



Should America Adopt an Industrial Policy?

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Introduction

The conservative movement is at a crossroads in many respects. This paper will explore the fracture within contemporary conservative political philosophy with respect to economics and economic policy. It will explore two schools of economic thought on the right-of-center, focusing most closely on the classical liberal school¹ and the national conservative persuasion, and will specifically evaluate the differences between the two perspectives. I will ultimately seek to find a principled synthesis of the positions, and therefore offer a path forward for the future of American political economy.

There are multiple economic schools of thought that have a history within movement conservatism, but the Trump era reignited vigorous debates given his positions on tariffs and energy independence. Big Tech censorship, the rise of China as an economic superpower, and the COVID-19 pandemic revealed many weak spots in American politics and the American economy. Political economy, and for the scope of this paper, industrial policy, thus offers a robust and multifaceted lens by which to approach political theory and public policy more generally.

Political economy broadly speaking constitutes the intersection of political science and economics. Given the prevalence and primacy that economic considerations present for material human flourishing in society, political economy is a deeply significant field of inquiry worthy of study. Perhaps more so than any other facet of politics, economic policy and economic conditions have a far reach into the lives of Americans. Economic conditions such as GDP per capita, the minimum wage, and the rate of economic growth play key considerations as to how individuals and families are able to flourish and succeed in America; economic firms that release

¹ Classical liberalism might be too big a term to classify a diverse range of political thinkers. I include more modern economists and 20th century thinkers, who might be more accurately described as libertarians, under the banner of classical liberalism, with the idea that I want to use consistent language through this paper so as not to confuse the reader (or the author, I must confess) with minutia of categorizing different thinkers. That said, I recognize that lumping different strains of free-market thinkers under the sole banner of “classical liberalism” is an oversimplification.

pollution affect the environment; the need for energy raises important questions as to when, where, and how much energy we must either produce or trade for; trade relationships with other countries can determine the state of diplomatic relations with other countries; supply chains impact both inflation and the availability of goods, which is especially important in times of crisis; the supply and demand of labor affects how many foreign workers need to be brought to America. That's to say nothing of the importance of taxation, which both shrinks the overall size of the economy, but also raises the necessary funds to pay for government expenditures such as military spending, welfare, and education. For the sake of size and scope of the paper, I will not focus on all of the above questions; rather, I will pay most attention to industrial policy, which is the set of proposals, rules, and regulations that are passed and executed by government in conjunction with the private sector, as well as simply using public sector administrative powers and institutions (and creating new ones) to pursue certain policy outcomes related to manufacturing and production of goods.

Economics as a social science seeks to explain the behavior of individuals and firms under certain conditions given the reality of scarcity. As William F. Buckley, Jr. has observed, the propensity of man to consume is limitless, but the amount of resources is limited.² Economics as a neutral science explains and observes the various conditions and forces that occur given this reality. Out of the liberal tradition, Jay Richards argues that economics can be answered by three questions, two descriptive and one normative:

“Let's say we are considering a policy....let's say we raise the minimum wage to \$50 an hour, or \$100 an hour; then we'll all be rich....If we raise the minimum wage to \$100 an hour, *what* would happen? That's in principle an empirical question, and in fact it's really well understood. Where economics comes in, it gives us conceptual tools for understanding '*why* does that happen?'....If you know what prices do, you know why it

² William F. Buckley, Jr., *God and Man at Yale: The Superstitions of Academic Freedom* (Chicago: Regnery Publishing, 1951), 51.

happens almost immediately.... Then you've got the normative question: 'what *ought* we to do?' Notice that until you know something about the answer to the 'what' and the 'why' questions, how do you know how to answer the normative question, 'what ought we to do'? If you don't know what your policy is likely to do, on what basis would you advise it?....It doesn't solve the normative question, but it informs it.³

Of particular importance to this paper is the last question, not only because I will argue that America *ought* to actively develop an industrial policy, but also because the topic of *political* economy moves beyond mere empirical questions and delves into questions of value. Politics, broadly construed in practice as answering the question of "what ought we do for a certain policy area under certain conditions?" is a normative question by its nature, blanketed in various categories of political morality.⁴

This paper will focus on the theoretical underpinnings and justifications for the classical liberal tradition of economics and the national conservative strain of economic thought. I will first analyze the classical liberal perspective and how it views economics as analogous to physics or discernable like natural law. I will then turn towards a discussion of national conservatism and what they view as evidence of economic decline, especially with respect to economic globalization. After analyzing the two traditions on their own terms, I will put them in conversation with one another, and seek to find the central points of disagreement. From there, I will seek to show the distinctive importance of the nationally conservative school of thought through an analysis of Alexander Hamilton's *Report on Manufactures*. I will conclude by showing some points of agreement or fusion between the two perspectives, and grounding that fusion within the framework of nationalism. Ultimately I will argue that classical liberal

³ Jay Richards, "Classical Economics from Smith to Sowell" filmed July 2021 at Intercollegiate Studies Institute's Future of American Political Economy Conference, Alexandria, VA, 37:16, <https://www.youtube.com/watch?v=yQ7kDUq7bu0>

⁴ Adrian Vermeule, *Common Good Constitutionalism: Recovering the Classical Legal Tradition* (Cambridge: Polity Press, 2022), 37.

economics has much to say that is correct, but that national economic priorities must be the economic north star of any conservative policy agenda.

The Classical Liberal School of Thought

In the classical liberal tradition, economic philosophers start from the premise that markets exist as a principle of nature, and impose endogenous forces of regulation and management. As Jay Richards describes it, there *is* an economic reality, and we recognize it. Markets are not constructs of human thought or political policies, but exist much in the same way that gravitational forces exist. Like the forces of gravity, the liberal tradition also seeks to emphasize that the economic reality is perennial, meaning that the economic reality is true everywhere and at all times, part of a universal set of laws. In sum, the above phenomena constitutes the criteria for answering the first two questions posed by Richards.

There are a multitude of conceptual tools used to help describe and articulate the economic reality of markets, including “price,” “creative destruction,” and “comparative advantage.” These tools describe various facets of market interaction, such as how price determines how much of a good is produced as well as how much of that good is demanded by consumers; on the flip side, production and consumption schedules determine what the value of a particular good or service is. Unlike a command economy, which might set price controls or supply limits for various commodities, the market acts by itself to ensure various outcomes. In its purest form, the economic outcomes reached by market forces alone are known as efficient outcomes.⁵ It is referred to as efficient because it maximizes the total output and surplus of value in the economy; given scarcity and limits of production,⁶ efficiency means that the greatest

⁵ N. Gregory Mankiw, *Principles of Economics*, 9th ed. (Boston: Cengage Learning, 2021):3.

⁶ *Ibid*, 21-24. The limit of production can be determined by considering the production possibilities frontier, which is the measure of how much production can occur in a given economy at a given time based on the resources available.

possible amount of things were produced and consumed. Efficiency occurs at the equilibrium, the point at which supply and demand coalesce.

The supply and demand forces *prima facie* appear to be antagonistic forces. Consider the sale of butter: when producers (suppliers) of butter bring their product to the marketplace, they want to sell it for as much as possible, as that maximizes their profits;⁷ on the consumer side, when consumers (demand) go to the marketplace to buy butter, they want to buy as much as they need at the lowest price possible. Given this apparent tension, how does butter get sold? The answer lies at the intersection of their interests; no one person sets the price of butter, but rather the information is dispersed throughout the entirety of market interactions, and by economic forces of supply and demand, butter reaches an equilibrium price, wherein butter is sold to a price that consumers are willing to pay, and producers are willing to sell for. Not all consumers are willing or able to pay at the equilibrium price, and not all producers are willing to sell at the equilibrium price, but the equilibrium price is one where the maximum amount of butter is sold given the needs of both the producer and the consumer.

This way of looking at how the market works is conceptually appealing. It offers definitions and conceptual models that appear to explain how things work in the market. One immediate caveat must be made that there is no *real* market free of any interference; there are always interfering agents, like the government. However, in theory, the market functions by itself according to what Smith called “the invisible hand,” which helped navigate the various forces at

The production possibilities frontier can either increase or decrease over time, and is used to measure the possible output of different goods in a single economy, though the choice of what to produce is up to the producers in an economy (which is influenced by consumer desire), or the society as established by government (e.g., in wartime, the government might set laws and policies in order to increase the production of guns or tanks, which would allocate resources to the production thereof, rather than allocating resources to the production of everyday goods such as lamps and toothbrushes).

⁷ The profit motive is one of the main production incentives in economic theory. Producers are assumed to be self-interested and assumed to seek maximum profits. Consumers are also assumed to be self-interested and assumed to seek maximum consumption of goods for the lowest price. On both sides of the market, rational self-interest of individual economic units seek to improve their economic standing as possible.

play, which when coming together in the marketplace, are not antagonistic forces but rather cooperating forces; without cooperation, no butter is sold or bought. Here, the market is seen as neutral because it is picking winners and losers instead of human actors. Because there is no one putting their fingers on the scale, the natural outcome is seen as the neutral outcome, where the market creates the foundations for economic activity, and human actors respond to them and behave according to the natural incentives. When businesses fail—assuming the firm is acting rationally and efficiently, and not squandering money or acting in organizationally dysfunctional ways—it is because the marketplace has decided that the good or service being provided is not desirable at scale.

But what about the workers in that sector who are now unemployed? When a business fails, it opens opportunities for new businesses to be created, and those workers find work elsewhere. Given the production possibilities frontier, if a business has exited the market, the other businesses in the economy will have more resources at their disposal (assuming they have flexible capital) to increase their firm size, and the unemployed workers can find jobs among growing businesses. This process is known as “creative destruction.”⁸ Creative destruction is one of the byproducts of a market that self-regulates. While this adjustment occurs in a given span of time, it eventually does happen, and the short-term harm done to unemployed workers diminishes in the long-run, while overall long term economic well-being improves on account of the innovation.⁹

So far, my description of the classically liberal tradition has been purely descriptive. The market is demonstrable in the same way that the coherence of the natural law is discernible

⁸ David Adler, “Schumpeter’s Theory of Creative Destruction,” *Carnegie Mellon University College of Engineering*, September 30, 2019, <https://www.cmu.edu/epp/irle/irle-blog-pages/schumpeters-theory-of-creative-destruction.html>

⁹ I will return to this same example later in the paper, specifically because “short-term harm” can have dramatic social consequences that are not taken into consideration by the classical liberal tradition, for reasons I will soon explain.

through the use of principled reasoning.¹⁰ As a descriptive science, certain things happen that no human has control over, but that all humans can and must respond to; “price” functions in various ways and according to various discernible laws, regardless of whether that corresponds to anyone’s desires.

However, as mentioned above, there has never been a truly free¹¹ market. Government has historically always interfered to fulfill various functions, such as garnering revenue through levying taxation or banning the creation and sale of certain goods, such as drugs, alcohol, and/or prostitution. Historically, governments have subsidized various industries and helped research new technologies, something that will be described in more detail later in the paper. In economic theory, there are ways to account for intervention in markets, such as the concept of deadweight losses that result from government taxation, or how the Laffer Curve¹² suggests that government revenue collected through taxation has its own equilibrium. Both of these examples are descriptive tools for measuring the effect of government interference.¹³ But as a philosophical matter, the question of intervention in the marketplace is not descriptive, but is bound up with conflicting views of the state and the logic of morals in society.

