservatives and national conservatives primarily concern the role of private property in the social and political order.
56. Friedrich A. Hayek, *The Fatal Conceit* (Chicago: University of Chicago Press, 1988).
57. Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 2020).
58. Friedrich A. Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1980 [1948]).
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60. Cass, "America Should Adopt an Industrial Policy."