Within the classical liberal tradition of economic and political theory, there is an emphasis on the liberty of individuals to own and control the means of production. This is

¹⁰ Greg Collins, “Commerce and Manners in Edmund Burke’s Political Philosophy,” interview by Garrett Snedeker, *Anchoring Truths*, James Wilson Institute on Natural Rights and the American Founding, March 3, 2021, audio, 23:14, <https://www.anchoringtruths.org/2021/03/03/greg-collin-burke-podcast/>

¹¹ Freedom of the market refers to a system of interaction only between firms and individuals, i.e., without any government intervention.

¹² Mankiw, *Principles of Economics*, 161-162. The Laffer Curve suggests that there is a maximum amount of revenue that the government can collect from taxation before market actors reduce production and sale of goods, at which point the government revenue begins to decline despite higher levels of taxation.

¹³ Thomas Sowell, “*Trickle Down Theory*” and “*Tax Cuts for the Rich*.” (Stanford: Hoover Institution Press, 2012). Long before Art Laffer suggested that government revenues can be increased by lowering tax rates, Andrew Mellon proposed reducing tax rates in order to increase revenues and change the behavior of wealthy people from storing their money away in tax-exempt properties in order to avoid high rates. Sowell’s essay demonstrates that the theory bore out empirically, with government revenues rising, the national debt being reduced, and high-bracket income-earners paying a greater proportion of total income tax revenue.

justified by the principle of self-ownership. In John Locke's *Second Treatise on Government*, he states that individuals take ownership over some good by mixing his labor with it and adding value to it, thus making it theirs.¹⁴ The same is true with currency, as it is the means of purchasing goods, and is obtained through transferring property one created. If I own the shoe I created, then I can sell it in exchange for currency, which is a more liquid¹⁵ medium of exchange, and then I own the money, which is of equal value to the property that I had sold.

The fundamental principle governing private ownership of property lies in the principle of self-ownership; as Hadley Arkes says, "no man is by nature the ruler over other men in the way that men must be rulers over horses and dogs."¹⁶ This claim itself turns on the principle of equality between men, which is one of the founding principles of the United States as articulated in the Declaration of Independence. As a matter of human nature, we all share a nature, which makes us all the same insofar as we share that nature. While there is diversity in specific attributes and abilities, the shared nature makes it so that we are all equal, and therefore the justification of the political order lies in the fact that humans are governed by principles of their own consent.¹⁷

The above claims thus make moral claims out of observations and deductions about human nature, which is another important and key theme in the classical liberal tradition: the preferred arrangement is to align oneself with principles and laws of nature, as opposed to the

¹⁴ John Locke, *The Second Treatise of Government*, ed. C.B. MacPherson, (Indianapolis: Hackett Publishing, 1980): section 26.

¹⁵ Liquidity in economics refers to the ease of which something can be used as a store of value. Currency is the most liquid asset, as it can be exchanged for any other good. Houses also have lasting value, but it is considerably more illiquid than currency because the value that one gets from their house is not as easy to use, because in order to access the value of the house, one must sell it, which takes time. Stocks and bonds fall somewhere in between currency and property, as they must be bought and sold, but it is easier to sell a stock on the stock market and receive the funds more quickly than it would to sell a house, and so a stock is more liquid than a house and less liquid than the money for which it is being exchanged.

¹⁶ Hadley Arkes, "Letter to a Noble Lawyer," *Law & Liberty*, February 11, 2021, <https://lawliberty.org/letter-to-a-noble-lawyer/>

¹⁷ Congress of the United States, "Declaration of Independence," *National Archives*, July 4, 1776, <https://www.archives.gov/founding-docs/declaration-transcript>

artificial and perhaps arbitrary constructions of man's political nature. The metaphysical grounding of the market lies in its natural functioning, and so while the government *can* interfere, the question becomes whether government interference is justified, and if so, how much and under which conditions.

Within the classical liberal tradition, there are justifications for taxation and other forms of regulation over private enterprise, but the scope of the state in setting an economic agenda is small. Taxation is justified where the ruling government is justified and legitimate; in America's case, because it is a government derived by the consent of the governed, the U.S. government is justified, and thus has the power to levy taxes.¹⁸ However, the specific regime of taxation is not specified by the Constitution, and historically the apportionment of taxation has changed. Many classical liberal thinkers advocate the use of a flat rate tax, where all taxpayers pay the same tax percentage regardless of income, as this comports with the principle of equality. As Hadley Arkes notes, a progressive scheme of taxation, the logic of which can be summed up by the idea that the rich should a larger percentage of their income than the poor, is inherently arbitrary: as soon as one decides to adhere to that principle that the rich man owes a higher percentage of their income than a poor person, there is no moral limit to what percentage of the money can be taken with justification.¹⁹

Classical liberals are also likely to advocate for low tax rates for three reasons: first, people carry a presumptive right to the fruits of their labor, and while there are justifications for collecting tax revenue, the government must justify their seizure of income; secondly, the scope of justifiable reasons for spending government money is quite narrow. The Constitution of the United States says that taxes can be levied to "pay the Debts and provide for the common

¹⁸ *U.S. Constitution*, Article I, Section 8.

¹⁹ Hadley Arkes, *First Things: An Inquiry into the First Principles of Morals and Justice*, (Princeton: Princeton University Press, 1986), 313.

Defense and general welfare of the United States,”²⁰ which offers only three justifications for levying taxes: payment of debts, military spending, and “general welfare.” Welfare here is not synonymous with redistributive government programs like SNAP, Medicare, Social Security, or unemployment benefits, where the government raises taxes and then takes the revenue and gives it to those who are less well off, though it could potentially include such a policy scheme. Rather, general welfare is more synonymous with “the common good,” which is a term I will return to when I analyze the national developmentalist perspective.²¹ Even so, the justified scope of government intervention is severely limited, which points to the third reason that classical liberals favor low taxes: government intervention in a purely free market shrinks the size of the overall economy, and leads to inefficient outcomes. In general, the argument runs, the less intervention in the economy, the larger the size of the overall size of the economy, and the greater the overall welfare of the entire economy, as measured by GDP.

I am saving a more full-throated definition and conception of the “common good” for later because classical liberals place their emphasis on the rights of individual market actors rather than looking at large-scale societal welfare. For many classical liberals, the purpose of government is to protect the rights of citizens against infringements by other individuals and against violations by state power; whether or not society as a whole is “healthy” is of secondary concern. Some thinkers, such as Ayn Rand, suggest that while capitalism is the best market system for maximizing overall economic welfare, the justification for capitalism lies in the existence of natural rights held by each individual, regardless of whether it benefits “the common

²⁰ U.S. Constitution, Article I, Section 8.

²¹ For now, a simple definition of “common good” can be offered as a good that can be shared by all without diminishing that good for any other person. An example of a common good would be a public park: everyone can enjoy it without it being ruined.

good.”²² The actual phenomenon of maximizing the general welfare is a secondary consequence of capitalism, and not its primary justification.

The above question about the moral legitimacy of market capitalism in the classical liberal tradition is not a descriptive question, and it is not a question of neutrality. As I described above, most classically liberal economists emphasize the value of the marketplace as a neutral arbiter of market interactions; it is an inexorable command to which all marketplace actors are subject. However, as the nationalists will say, the preference for treating the laws of economics as ends in and of themselves is actually not neutral. Just because the market operates in certain ways, and that the price mechanism is the primary basis of all market interactions, does not mean that we cannot choose different outcomes, even while recognizing that market inefficiencies might be created in the process. Some free market theorists openly concede this, and abandon pretensions to neutrality, instead arguing that the free market is a good unto itself worthy of pursuit. As Wilhelm Roepke observed, “our economic system should reflect the political and spiritual principles ruling our society, wherefore we cannot admit any possibility of coexistence between a collective economy based on compulsion and a social order based on liberty.”²³ Roepke shows how in the realm of political economy, we must seek coherence between the political, social, and economic orders; principles should coalesce between different parts of society as a whole, and though applied differently in different circumstances, should reflect a unified set of political and social values.

Roepke, like Rand (though operating from different assumptions), departs from many thinkers in his school of thought, who are more inclined to hide their moral arguments behind the

²² Richard Salsman, *Where Have All the Capitalists Gone?: Essays in Moral Political Economy*, (Great Barrington: American Institute for Economic Research, 2021), 29.

²³ Wilhelm Roepke, “Education in Economic Liberty,” in *What is Conservatism?*, 2nd ed., ed. Frank S. Meyer (Wilmington: ISI Books, 2015):97.

scientific objectivity of “economics,” wherein the market forces operate the way they do, and disagreement with those principles means that they are violating a law of nature.²⁴ While it may be true that some natural law of prices has indeed been interfered with, one must register that there is something indeed wrong with doing so, and so the battlefield of economics as applied to politics is fundamentally to be fought on the moral plane.²⁵ Roepke recognizes that the arguments to be levied against market interference and in favor of economic freedom lie in the moral plane, and thus makes an argument in defense of freedom, an argument supported by a defense of efficiency as a better metric than measures of inequality or some other vision of “the Good.” For Roepke, interference inherently has no limiting principle, as each instance of government regulation makes it so that more interference is required in order to “rectify” the distortions caused by the initial interference.

For example, say I were to pass a law mandating that 40% of all new housing developments had allotments for low-income housing, with the rent not exceeding \$500 per month. If the ordinary equilibrium rent²⁶ is \$800 per month, then my policy has created a binding price ceiling that creates a difference of \$300 per month for that housing. The ceiling is binding because it interferes with actual market realities.²⁷ The long-run effect of this policy is to decrease both the quantity and quality of housing, as new housing projects are not started because investors see that the cost of \$300 dollars per month that they lose for 40% of their property is not worth the investment of time and money to build new housing. Likewise, current

²⁴ Suresh Naidu, Dani Rodrik, and Gabriel Zucman, “Economics After Neoliberalism,” in *Economics After Neoliberalism*, ed. Joshua Cohen (Cambridge: Boston Review, 2019): 14

²⁵ Corey Robin, “Economics is the Materiality of Moral Choice,” in *Economics After Neoliberalism*, ed. Joshua Cohen (Cambridge: Boston Review, 2019): 32.

²⁶ Equilibrium rent price is the “natural” price of living in the housing would be absent any interference. Based on the quantity, quality, supply and demand of such housing, the marketplace finds its natural point of sale where the maximum amount of housing is sold at the best price for consumers based on their willingness to pay.

²⁷ An example of a non-binding price ceiling in this case would be if I set the maximum rent at \$1000 per month. It does not have any effect because the equilibrium price of the housing unit is only \$800, and the artificial ceiling is irrelevant.

landlords do not invest in upkeep for the low-income housing because it yields a poor return on investment, and so the properties eventually fall below acceptable standards of living for the tenants. The consequences of the policy are lost profits for landlords and prospective housing developers, more homeless people in the long-run, and tenants living in squalor and dilapidated housing.

In order to rectify those problems, more regulations are needed. I would have to raise safety and living standards for landlords in order to protect tenants, and make it easier for tenants to sue for absentee landlords. To solve the housing shortage that I initially imposed, I might have to create subsidies for housing development, or if I am really ambitious as a policymaker, I may decide to create state-owned housing for the poor, which the state will build. In order to finance that project, I could borrow the money from somewhere else, deficit spend and put myself in debt, or raise taxes to pay for the project.

From the above example, we see Roepke's point clearly: regulations and interference begets distortions, which themselves require more interventions to solve. Eventually, the state will seek to control all aspects of the economy, and the political and social effects of that will also be felt, which strikes at the importance of having a consonance between the political and economic values that we hold dear. However, free market advocates and theorists like Roepke, William F. Buckley Jr., Ludwig Von Mises, F. A. Hayek, and Milton Friedman are making a moral argument in favor of their position; some are more forthright in the advancement of their argument than others.

National Conservatism and Globalization

Whereas the classically liberal approach to economics starts from conceptual approaches derived from moral, political, and economic principles, national conservatives start from a different vantage point when elucidating their economic philosophy. Economic nationalists use a framework of historical empiricism to guide their actions and evaluations of the current economic state of the country. Historical empiricism is the framework of using an inherited historical tradition and evaluating actions in light of their historical context rather than relying on general and axiomatic arguments about the natural order of things.²⁸ I raise this seemingly unrelated question of approach to briefly outline the differences between how classical liberals and national conservatives approach the question in the first instance.

Given this historically empirical method, what do national conservatives see of the current order of America's political economy? They point to a number of troubling metrics, including a decline in the birth rate and of family formation; stagnating productivity growth and output growth; shrinking labor participation rates for men and women without college degrees; rising economic inequality; "hollowed-out" post-industrial communities, and all of the attendant consequences of deaths of despair, opioid epidemics, and a loss of meaning; the over financialization of the American economy coupled with deindustrialization; the fact that millennials are projected to be the first generation to be poorer than their parents for the first time in American history; and the rise of China abroad as an economic and military competitor to the United States. Seeing that there is a link between the economic and social spheres of political life, the economic malaise points to worrying trends for the present and future of America and its way of life.

²⁸ Ofir Haivry and Yoram Hazony, "What is Conservatism?," *American Affairs* I, no 2 (Summer 2017), <https://americanaffairsjournal.org/2017/05/what-is-conservatism/>

Given that the purpose of this paper is to evaluate the conservative debate between national conservative and classical liberal economic philosophies, I will not try and justify each of these claims—as that would lay outside of the scope of this paper—but will focus on a couple of issues to demonstrate some of the thinking and what the proposed solutions are. On the whole, however, one could reasonably conclude that national conservatives see American economics as having failed to produce good results.

In the sphere of family policy, national conservatives see a deep failure for family formation and fertility. As of 2020, the total²⁹ fertility rate in America is 1.64 children-per-family.³⁰ According to an analysis done by the Institute for Family Studies, that metric has declined from a high of nearly 3.8 children in the 1950s.³¹ Since then, the fertility rate dropped precipitously during the 1960s and 1970s, before hitting a low in the 1980s, followed by a slight rebound in the 1990s and 2000s, before declining again to that 1.64 number, which is the lowest on record, and represents a 4% decrease in fertility since 2019.³²

This by itself can be a problem on a national scale, as a stable population is needed for a country to survive. For many cultural reasons, age and generation demographics are important, but for the purposes of this paper, the economic ones are striking: a shrinking population means a shrinking workforce, which leaves greater stresses on the current younger workers to sustain economic growth³³ and the social security system that the elderly population has come to rely on,

²⁹ “Achieving Replacement Level Fertility,” World Resources Institute, last modified August 7, 2013, <https://www.wri.org/research/achieving-replacement-level-fertility#:~:text=%E2%80%9CReplacement%20level%20fertility%E2%80%9D%20is%20the,modestly%20vary%20with%20mortality%20rates>. Total fertility rate refers to the amount of children a woman will have over her entire lifetime. As another related note, the replacement rate, which is the fertility rate required for the population to be stable over time, is roughly 2.1 children.

³⁰ Hillary Hoffower, “The 21st Century Economy Convinced Millennial Women That Having Kids Isn’t Worth It,” *Business Insider*, June 30, 2021, <https://www.businessinsider.com/us-birth-fertility-rate-decline-having-baby-millennials-kids-cost-2021-6>

³¹ Lyman Stone, “How Many Kids Do Women Want?,” *Institute for Family Studies*, June 1, 2018, <https://ifstudies.org/blog/how-many-kids-do-women-want>

³² Hoffower, “The 21st Century Economy.”

³³ Lyman Stone, “The US Needs More Babies, More Immigrants, and More Integration,” *Vox*, November 10, 2017, <https://www.vox.com/the-big-idea/2017/11/10/16631980/fertility-immigration-economics-growth-family-friendly>

which is the case in the United States. If such social security measures are to be economically viable, there needs to be enough able-bodied workers who can generate the revenue from which to draw from to pay for social security, and as the younger generation becomes smaller, that imposes greater stress on the future viability of the social system.

As a matter of culture and politics, the low fertility rate is seen as a problem as well because of the fact that people are having fewer children than they would like.³⁴ Women report desiring 2.26 children on average (between two or three children), but as is evident, the current fertility rate is only 1.64, and continues to trend downward, which means that for some reason, people—specifically women—are not able to have the number of children that they view to be desirable.

While it is a hard case to make that economic circumstances fully explains the sharp decline in fertility rates from the 1950s to today—there have been many political, cultural, and religious transformations of the country that help explain that decline, though economic reality is part of that puzzle—it is much easier to argue that the fertility gap can be attributed to economic hardships and circumstances. Children are expensive, and there is a roughly 10% decline in family wealth immediately after the birth of a child, and economic well-being never recovers to the pre-child level.³⁵ Extrapolating from that data, for each marginal child, the overall economic well-being of a family decreases each time, as the family slowly lowers their economic circumstances.

To add a wrinkle to this discussion, Stone suggests that the fertility gap is further complicated by the fact that married women tend to have more children, and are more likely to

³⁴ Stone, “How Many Kids Do Women Want?”

³⁵ Alexandra Stanczyk, “Family Income Drops Sharply Near the Birth of a Child,” as cited in Samuel Hammond, “Paid Family Leave Can Help Combat the Coming Covid Baby Bust,” *American Compass*, November 30, 2020, <https://americancompass.org/the-commons/paid-family-leave-can-help-combat-the-coming-covid-baby-bust/>

have the desired number of children than unmarried women.³⁶ It is also the case that at the same time as fertility rates have plummeted, so also have family formation rates declined; in short, fewer people are getting married today than they were years ago. The fertility rate was at its highest (nearly 3.8) at a time associated with perhaps the highest levels of family formation in the 1950s. Since marriage and family formation has decreased, so also has there been a decrease in fertility rates.

Because there is a certain link between fertility and marriage rates, economic and political policy initiatives must bear in mind this linkage between the two metrics. Family formation statistics also demonstrate serious malaise. 35% of American adults aged 15-50 have never married, which is up from 9% in 1970;³⁷ when stratified by income, Americans with the lowest incomes are even less likely to become married, with 42% having never married.³⁸ American young adults are quite likely to live at home with their parents, with 50% of adults aged 18-29 still living at home, which is up from roughly one-third of Americans living with their parents. According to the Pew Research Center, multigenerational living, which is having multiple generations living in the same household, has increased quadrupled since 1971,³⁹ and household growth from 2010 to 2020 was the lowest ever recorded.⁴⁰ Among the top reasons

³⁶ Lyman Stone, “No Ring, No Baby: How Marriage Trends Impact Fertility,” *Institute for Family Studies*, March 19, 2018, <https://ifstudies.org/blog/no-ring-no-baby>

³⁷ Helen Andrews, “Why Bother with Family?,” *American Compass*, February 10, 2021, <https://americancompass.org/essays/why-bother-with-family/>

³⁸ Wendy Wang, “The Share of Never Married Americans has Reached a New High,” *Institute for Family Studies*, September 9, 2020, <https://ifstudies.org/blog/the-share-of-never-married-americans-has-reached-a-new-high>

³⁹ D’Vera Cohn, Juliana M. Horowitz, Rachel Minkin, Richard Fry, and Kiley Hurst, “Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes,” *Pew Research Center*, March 24, 2022, <https://www.pewresearch.org/social-trends/2022/03/24/financial-issues-top-the-list-of-reasons-u-s-adults-live-in-multigenerational-homes/>

⁴⁰ Richard Fry, Jeffrey S. Passel, and D’Vera Cohn, “U.S. Household Growth Over Last Decade Was the Lowest Ever Recorded,” *Pew Research Center*, October 12, 2021, <https://www.pewresearch.org/fact-tank/2021/10/12/u-s-household-growth-over-last-decade-was-the-lowest-ever-recorded/#:~:text=In%202020%2C%20there%20were%2034.7,per%20100%20adults%20in%202020.>

given for the multigenerational living arrangement, 40% of Americans give financial reasons, and 33% cite caregiving.

These statistics paint a harrowing picture for the future of families. On the one hand, multigenerational living could be construed from a conservative lens as something to be lauded: people are keeping close-knit ties to their families, taking responsibility for elderly parents and grandparents, and relying on parents for help with childcare. Having multiple generations in regular close contact also has the benefit of maintaining and strengthening duties between young and old, and gives a balanced view of the world, as opposed to the age-segregated communities devoid of traditional kinship ties, which is a structural critique of the college campus environment offered by some conservatives. But in light of the fact that childcare is expensive, people become poorer after having children, and marriage rates have decreased, one must ask what driving forces have caused these shifts? As the Pew analysis shows, financial reasons are the largest reason offered for why people cannot strike out on their own, and using family as free childcare, though a clever and cost-effective way of helping raise children, points to the fact that many families cannot afford to incur the many costs imposed by having children.

The decline in marriage rates is also affected by economic factors, namely debt. As people increase their debt, largely associated with education costs, they are less likely to get married.⁴¹ The debt issue can also affect delaying the age of having children, which runs up against a set of biological realities, namely that having children becomes more difficult as a woman ages.⁴² If people wait longer to get married because of debt, and also delay the onset of having children because of debt and the aforementioned costs associated with having

⁴¹ Stone, “No Ring, No Baby.”

⁴² “Having a Baby after Age 35: How Aging Affects Pregnancy and Fertility,” FAQs, American College of Obstetricians and Gynecologists, last modified December 2021, <https://www.acog.org/womens-health/faqs/having-a-baby-after-age-35-how-aging-affects-fertility-and-pregnancy#:~:text=A%20woman's%20peak%20reproductive%20years.is%20unlikely%20for%20most%20women.>

children—not only in lost wages, but also in childcare costs, health insurance costs, and everyday expenses associated with childcare—then there are serious economic problems interfering with people’s desired fertility, and on a widespread scale. While the “debt crisis” has been overstated,^{43,44} the fact that there is a trade-off between debt, marriage, and fertility is alarming to national conservatives.⁴⁵

One of the other key issues that national conservatives point to is deindustrialization of the American economy and all of its attendant problems, which are many of the ones listed above. Deindustrialization as a process is difficult to insulate from all of the related issues that it covers, and the move towards deindustrialization has a set of complicated historical circumstances; intellectual history alone would be insufficient for telling this tale, but it would also take this paper too far afield to analyze the entirety of that history. That said, from a theoretical perspective, the key to understanding what drove American deindustrialization as a historical and political phenomenon is to be captured in the conceptual difference between production-centered capitalism and consumer capitalism.

The Great Depression and World War II cemented the principle that national growth was central to national economic well-being into the American mind. Likewise, the Cold War saw a geopolitical rivalry between two economic systems: American capitalism and Soviet communism, which further entrenched “free enterprise” as central to American identity.⁴⁶ Gross Domestic Product (GDP), which was used to measure national growth, became the touchstone of

⁴³ The CFPB Office of Research, “CFPB Data Point: Student Loan Repayment,” *Consumer Financial Protection Bureau*, (August 2017), https://files.consumerfinance.gov/f/documents/201708_cfpb_data-point_student-loan-repayment.pdf. Per this report, over 70% of all student debt is paid off within 10 years.

⁴⁴ Jeff Jacoby, “A Student Debt Bailout Would Be Unjust,” *The Boston Globe*, November 22, 2020, <https://www.bostonglobe.com/2020/11/22/opinion/student-debt-bailout-would-be-unjust/>. The average monthly debt payment is between 144 and 203 dollars, which is 5% of the median family income in America.

⁴⁵ The CFPB report notes that although there have not been changes in people’s ability to pay off debt, the need to repay debt forces trade-offs with other financial decisions.

⁴⁶ Eric Foner, *The Story of American Freedom* (New York: W.W. Norton & Company, 1998), 262.

economic well-being, and simultaneously helped further a wedge between production and consumption. As Oren Cass writes in *The Once and Future Worker*, while all economies are predicated on production *and* consumption, a society can make choices about which side of that equation is emphasized, which can have serious consequences for how not only how people live their lives and what they are able to buy, but also what contours shape the marketplace.⁴⁷

World War II was economically important for productive capitalism, and the focus was on creating war-time goods and marshaling resources to the war effort. American companies produced tanks, guns, boats, aircraft carriers, aircraft, bombs, bullets, military uniforms, and other wartime goods, and marshalled the labor of more people and more resources to beat Nazi Germany and Japan. Because there was a great need to consume those goods in the course of the war, the emphasis was on production of goods sufficient to meet the demand. After the War, the emphasis re-centered on meeting consumer demands and desires at home. David Lilienthal, then-chair of the Atomic Energy Commission, wrote, “By freedom, I mean essentially the *freedom to choose* to the maximum degree possible....it means a maximum range of choice for the consumer where he spends his dollar.”⁴⁸ This redefinition of freedom, centered around consumer desires, became the new national imperative, and GDP, though it measures how much a national economy can produce, became a measure for society’s ability to consume goods.⁴⁹

With this history in mind, it is more evident the theoretical moves that were made: a move from productive capitalism to consumer capitalism, and a divergence between production and consumption within capitalism itself. This latter point has reached its fullest divergence with

⁴⁷ Oren Cass, *The Once and Future Worker: A Vision for the Renewal of Work in America* (New York: Encounter Books, 2018), 16-18.

⁴⁸ Foner, *The Story of American Freedom*, 264.

⁴⁹ Cass, *The Once and Future Worker*, 17.

the onset of globalization, which offers the most instructive example in explaining the phenomenon of deindustrialization.

Production must always take place in a specific place. In order for something to be made, it must be made by a person or a firm that has the resources and the skills to make it. Historically, many different parts of the country became well known for producing specific goods; as one former Boeing employee said, “Seattle was synonymous with Boeing.”⁵⁰ A focus on the production-side of capitalism emphasizes the need for producing goods and services in a specific time and place, and the need for workers in a community to help produce those goods. The workers were indispensable to the operation, and companies were tethered to their specific headquarters.

But the other side of the coin, the consumption side, also must be considered. As Smith wrote in *Wealth of Nations*, “consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.”⁵¹ On its face this makes sense: it is only worthwhile to make goods if people actually want to buy and use those goods. For example, if airline companies do not want to buy more planes, then Boeing has no upside for continuing to manufacture new ones. Resources and labor are both limited and expensive, so if there is no sale made to justify those expenses, then there is no reason to continue production.

However, there is always consumption of various goods because people need things to live their lives. Moreover, with techniques of mass communication and advertising, people’s desires for new goods ensure the consistent need for more production. As consumers continue to

⁵⁰ *Downfall: The Case Against Boeing*, directed by Rory Kennedy (2022; Netflix).
<https://www.netflix.com/title/81272421?source=imdb>

⁵¹ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2nd ed. (Oxford: Clarendon Press, 1880), 244.

desire more and more, there will need to be more production. But unlike production, which is tethered to a specific place, consumption knows boundaries only insofar as trade limits the flow of goods and services.

Global trade enters into the equation by opening marketplaces for goods to global competitors and foreign goods. Foreign marketplaces also include the possibilities of foreign production; not only are physical marketplaces global, but labor markets are also global. Bearing in mind that GDP as a measure of national growth has become the stand-in for the *consumption* tendencies of a country, measuring growth in GDP means measuring the growth in consumption as well as production. With growth in GDP as the national economic focus, that means growing the total size of the “economic pie,” the goods people are able to consume.

Deindustrialization describes the important process of outsourcing American industrial capacity overseas to those foreign labor markets. Because production costs are internalized in the cost of a good or service, a production-centered economy means higher consumer prices, especially where labor and supply costs are high. But with foreign labor markets, particularly those where labor costs are much lower, production costs are smaller, which means cheaper consumer goods. This calculus was the backdrop for offshoring industrial production of consumer goods.⁵² If consumption is the key emphasis of a national economy, then the whether the production of TVs occurs in Seattle or in Guangzhou matters little, as long as the TVs can be shipped to the United States; if the price of those TVs is lower as a function of being produced in Guangzhou rather than in Seattle, even better for the consumer. To borrow from classical liberal language, Guangzhou has the “comparative advantage” for the production of those goods

⁵² Julius Krein, “A Strategy for National Development,” Filmed July 16, 2019 at the National Conservatism Conference, Washington, DC, 5:17, <https://www.youtube.com/watch?v=q0208KXDQT8&list=PLbZpitSKtlG0YxGrfiFfbGNXA1iYJcOs&index=14>

compared to Seattle, and the argument runs thus that production should move overseas in order to maximize welfare for both producers and consumers, as that is the most efficient outcome.

Where has that gotten the United States? Most immediately, US trade has shifted far out of balance, with no signs of a self-correcting mechanism to bring it back into balance. US trade debt stands at 14 trillion dollars as of this writing, with trends showing that trade deficits will continue, and may even grow more each year.⁵³ Part of the promise of “comparative advantage” was that the US would move up the value chain from producing lower value goods and products to “advanced technology products” and key industrial products, which would be traded in exchange for the outsourced low value products now produced cheaper overseas. In theory, this thought process seemed great, but empirically, even America’s trade surplus in advanced technology products has collapsed into a deficit.⁵⁴ Moreover, the US has actually decreased its overall industrial output in recent years.

That last point is seriously disputed, and part of the problem lies in what is meaningfully measured in “industrial output.” Oren Cass, who derives the point that the US has decreased its overall output in recent years, excludes semiconductors, communications, and computer-parts in order to arrive at the overall decline figures he does. However, the Bureau of Labor Statistics includes these parts, and other commentators such as George Will⁵⁵ and Anne Rathbone Bradley⁵⁶ have pointed out that overall industrial output has doubled, while its overall share of

⁵³ “Where’s the Growth?” *American Compass*, March 2022, <https://americancompass.org/wheres-the-growth/>. The trade deficit has been increasing year-over-year, which suggests that over time the deficit will continue to increase at a higher rate in the future.

⁵⁴ Ibid.

⁵⁵ George Will, “Progressives Have a Republican Soulmate in the Senate: His Name is Josh Hawley,” *The Washington Post*, November 19, 2021, <https://www.washingtonpost.com/opinions/2021/11/19/progressives-have-republican-soulmate-senate-his-name-is-josh-hawley/>

⁵⁶ Anne Rathbone Bradley, “The Good News about Our Economy and Families,” *Modern Age* 63, no. 3 (July 2021): 9.

the GDP has remained roughly constant between 11 and 14%.⁵⁷ However, this picture becomes more clear when considering the difference between output and output growth: output is the amount of goods and services provided, whereas output growth is the measure of increasing the amount of goods and services provided. While output has doubled in the last forty years, the vast majority of that increase took place between 1980 and 2000; in the past twenty years, it has only increased a total of 5%.⁵⁸ Likewise, productivity growth, which is the ability to increase output, has stagnated; in 2016, it did not increase in the manufacturing sector for the first-time in forty years.⁵⁹ Regardless of whether output is continuing to grow or not, it is certainly the case that output growth has stagnated, which offers a long-term projection of stagnating, or perhaps even declining manufacturing output and productivity.

In the same time span, the conditions of American manufacturing workers have deteriorated. There are seven million fewer manufacturing jobs in the US today than in 1979, a decline from a peak of 19.4 million to 12.4 million jobs.⁶⁰ Defenders of the manufacturing status quo argue that this is not a problem, as output has grown, which suggests that the industry is able to produce more goods with less workers.⁶¹ The central problem with this rebuttal is that it ignores the appropriate time scale; while output has doubled in that time, most of that increase took place before 2000, as mentioned above. That period saw near constant employment. But the past two decades have shown a precipitous drop in manufacturing employment, and at the same time as there has been near stagnant output.⁶² *Contra* automation doomsdayers such as Andrew

⁵⁷ Drew DeSilver, "Most Americans Unaware that as U.S. Manufacturing Jobs have Disappeared, Output Has Grown," *Pew Research Center*, July 25, 2017, <https://www.pewresearch.org/fact-tank/2017/07/25/most-americans-unaware-that-as-u-s-manufacturing-jobs-have-disappeared-output-has-grown/>.

⁵⁸ "Where's the Growth?," 3.

⁵⁹ Cass, *The Once and Future Worker*, 62.

⁶⁰ DeSilver, "Most Americans Unaware."

⁶¹ Bradley, "The Good News about Our Economy and Families," 9.

⁶² There was a massive disruption in manufacturing output and employment during the Great Recession. DeSilver shows that output quickly increased back to pre-recession levels, and then stagnated; manufacturing employment

Yang, whose 2020 platform focused on the automation of manufacturing jobs, the flatlining productivity in the manufacturing sector demonstrates that automation has not been occurring in the industry in ways that improve productivity.⁶³

For those who have lost out on manufacturing jobs, many leave the workforce altogether. The St. Louis Fed shows that the labor force participation rate has been decreasing from a high of 67.3% in January of 2000 to 63.4% in February of 2020;⁶⁴ the COVID-19 pandemic saw another significant decline in the participation rate. Loss of manufacturing jobs cannot explain the entire decrease in labor force participation, but for many “economic losers,” the only pathway is out of the job market. As Kerwin Charles put it in a recent paper:

To put the magnitude in perspective, naively extrapolating the local estimates suggests that between one-third and one-half of the decline in employment rates and annual hours for prime age workers during the 2000s can be attributed to the decline in the manufacturing sector. This naive estimate ignores many important general equilibrium effects that will certainly alter the exact quantitative magnitude, but it suggests that the decline of the manufacturing sector is a first order factor explaining the declining participation rate of prime age workers in the U.S. during the last two decades. Our results are even larger for prime age men with lower levels of accumulated schooling.⁶⁵

The domestic job market has transformed from an economy of manufacturing and industry towards an economy of providing services. For those who have qualifications for service-sector jobs, or can be retrained to do those jobs, that transformation is a benefit. But for many, that means an exit from an inhospitable job market.

The main reason for the mass exit from the market is because of who is employed in manufacturing. Manufacturing makes up less than 10% of all employment, but amongst

decreased by roughly two million jobs, and then recovered only about half of those jobs. See also “Where’s the Growth?” 4, for a similar trend, although with different numbers.

⁶³ See Cass, *The Once and Future Worker*, 66. Automation has been occurring in manufacturing, which is obvious given the rapid improvement in technology that people see in their daily lives. Rather, automation is not translating into productivity growth, but rather is keeping productivity at a constant rate every year.

⁶⁴ “Labor Force Participation Rate,” FRED, St. Louis Fed, last modified April 2022, <https://fred.stlouisfed.org/series/CIVPART>

⁶⁵ Kerwin Kofi Charles, Erik Hurst, and Mariel Schwartz, “The Transformation of Manufacturing and the Decline in U.S. Employment,” *National Bureau of Economic Research*, (March 2018), <https://www.nber.org/papers/w24468>

lower-class workers, manufacturing is 20% of employment; 40% of all good-paying jobs for working-class Americans, particularly men without a college degree, are drawn from construction, resource-extraction, and manufacturing.⁶⁶ For those without a college degree who work in an industry that is actively being outsourced, that largely means exiting the workforce. For those who do have jobs, wages have not meaningfully increased in many decades. In fact, wages have stagnated, especially for lower wage workers.⁶⁷ While nominal wages have increased, purchasing power has remained the same.⁶⁸

The long-term trends that national conservatives point to suggest that the might of the American economy is resting on weak foundations for long-term success. While the economy could run on auto-pilot and produce the expected returns in terms of national growth, there was not much cause for alarm. But in recent years, the data has shown that the state of American manufacturing shows significant weaknesses that harms the future prospects of workers and the economic power of the country. For national conservatives, this is a serious problem, as communities have been harmed by deindustrialization, and has harmed the possibility of achieving the “American dream.”

In addition to the poor economic state of the country, there are also some serious social and cultural maladies that have blossomed in the same time-span. Like with family formation and fertility rates, it is hard to attribute all of these problems solely due to the economy, and none of the thinkers I’ve consulted has suggested that reshoring American manufacturing or decoupling strategic industries from the Chinese market would improve the crisis of faith in

⁶⁶ Cass, *The Once and Future Worker*, 70.

⁶⁷ Jay Shambaugh, Ryan Nunn, Patrick Liu, and Greg Nantz, “Thirteen Facts about Wage Growth,” *Brookings Institution*, September 25, 2017, <https://www.brookings.edu/research/thirteen-facts-about-wage-growth/>

⁶⁸ Drew DeSilver, “For Most U.S. Workers, Real Wages Have Barely Budged in Decades,” *Pew Research Center*, August 7, 2018, <https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/>

America or curb the widespread use of pornography in American society. That said, the opioid epidemic has been pronounced in the same communities that have seen the hollowing out of their traditional manufacturing bases.⁶⁹ Likewise, there is an emergent literature on “deaths of despair” and the skyrocketing suicide rate, and its ties to deindustrialization.⁷⁰ Given all of the data showing American dysfunction, both economically and culturally, national conservatives are dismayed by the status quo, and lay many of the economic problems at the feet of America’s consumption-driven, classical liberal economic theories that have dominated American political consciousness for the last 40 years.

One of the chief complaints of national conservatives is that the economic thinking of classical liberals is too myopic, and doesn’t frame the free market under the right constraints. National conservatism as a whole political and cultural movement seeks to emphasize the nation as the seed-bed of the political community, and seeks to advance the principles of nationalism and the preservation of families and cultural traditions that have brought together those political communities. Rather than trusting that markets will preserve those pillars of conservatism, national conservatives seek to actively use the market to craft those ends conducive to their political vision. As Cass explains, “the first-order question must be what we want for our society and how we can best channel the free market towards accomplishing those ends.”⁷¹ In this way, this group of conservative thinkers sees a much more expansive role for not only state power, but also communities and institutions, to actively take a role in market affairs to shape the contours of the market in a way that fits the nationally conservative agenda.

⁶⁹ Andrew Sullivan, “The Poison We Pick,” *New York Magazine*, February 19, 2018, <https://nymag.com/intelligencer/2018/02/americas-opioid-epidemic.html>

⁷⁰ Samuel Friedman, Noa Krawczyk, David Perlman, et al, “The Opioid/Overdose Crisis as a Dialectics of Pain, Despair, and One-Sided Struggle,” *Frontiers in Public Health*, 8 (November 2020), <https://www.frontiersin.org/articles/10.3389/fpubh.2020.540423/full#h9>

⁷¹ Cass, *The Once and Future Worker*, 8.

Which Friends Do We Choose?

I have described with some detail the differences between the economic dimensions of both classical liberal and nationally conservative approaches to political economy. One side—classical liberalism—emphasizes the role that economic reality plays in setting the terms of participation in market interactions, and stresses as a fundamental moral axiom that the marketplace, by its nature, produces economic winners and losers. It is a sophisticated theory with principles that are applicable to examples “on the ground.” Classically liberal philosophy insists that the natural winners and losers of the marketplace must be accepted, and that intrusions into the marketplace decrease the efficient outcome, which is the best possible outcome for both individuals and society writ large. Moreover, the market-driven outcome should be followed because it is not tinged with corruption or favoritism, often derided as “crony capitalism.” Rather, the marketplace is indifferent to any particular actor in the economy, and so the results it produces are neutral with respect to economic actors.

By contrast, national conservatism sees a panoply of issues in American society and blames classical economics and its overly narrow emphasis on efficiency and distrust of government intervention. National conservatives take the building blocks of the nation—family and community—as the starting point for how economic policy should be prioritized. While the free market is a useful tool towards fostering those goals, the marketplace ultimately serves to benefit people in society within a country’s national borders. In the case of family policy, that might mean using fiscal policy⁷² to close the fertility gap. In the case of deindustrialization, that means adopting industrial policy and reshoring American manufacturing, which would require a significant investment of money and intention by both public and private sectors at many levels

⁷² Roger E. A. Farmer, *How the Economy Works: Confidence, Crashes, and Self-Fulfilling Prophecies*, (Oxford: Oxford University Press, 2010), 12. Fiscal policy refers to government spending to incentivize a certain marketplace behavior. It is commonly used to increase demand in the economy during an economic depression.

and for a sustained period of time. The latter approaches instrumentalize free market principles of classical economics towards substantively conservative ends of preserving flourishing family units and ensuring national economic priorities in an era of globalization.

The problem of reconciling these opposing views is both theoretical and practical. On the practical end, these two perspectives both feature prominently on the right-of-center, and that tension needs to be resolved for the movement to continue forward, either by a fusion of these ideas, or by one school attaining supremacy over the other. One of the key problems at analyzing the debate is that the national conservatives cannot win purely on empirical grounds, as there are metrics in favor of the classical approach to economics.⁷³ As Oren Cass recognizes:

In some respects, then, the exercise is one in “looking over a crowd and picking out your friends,” to quote Judge Harold Leventhal’s dismissal of congressional deliberations as

⁷³ Though I did not include them in the body of the paper, the theoretical principles of classical economics seem to have been born out empirically. A short summary of the triumphs of free market capitalism:

- See Cass, *The Once and Future Worker*; 1. American GDP has tripled from 1975 to 2018.
- See Shambaugh, Nunn, Liu, and Nantz, “Thirteen Facts about Wage Growth.” Figure B shows that wages increased proportionally to increases in labor productivity, doubling in the period of 1947 to about 1967.
- See Dale Jorgenson, Mun S. Ho, and Kevin J. Stiroh, “A Retrospective Look at the U.S. Productivity Growth Resurgence,” *Journal of Economic Perspectives*, 22, no. 1 (Winter 2008), https://scholar.harvard.edu/files/jorgenson/files/retrospectivelookusprodgrowthresurg_journaleconperspectives.pdf. Productivity growth averaged between 2-3% from 1949 to 2004, with only the 1970s showing a slowdown closer to 1% productivity growth. See also DeSilver, “Most Americans Unaware that as U.S. Manufacturing Jobs have Disappeared, Output Has Grown.” Manufacturing output has doubled between 1987 and 2017, despite decreasing the size of the manufacturing workforce, which indicates that productivity growth has allowed for more efficient use of human resources to produce more goods with less manpower.
- See Dylan Matthews, “Bill Gates Tweeted out a Chart and Sparked a Huge Debate about Global Poverty,” *Vox*, February 12, 2019, <https://www.vox.com/future-perfect/2019/2/12/18215534/bill-gates-global-poverty-chart>. Global poverty has decreased precipitously from 95% in 1820 to 9% at present, both in terms of the percentage of people living in extreme poverty (less than \$1.90USD daily) and also the absolute number of people living at that level. Moreover, the percentage of people living under \$7.40 per-day (the number needed in order to attain average life expectancy) has decreased from 70% in 1981 to 58% in 2013. All of this has occurred at the same time as a global population explosion has increased the global population significantly. Reducing global poverty has been a tremendous success of global capitalism.
- See Oren Cass, “Are You Better Off Than You Were Forty Years Ago?,” *Modern Age*, 63, no. 3 (July 2019), 8. Real median household income grew from 52,000 to 69,000 from 1980 to 2019.
- See Farmer, *How the Economy Works*, 166-167, for a general assessment of market economies and their advantages to planned economies. “There is much to be admired in the market system. It is the single most powerful engine of economic growth that human beings have devised.” See also Farmer, *How the Economy Works*, 5-6. “History has shown us that free market economies can provide faster growth and higher living standards than planned economies...it is responsible for lifting more people from starvation and misery than any known alternative.”

probative of a law's meaning. There is no shortage of material to support whatever narrative someone might wish to advance.⁷⁴

In other words, the debate risks becoming circular and insular, with each side cherry picking its own frameworks about which goals are worthwhile and then finding the research that vindicates their respective frameworks. Given the wealth of statistics, arguments, and values on either side of the debate, how are we to come to closure on “the best path forward”?

As I set out at the beginning of this paper, I suggest that there is a “new”⁷⁵ Fusionism to be established. In order for that to be able to hold, I must articulate a resolution to the central disagreement between national conservatives and classical liberals: the issue of government intervention in the economic realm. Are there any principled grounds of justification for policymakers to interfere in the “natural” order of a self-regulating marketplace?

One might initially object that the framing of the question is backwards or slanted towards the classical liberal side, as it inherently accepts the worldview that the market is ideally self-regulating and that government interference is an intrusion that is sometimes justified. Even consider the word, “interference,” and all of its connotations. Why would someone assume that government activity in the marketplace is interference, when other actors who participate in economic activity would not be accused of “interfering” in market transactions? What is distinctive about government involvement in economic affairs that makes it different from other marketplace actors? Perhaps the question should be reframed as such: is there a good reason to

⁷⁴ Cass, “Are You Better Off?”, 8.

⁷⁵ Cf. Foner, *The Story of American Freedom*, 311, and Frank S. Meyer, “Freedom, Tradition, Conservatism,” in *What is Conservatism?*, 9-25. The “old” Fusionism was a philosophy established by Frank Meyer, who was one of the fathers of post-World War II American conservatism. Fusionism sought to integrate three different segments of American society into a political coalition: libertarians, religious traditionalists, and anti-communists. This ultimately laid the groundwork for the “three-legged” stool model for conservatism that was championed by President Ronald Reagan: free market economics (for the global libertarians), social conservatism (for the religious traditionalists), and a strong military and “peace through strength” mentality (for the anticommunists). The “fusion” of fusionism was in bringing together libertarian ideas with ideas about traditional virtue and responsibility. Within conservative intellectual parlance today, fusionism both as a political coalition and as a systematic, coherent political philosophy are in doubt.

cut government *out* of the marketplace aside from setting the basic rules of procedure under the rule of law?

Under that reformulation, there is still a role for government in the economy, namely setting the terms of marketplace interactions and creating a base infrastructure, something that no classical liberal economist would deny as necessary. However, aside from creating the preconditions that make economic activity possible,⁷⁶ classical liberals would defend the point that the government should have no role in the economy. The reason that government is necessary is that they alone have enough power to enforce and create these conditions, and are the sovereign power within a country. However, that also makes them different from other market actors, which have no market power under capitalism. Because market power is diffused between all economic actors in a marketplace,⁷⁷ it is dangerous to include government in the marketplace because of their ability to use power to bend the natural processes of competition to its whims. This tendency of the government to intrude in the marketplace is what is often decried as “crony capitalism,”⁷⁸ where policymakers necessarily give benefits to one faction over another. The ultimate problem of power, then, is that it violates the principle of neutrality, where a disinterested marketplace, often referred to as Adam Smith’s “invisible hand” decides what the price of goods and services are based on the aggregation of all supply and demand, according to laws and principles that govern marketplace interactions, as mentioned above.

The nationally conservative reply, and the side of the argument that I find most compelling, is that neutrality is illusory, and even farcical. Rather than the state of the economy

⁷⁶ Preconditions such as a uniform national currency, laws for upholding the terms of a contract, basic physical infrastructure, and the absence of trade barriers within a single country. None of these are necessary per se, but all of them, especially contract law, as well as other possible provisions, contribute to the bare necessities for economic activity to be possible within a country.

⁷⁷ Farmer, *How the Economy Works*, 30.

⁷⁸ Richard D. Atkinson and Michael Lind, “National Developmentalism: From Forgotten Tradition to New Consensus,” *American Affairs* III, No. 2 (Summer 2019),

<https://americanaffairsjournal.org/2019/05/national-developmentalism-from-forgotten-tradition-to-new-consensus/>

under *laissez faire* principles being “the way it is,” it actually requires the acceptance of certain normative views of the world. Atkinson and Lind in particular give a vibrant sketch of five competing schools of economic thought in American politics, each with its own set of assumptions, values, and predilections. “Global libertarianism,” or “global neoliberalism” which are Lind and Atkinson’s equivalents to the classically liberal worldview, “is a radical theory of cosmopolitan individualism.” Indeed, national conservatives are quick to argue that classical liberalism is a normative worldview that prioritizes the good of individuals and the importance of consumption.⁷⁹ They take as their starting point that the human tendency towards rational self-interest pervades market interactions, and that it ensures the greatest social welfare. Classical liberals also deny that a national government is a competitor in the marketplace, which is particularly relevant in a global economy. As is evident from my analysis of classical liberalism’s approach to ascertaining “economic realities,” classical liberalism adopts the framework of rationalism and universalism, namely that the laws governing economic activity are universal and will obtain everywhere they are implemented.

Classical liberals are quick to defend the rights of private businesses to conduct business in the way they choose. The answer to corruption is that people who are upset by this have “freedom of association,” and can take their time and business elsewhere. Recall above that classical liberals take a presumptive right of self-ownership, and that all being free and equal, there are some spheres that are private and have no place for government involvement. However, the idea that only government intervention could create corruption, inefficiency, or even tyranny, suffers from a crabbed notion of tyranny, and ignores the nature of power. Tyranny could come from the public *and* private spheres, and putting strong limits on the power of

⁷⁹ Cf. Note 48. See also from Cass, *The Once and Future Worker*; that there is a difference between capitalism that focuses on production and capitalism that focuses on consumption, and that classical liberals opt for the latter; far from being neutral, classical liberals take a side for normative principles of political economy.

government, while preventing a state-imposed tyranny, leaves a power vacuum for other forms of private tyranny. Power can be diffused, but it does not dissipate, which could lead to tyranny in private affairs just as much as public.⁸⁰ Wilhelm Roepke himself recognized the importance of the state to protect the economy from a takeover by corporate power, which he realized that the free market had no mechanisms to prevent by itself.⁸¹

The contemporary debates over Big Tech offer a case study by which to see the difference in principles at play between classical liberals and national conservatives. Rachel Bovard, a stalwart proponent of “breaking up Big Tech,” is often met with the reply that private businesses must be allowed to do as they please. She says:

“Many on the Right point out that these are private industries acting independently in the free market, and they suggest that the corporate First Amendment should trump the right of the individual. To use public policy to engage with these companies would be an abdication of principle, as market forces, not the government, should resolve market questions.”⁸²

But this misses Vermeule’s point completely. Rather than being a threat to market forces, government regulation would secure the grounds for continued market freedom from private corporate tyranny. That isn’t to say that it is necessary to “break up Big Tech,” as Bovard has suggested, but it is sufficient to prove the point that *in principle*, there is a role for both the state and the private sector to play in preventing tyranny, be it public tyranny or private tyranny.

What about national conservatism and its norm-laden approach? If neutrality is illusory as many national conservatives suggest, then that cuts against them just as much as it does classical liberals; national conservatives also have priors that must be elucidated and then either accepted or rejected. National conservatives see that the national government is an actor in

⁸⁰ Vermeule, *Common Good Constitutionalism*, 50.

⁸¹ Richard M. Reinsch, “What Rebuilt Germany Can Fix America,” *Modern Age* 63, no. (July 2021): 11, <https://isi.org/modern-age/humane-economy-a-symposium/#RichardMReinschII>

⁸² Rachel Bovard, “Market Unfreedom: Causes and Cures,” *Modern Age*, 63, no. 3, (July 2021): 13, <https://isi.org/modern-age/humane-economy-a-symposium/#rachelbovard>

economic affairs, and moreover that as a competitor in the global economy with other countries, it has interests that can and ought to be advanced. Moreover, as conservatives in the American context, national conservatives prioritize the American Founding and its principles of natural law and limited government; the primacy of the family and community as the nucleus of civilization; the preservation of religious and moral sentiments; and a healthy appreciation for freedom and self-reliance. In the economic sphere, conservatives tend to emphasize the importance of human agency, hard work, personal responsibility, and the “Protestant work ethic.”⁸³ In contrast to classically liberal rationalism, national conservatism is more likely to ground their arguments in the language of tradition and historically-tested approaches; rather than being universalist in mentality, they are a group of particularists. In the American context, Alexander Hamilton’s 1790 *Report on the Subject of Manufactures* holds a place of particularly high esteem in national conservative circles.⁸⁴

Hamilton’s *Report on the Subject of Manufactures* offers what I think is the best possible vindication of principles of national conservatism, specifically the strand that Atkinson and Lind call “national developmentalism”.⁸⁵ He argues that there is something distinctively important about domestic production for an economy and for society.⁸⁶ In the “Prospectus of the Society for Establishing Useful Manufactures,”⁸⁷ Hamilton writes, “it seems an almost self-evident

⁸³ The above definition cannot be considered definitive, as there are many disagreements and different perspectives for what constitutes “conservatism” in the American context. Moreover, I cannot give any concrete citations for my definition, but offer this definition as the result of a few years of intellectual formation in politically and culturally conservative circles, including the Intercollegiate Studies Institute, the World Youth Alliance, the James Wilson Institute on Natural Rights and the American Founding, and Hillsdale College courses on the Constitution and American Founding.

⁸⁴ David Brog, “Up From Laissez-Faire: Reclaiming Conservative Economics,” *American Affairs* IV, No. 4 (Winter 2020), <https://americanaffairsjournal.org/2020/11/up-from-laissez-faire-reclaiming-conservative-economics/>

⁸⁵ Atkinson and Lind, “National Developmentalism.”

⁸⁶ Alexander Hamilton, “Report on the Subject of Manufactures,” in *Industrial and Commercial Correspondence of Alexander Hamilton*, ed. Arthur Harrison Cole (Chicago: A.W. Shaw Company, 1928), pp. 247-320.

⁸⁷ Alexander Hamilton, “Prospectus of the Society for Establishing Useful Manufactures,” in *Industrial and Commercial Correspondence of Alexander Hamilton*, ed. Arthur Harrison Cole (Chicago: A.W. Shaw Company, 1928), p. 191. The Society for Establishing Useful Manufactures (S.U.M.) was a group of private individuals, led by Hamilton, who sought to increase funds and dedication to American manufacturing. It is considered as “the practical

proposition that communities which can most completely supply their own wants are in a state or the highest political perfection.” Hamilton stresses that it is important for a society to be self-sustaining by producing goods rather than importing them *en masse*.

Although Hamilton’s *Report* was written to advocate building up manufacturing to supplement the Early Republic’s agricultural economy, his writings are still relevant today, as the modern American economy centers around high-end service jobs such as entertainment, finance, and insurance,⁸⁸ while manufacturing has dwindled from its once-high place of prestige in the American economy. Most relevant to our common purposes, Hamilton argues that encouraging manufacturing will create a greater division and specialization of labor that leads to innovation, more efficient use of time, and more expertise for workers at a given trade. Moreover, a diversified economy is more inclusive of people who are not involved in agriculture (for present purposes, we could switch out agriculture with the “service” sector, which accounts for 80% of America’s GDP as of 2017⁸⁹). Instead of most Americans being employed in service sector jobs, increasing manufactured production would employ more people who are ill equipped to participate in the modern service sector economy, namely those without a college degree. Hamilton also suggests in a similar vein that the encouragement of industrial policy would better suit the country’s diverse interests; he writes:

As to the furnishing greater scope for the diversity of talents and dispositions, which discriminate men⁹⁰ from each other.... It is a just observation, that minds of the strongest and most active powers for their proper objects, fall below mediocrity, and labor without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper

side of Hamilton’s advocacy of domestic manufactures” (see Arthur Harrison Cole, “Industrial and Commercial Correspondence of Alexander Hamilton,” xxvii).

⁸⁸ Atkinson and Lind, “National Developmentalism.”

⁸⁹ “United States,” World Factbook, Central Intelligence Agency, last modified April 19, 2022, <https://www.cia.gov/the-world-factbook/countries/united-states/#people-and-society>

⁹⁰ Ibid, p. 269. The use of “men” here refers to both men and women, as Hamilton suggests that women and children can be “auxiliary” solutions to America’s labor supply shortages.

element, and can call into activity, the whole vigor of his nature. And the community is benefitted by the services of its respective members, in the manner in which each can serve it with most effect.⁹¹

Hamilton's system purports to offer a greater scope of opportunities for harnessing the interests and skills of the young nation. At scale, his system suggests that the aggregate good of individual use of one's "active powers" and "the whole vigor of [one's] nature" is intimately connected with a larger national project of flourishing.

Hamilton also addresses the contention that nations compete in a global economy, and forcefully argues that neutrality on industrial policy is a non-starter. While admitting that neutrality on production (in modern parlance, "bi-lateral free trade") would be more beneficial to industry overall if nations did not compete on a global scale, that isn't the reality that the US faced at the time. Rather, nations *do* compete with each other, and set national policies to benefit their domestic industries and their national wealth. Hamilton counseled that the national trade balance was being eroded by what we would today call "unfair trade practices." Specifically, other countries were selling their manufactured goods to the United States, who was reliant on Europe for manufactured goods, but that the United States "experience[d] numerous and very injurious impediments to the emission and vent of their own commodities."⁹²

This argument is equally applicable today, as the United States has serious trade deficits. In 2019, the US trade deficit totalled 610 billion dollars; the US has not had a positive trade balance since 1975.⁹³ A large part of the current deficit entails US trade with China, who engages in industrial policy and economic expansion to court American manufacturers to China's shores;

⁹¹ Ibid, p. 260.

⁹² Ibid, p. 265.

⁹³ "United States Trade Balance, 1970-2022," Macrotrends, last modified 2022, <https://www.macrotrends.net/countries/USA/united-states/trade-balance-deficit#:~:text=U.S.%20trade%20balance%20for%202019,a%202.67%25%20decline%20from%202015.>

forced technology transfers, including with industries that have ties to the Chinese military;⁹⁴ competing to crowd out American market share with the One Belt One Road initiative and “Made in China 2025” plan;⁹⁵ to subsidize Chinese exports, thus undercutting domestic manufacturers on price;⁹⁶ and imposing tariffs on foreign goods to challenge American exports inside of the Chinese mainland. However, rather than bemoaning these unfair practices and suggesting that the US convince Europe (or in the modern day, China) to amend their practices, Hamilton states that:

In such a position of things, the United States cannot exchange with Europe on equal terms....Remarks of this kind are not made in the spirit of complaint. It is for the nations, whose regulations are alluded to, to judge for themselves, whether, by aiming at too much, they do not lose more than they gain. It is for the United States to consider by what means they can render themselves least dependent on the combinations, right or wrong, of foreign policy....If Europe will not take from us the products of our soil, upon terms consistent with *our interest*, the natural remedy is to contract, as fast as possible, our wants of her (my emphasis added).⁹⁷

Hamilton never questions the legitimacy or reality that nations have national interests. For him, that fact should extend to America’s thinking in terms of trade and production. Rather than blindly following “free trade” principles without regard to the actions of other countries, Hamilton suggests that America consider and develop practices in line with our own interests, which he argues is the development of a manufacturing sector. As Daniel McCarthy has said: “we do in fact have an industrial policy, but it’s an industrial policy set by Beijing as opposed to Washington.”⁹⁸ In other words, doing nothing in response is a national plan, albeit a bad one.

⁹⁴ Peter Schweizer, *Red-Handed: How American Elites Get Rich Helping China Win* (New York: HarperCollins Publishing, 2022), 90-92; 145.

⁹⁵ Atkinson and Lind, “National Developmentalism.”

⁹⁶ “Enforcement When Trade Is Unfair,” Trade 2020: What’s It All About?, New America, last modified 2022, <https://www.newamerica.org/political-reform/reports/trade-2020-whats-it-all-about/enforcement-when-trade-is-unfair/#:~:text=A%20White%20House%20fact%20sheet,industrial%20subsidies%E2%80%94that%20champion%20China>

⁹⁷ Hamilton, “Report on Manufactures,” 265.

⁹⁸ Daniel McCarthy, “The Justice of American Nationalism,” filmed August 2021 at Intercollegiate Studies Institute’s Honors Conference, Williamsburg, VA. 1:00:22, <https://youtu.be/BH4kCX0piuM>

In addition to rebuffing classical liberal ideas about neutrality on global trade, Hamilton also offers a critique of Smith's postulate that "industry, if left to itself, will naturally find its way to the most useful and profitable employment." This axiom of political economy suggests that there doesn't need to be government-sponsored encouragement of manufacturing because it will happen naturally over time if market conditions are most advantageous to the production of manufactured goods. Hamilton's reply undercuts the assumption upon which the above quote is predicated: that humans are rationally self-interested and will adjust based on their self-interest. That could well be true, but Hamilton says that based on experience, men are much more disposed to rely on habit, which interferes with the purely rational calculations necessary to adopt widespread manufacturing. In addition to the stubbornness of habit, seeing infant businesses fail will deter future endeavors based on past failures. Hamilton's view, based on observable experience and a philosophy of the person that is not committed to the pure rational sufficiency of human beings, offers that government encouragement will give help and confidence to infant industries, which became the most important argument used to justify protective tariffs and national industrial policies.⁹⁹ Furthermore, the anthropology that Hamilton assumes is markedly different from that of Smith and Locke, two of the fathers of the Enlightenment.

Hamilton was not strictly speaking an opponent of Adam Smith's philosophy and development in the history of modern economic markets or of classical economics. It is clear that Hamilton was familiar with the principles embodied in *The Wealth of Nations*, and the *Report on Manufactures* makes affirmative nods to many of the principles that Smith proposed. That said, he made some caveats to what free market doctrinaires assumed, and subsumed economic policy

⁹⁹ Arthur Harrison Cole, ed., *Industrial and Commercial Correspondence of Alexander Hamilton: Anticipating His Report on Manufactures*, (Chicago: A.W. Shaw Company, 1928), 242-243.

within the framework of nationalism, especially when it came to foreign economic policy. Moreover, he still holds fast to the idea that government ought not promote inefficiencies where it wasn't necessary, arguing that leveraging public debt towards capital allocation for manufacturing subsidies shouldn't exceed the point where paying interest outweighs the value of the principal loan, or that tariffs should not be used for mature industries, but only in their "infant" stages.¹⁰⁰ Here, it is evident that Hamilton still accepts "economic reality," but also chooses within those realities based on the ends he views as desirable, and works within a different set of assumptions than that of classical liberal philosophers.

Towards the end of his *Report*, he makes a number of suggestions on how the country might most prudently and effectively encourage manufactures. While the specifics are more relevant to a policy paper on industrial policy and how it could be implemented, what is clear from that section is that the young Republic should advance a national agenda, both as a means for improving the lives of individual members of the country, but also in strengthening the new country itself. He argues that the economic policies of a country have a larger-scale effects on the nature of society itself; from creating stronger bonds of unity between North and South, to improving national wealth, like Edmund Burke before him, Hamilton sees the nation as the "unit of analysis of foreign and domestic affairs."¹⁰¹

Within the American tradition—indeed, at its very inception—is a masterful work of political philosophy regarding the value of manufacturing and the central and distinct importance of a regime of national production. The *Report on Manufactures* and other elements of Hamilton's political project, such as the First National Bank, became part of a larger system of

¹⁰⁰ Hamilton, "Report on Manufactures," 292. "The continuance of bounties on manufactures long established, must almost always be of questionable policy."

¹⁰¹ Yuval Levin, "Burke and the Nation," *Law & Liberty*, July 19, 2019, <https://lawliberty.org/burke-and-the-nation/>

American political economy known as the American System, which was adopted and championed by Henry Clay and Abraham Lincoln.¹⁰²

Even so, simply citing Hamilton and laying out his arguments is not simply enough to say that Hamilton is right. In order to accept Hamilton's premise, which is to adopt the mindset and language of the modern national conservative movement more generally, one must find a justification for accepting the premises that humans are motivated by habit as well as reason, and that nations compete in global economies. It does seem that what Hamilton says about national policies, human anthropology, and the value of production fits the facts "on the ground" better than a worldview of cosmopolitan individualism and self-regulating markets do. This practical argument in favor of the underlying nationally conservative framework is powerful, but seeing that free marketers have an empirical track record of their own, one still must avail national conservatism on some theoretical ground.

The Theoretical Fusion of Classical Liberalism and Nationalism

At its core, the underlying tensions of classical liberal economics and nationally conservative economics lies in a distinction between universalism and particularism. Classical liberals emphasize the universal validity of economic laws, most convincingly incorporating "economic reality" within the category of natural law; economic outcomes are explicable by the existence of universal laws of economics. National conservatives emphasize the importance of maintaining loyalty to one's own community and developing a national outlook, even at the expense of other communities, and perhaps even at the expense of pushing against "economic reality." Hamilton concedes that given the decision to impose tariffs on foreign goods, the price of all goods in that industry are likely to increase in the short run, which would fit the theoretical

¹⁰² Brog, "Up From Laissez-Faire."

models of Smith and later classical economists; if one imposes a binding price floor on a good,¹⁰³ then the market price of that good increases, which imposes extra costs upon consumers. It is, strictly speaking, an economic trade-off that considers a distortion imposed by an economic decision, but one might opt to make that decision anyways if there is some discernible benefit.¹⁰⁴

I am disposed to include that the project of classical economics paints a largely accurate picture of “economic reality,” both on an empirical level and also the underlying set of theoretical assumptions that explain those outcomes. Markets aggregate data to determine prices, quantities, and determine market outcomes. However, national conservatives have a strong critique that classical economics has not produced the outcomes it once did, and they have a wealth of statistics to validate their conclusions. They also have a philosophy and worldview that I am more disposed to accept than that of cosmopolitan individualism. Human beings are not purely rational, but are rational social animals who exist in a particular time and place within certain communities, namely that of families and local institutions, including one’s profession, which has historically been rooted in a particular place. I also accept Hamilton’s contention that within human societies are serious diversities of talent and dispositions towards different interests, which can be harnessed by a diversification of sectors of the economy. Classical economists’ positions are not neutral, but presuppose and advocate some conception of the good society; pretensions to “neutral social science” are false, as has been demonstrated.

¹⁰³ Mankiw, *Principles of Economics*, 110. A price floor is “a legal minimum on the price at which a good can be sold. If the price floor is said to be “binding,” that means that the lowest price is higher than the equilibrium price, which is to say that the price is artificially inflated above the price set by aggregate supply and demand. A prominent example of binding price floors are minimum wage laws in some industries where the equilibrium price (the “natural” price set by the market) would otherwise be lower.

¹⁰⁴ Recall from above that national conservatives bemoan the shortsightedness of classical economists when it comes to deciding what benefits are worthwhile to pursue. While classical liberals chase national growth as measured by growth in GDP per capita, inflation rates, and unemployment rates, national conservatives would focus on family formation rates, labor force participation rates, national trade balance, and workforce demographics such as educational attainment and the sectoral breakdown of the workforce. So while imposing a tariff might cause temporary inflation, the trade-off with the growth in a manufacturing industry or a reduction in the long-term trade balance might be worth it, depending on who is asked.

In the previous section, I suggested that one must “choose friends” on certain grounds. I have now just done so, and am seeking a fusion of both the economic principles of classical liberalism within the nationally conservative worldview. I believe that this theoretical synthesis is possible for two interrelated reasons: first, that classically liberal principles of economics hold best under a system of national political economy;¹⁰⁵ and second, that communitarianism as a principled, particularist worldview offers a full justification for the nationalist system.

I have framed the discussion between classical liberalism and national conservatism as one of conflict and widespread disagreement, and for good reason; the differences in outlook are significant, as is evident from my analysis of both philosophies above. However, there are points of complementarity between both positions on various issues. For example, Oren Cass began his book by saying, “These arguments are conservative ones....[they] prefer the private ordering of free markets to the centralized dictates of government. But their endorsement of markets is not unconditional....the market is only one component of a flourishing society.”¹⁰⁶ Later in the book, he endorses loosening government regulations that make economic growth harder and discourage construction and development of new facilities, which would create good-paying jobs.¹⁰⁷ Far from being central planners, conservatives like Cass and others are pleased to have a free market, but they see it as instrumental to their project of creating a good society. Where the

¹⁰⁵ The term “national political economy” is taken from German-American political economist Friedrich List’s famous book, *The National System of Political Economy*. Partially inspired by Hamilton’s *Report on Manufactures*, List argues in favor of a national system that grounds liberal market principles within the confines and context of a particular nation; with respect to trade, nations must take their best interests into account to ensure long-term prosperity. List’s work enjoys prestige in many national conservative circles, especially amongst the economic policy wonks; I was unable to dedicate the time to read List’s book, but I wanted to pay homage to one of the intellectual progenitors of this developing political movement.

¹⁰⁶ Cass, *The Once and Future Worker*, 8.

¹⁰⁷ *Ibid*, 99.

market is not conducive to those goals, they are pleased to use economic planning under certain conditions.¹⁰⁸

One of classical liberalism's key assumptions has been historically nationalist. When explaining the "invisible hand," intellectuals cite Adam Smith, the father of capitalism and a strong proponent of free markets and free trade policies. However, most people conveniently ignore what comes just prior to talk of the "invisible hand," where Smith sets an important condition for when markets operate in the way that classical liberal capitalists posit:

"By preferring the support of domestic as opposed to foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his contention."¹⁰⁹

The confines of capitalism are to be bound within a nation. Within the confines of a national economy, bosses and workers have common ties and rely on each other to produce goods. While "intend[ing] only his own security," capitalists who are tied down and have ties to a country naturally extend their self-interest in a way beneficial to society at large, simply by the fact of belonging. Smith understood this well, but globalization has unbounded the markets, and technological revolutions have disrupted the ordinary confines of how firms can operate. Smith's ideas aren't obsolete, but they are being applied in global contexts where mobility is much easier than it was in 1776 (thanks in large part to innovations made possible by Smith's own economic system). Thus, the contexts have changed from what Smith has described, and the pursuit of Smith's ideas while ignoring the preconditions by which his system functions, has seen the erosion of the domestic economy that national conservatives bemoan. In some sense, classical liberals have neglected their own intellectual tradition.

¹⁰⁸ Julius Krein, "Planning for When the Market Cannot," *American Compass*, May 4, 2020, <https://americancompass.org/essays/planning-for-when-the-market-cannot/>

¹⁰⁹ Smith, *The Wealth of Nations*, vol. 2, 28.

In keeping with this tradition, national conservatives—namely Oren Cass, whose work at *American Compass* has focused on this issue—have sought to “bound the market.”¹¹⁰ What needs to happen is to recreate the conditions that make Adam Smith’s ideas possible, wherein all market actors are necessarily reliant on each other. As he puts it, “capitalism locks everyone in a room together and encourages them to find a way out.”¹¹¹ The interdependence fostered within a bounded—but not closed—market strengthens communities, which have been one of the prime victims of deindustrialization. Within that context of national boundedness, classical liberal principles obtain, and can produce the good results that are hypothesized by the theoretical models and assumptions of classical liberal economics.

But what is the justification for bounding the market, besides the fact that it is the natural assumption upon which classical economics depends? Nationalism of various sorts has been the way of history, but perhaps that is instrumental to human history and a matter of historical exigency, not an inherently necessary political and cultural arrangement. Just as I have demonstrated that there is something distinctive about production of manufacturing, I also need to give an account of why Smith’s precondition of a nationally-bounded market is still relevant and necessary. Perhaps the classical assumption has collapsed, and has no prospect of recovery given the state of economic globalization. I do not believe that to be the case; there *is* something distinctively important about bounding the market at a theoretical level.

Communitarianism is a political and social theory that will answer the above challenge. Alasdair MacIntyre’s “Is Patriotism a Virtue?” gives a strong defense of the importance of a particularist social arrangement.¹¹² Rather than liberal morality, which enshrines universal

¹¹⁰ Oren Cass, “Searching for Capitalism in the Wreckage of Globalization,” *American Compass*, March 9, 2022, <https://americancompass.org/essays/searching-for-capitalism-in-the-wreckage-of-globalization/>

¹¹¹ Ibid.

¹¹² Alasdair MacIntyre, “Is Patriotism a Virtue?” (Lindley Lecture, University of Kansas, March 26, 1984), <https://mirror.explodie.org/Is%20Patriotism%20a%20Virtue-1984.pdf>

abstract moral principles that are neutral to any particular social arrangement, communitarianism—what MacIntyre calls “patriotic morality”¹¹³—takes at its core the idea that people learn those “abstract” moral rules not as abstractions, but as particular and idiosyncratic rules and lessons drawn from a particular society and culture. Furthermore, he writes:

According to the liberal account of morality where and from whom I learn the principles and precepts of morality are and must be irrelevant both to the question of what the content of morality is and to that of the nature of my commitment to it, as irrelevant as where and from whom I learn the principles and precepts of mathematics are to the content of mathematics and the nature of my commitment to mathematical truths. By contrast on the alternative account of morality which I am going to sketch, the questions of where and from whom I learn my morality turn out to be crucial for both the content and the nature of moral commitment. ¹¹⁴

Per MacIntyre, our moral educators are important to our knowledge of moral rules. By extension, our moral educators were themselves educated by a particular social circumstance, which entails a recurrence of moral lessons in a particular society through time, as the purported wisdom of that society transmits its moral teachings to its youngest members over time. Such an arrangement includes particular social characteristics that are peculiar to that culture, and it is those particular stories and circumstances that have helped a society uncover and develop their moral answers to questions and crises.

Communitarian morality is not relativist insofar as it holds moral norms to be universally true; rather, it clothes moral rules in particularity rather than in abstractions of any given society, which is something that liberal universal morality insists must take place for there to be true morality *qua* universal. Part of the communitarian moral philosophy is to possess a certain loyalty towards one’s country, which includes respecting its norms. While the moral laws themselves are universal, part of the understanding is that people’s upbringings are rooted in

¹¹³ Ibid, 13.

¹¹⁴ Ibid, 8.

particular circumstances, without which we would not be able to engage as moral agents, and thus engage in a genuine act of patriotism.

While the relevance of this worldview for purposes of this paper is not immediately obvious, it becomes evident as MacIntyre next moves into the implications of this worldview, among those securing the material conditions for a society, versus the universal liberal moral view that each individual is entitled to some equal share of the whole. He writes, “on occasion patriotism might require me to support and work for the success of some enterprise of my nation as crucial to its overall project, crucial perhaps to its survival, when the success of that enterprise would not be in the best interests of mankind,”¹¹⁵ which suggests a sense of competition between different societies. Though this could spill into war, which would not be in the interests of mankind, it could benefit some social order vying for resources. The upshot of this idea is that nations, which are shared political communities of particular people with shared history, language, and culture, have a primary responsibility to themselves, which is to say, between the members of that community. This doesn’t seek to justify unprincipled political realism, wherein countries actively pursue their interests in unjust ways; rather, part of the moral law entails a specific loyalty and self-regard for one’s countrymen, which manifests in actions that primarily benefits said countrymen. In the context of the marketplace, that means nations compete and seek the genuine interest of their own countries.

Because nations serve a distinct purpose in the inculcation of virtues and morals upon people, and impresses a particular national character on them, it is evident that nationalism, and by extension, national political and economic priorities, are both theoretically and practically justifiable in order to chart the course of American political economy. Not only do classical economic theories that inspire liberal economics depend on a nationally bound market, but the

¹¹⁵ Ibid, 14.

particularist political-moral ethic describes a more comprehensive and convincing¹¹⁶ anthropology, which gives a coherent philosophical account of nationalist economics.

Conclusion

It is now evident that there is a way forward. Classical economics describes with sufficient clarity that there is an “economic reality,” namely a set of rules and conditions under which market interactions function. Comparative advantage is as real a concept as the laws of thermodynamics, the principle of noncontradiction, or the “self-evident” truth that “all men are created equal,” and the same is true for many of the other economic phenomena studied and described by classical economists from Adam Smith onward.

That said, nations are also real, which is to say, nations—as units of political organization—are not merely conventions that may become obsolete, but rather are the unit of organization that contains a specific set of cultural, historical, and communitarian bonds and sets of allegiances that bring together a specific people at a specific time and place. In other words, nationalism as a concept has as much reality as comparative advantage does. For economic purposes, nations compete, and national interests must determine what conditions and outcomes are desirable for the people in that nation. With that in mind, national conservatism can chart the course for resetting America’s economic agenda, and break out of the efficiency paradigm set by classical economists. It might be cheaper to make TV’s in the Asian markets and import them into the United States, but it cuts against the US national interest to encourage offshoring and deindustrialization. Some industries, such as “subsistence, habitation, clothing, and defence,”¹¹⁷

¹¹⁶ It is particularly convincing when compared to the universal liberal anthropology, which treats people as autonomous individuals. As Russell Kirk claimed, “I never call myself an individualist; and I wish you people hadn’t clutched that dreary ideology to your bosom. Politically, it ends in anarchy; spiritually, it is a hideous solitude. I do not even call myself an ‘individual’; I hope I am a person.”

¹¹⁷ Hamilton, “Report on Manufactures,” 284.

are worthwhile to have manufactured domestically, even if that means a “less efficient” outcome. The overall benefits of an economically diverse society that have been explored in this paper suggest that a critical mass of domestic manufacturing justifies some of the efficiency trade-offs.

I am agnostic as to which specific policies America must adopt towards a nationally conservative economic agenda; I have some ideas, but the justification of those specific policies lies outside of the scope of this paper. Moreover, with complex economic problems changing conditions frequently, what constitutes as a “critical mass” of domestic production is a perpetually contemporary question that needs to be explored and debated by policymakers and civil society. That said, policymakers should consider what would happen under a proposed policy based on the principles of classical economic theory. After such an analysis, political actors will need to make trade-offs based on the different outcomes and in light of different national needs.

Adopting tariffs might be advantageous in the long-run, or the trade-offs might be considered too costly. There are also other alternatives to increase domestic production. Senator Josh Hawley has recently proposed local content requirements for multinational corporations that produce goods “critical to national security.”¹¹⁸ Alexander Hamilton’s preferred method was “pecuniary bounties,”¹¹⁹ which are production subsidies given to help infant industries; the modern-day equivalent is helping with capital allocation for new projects. Atkinson and Lind suggest the importance of focusing on “technology-driven productivity growth” in their own national economy by harnessing the power of large corporations to innovate and dominate market share in the global economy.¹²⁰ The consistent principle underlying all of these policies

¹¹⁸ Josh Hawley, “The Only Way to Solve Our Supply Chain Crisis Is to Rethink Trade,” *The New York Times*, October 29, 2021, <https://www.nytimes.com/2021/10/29/opinion/hawley-supply-chain-trade-policy.html>

¹¹⁹ Hamilton, “Report on Manufactures,” 290-293.

¹²⁰ Atkinson and Lind, “National Developmentalism.”

should be a question of principled national interest; in other words, which of these offers the best means for achieving national priorities? What should not be in question is whether the national interest should be considered.

While I take no position on the means of reshoring industrial production, or even which industries need to be reshored, this paper has justified that a national system of political economy is the proper framework for achieving a robustly defined set of economic outcomes, and towards a flourishing society. For these reasons, America would be well advised to develop an industrial policy towards those ends.

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