

American Enterprise Institute for Public Policy Research
The Battle over Free Enterprise
UNEDITED TRANSCRIPT

May 2010 Bradley Lecture by Arthur C. Brooks

Christopher DeMuth: Good evening my name is Chris DeMuth. I'm a fellow at AEI and I'm happy to welcome you to the May and final monthly Bradley Lecture of the current academic year. We are winding up the year with a lecture by our very own Arthur Brooks, President of AEI, and the lecture this evening will be a sneak preview of his new book, *The Battle: How the Fight between Free Enterprise and Big Government Will Shape America's Future*, to be published on June 1st by Basic Books.

Arthur has been president of AEI since January of 2009. His preparation for the assignment was 12 stellar years as a professional French horn player and 12 stellar years as an academic economist and professor. Those first 12 years were good preparation because, as he once told me, when you spend many years with your hands around a French horn, after that everything else seems easy. The second 12 years were a good preparation because they were years of study and writing when he developed his distinctive ideas on issues of policy and politics and social welfare that are the preoccupations of the American Enterprise Institute, ideas that lead him to AEI and AEI to him.

The academic years were good preparation also in that they exposed Arthur to the inner workings of the modern American

university, an institution with many strengths but also many weaknesses. Think-tanks like AEI are in many ways an alternative way to organize intellectual activity. We try to borrow the university's strengths while avoiding its weaknesses.

One of the AEI attributes that is most sharply distinctive from the university is that we relish rather than avoid hard intellectual arguments. Too often in the university, the route to success is to focus on small inconsequential subjects and to argue with such bland over qualification that no one could possibly take offense because no one is quite sure what he or she is really saying.

At AEI, careerism of this sort is out of bounds. Truth telling and clear argument are our callings. We like to advance large propositions and hold up big targets not just because we're strong-minded folks here but because doing so advances the competition of ideas and the pursuit of truth. Also, being partisans of free enterprise in a company town built on big government enthusiasm is a little bit like being that boy named Sue, we learned a long time ago never to duck a necessary brawl which brings us to the subject of this evening's lecture.

It has fallen to Arthur Brooks to take the helm of AEI at a time when what he would call our core values - personal liberty, private enterprise, equal opportunity - have fallen under attack as never before. President Obama takes every opportunity to

express his contempt for private enterprise, sometimes with the most outrageous accusations and his desire to replace free private ordering with government command and control wherever possible. What is an earnest think-tanker to do? Write a book, of course.

Many believe that the financial crisis and the onslaughts of the current administration and Congress have produced a crisis of capitalism so that the case for private property and competitive enterprise must be reconceived from the ground up. Arthur Brooks will have none of it. He believes that the old fashioned case for individual mastery and pursuit of happiness is quite sound and quite well understood by the vast majority of Americans.

His book is a luminous and highly empirical explication of these ancient truths and is also as its title suggests, a call to action. Please give a warm welcome to AEI president, Arthur Brooks.

Arthur C. Brooks: Thank you Chris and thank you to all of you for spending some of your time here with us here at AEI. It has been my delight to be the host in most of the Bradley Lectures since I've been president and I've been looking forward to the opportunity to give a Bradley Lecture. I'm especially pleased to be introduced by Chris and I want to call your attention to one thing. He introduced himself as a fellow at

AEI. But most of you will recall that he was the president for 22 years of AEI and then in fact it is exactly that humility mixed with his vision that built AEI into the great institution that I inherited.

What you see around you and the ideas that many of you have come to admire are the handiwork of Chris DeMuth, not of me, and that's something I deeply appreciate. I thought it worth mentioning because I think many of you are his friends and saw that he understated his own role in what's happened here this evening. I appreciate that very gracious and generous introduction.

Chris already said everything I was going to say here, so we could just call it a night. I would hate to actually have any of you go home tonight and say to each other, boy, Chris really over sold that lecture. But I do want to talk about the book that I've written called *The Battle* and start off by thanking many of my AEI colleagues who are here tonight. This really was a collaborative venture and most notably with my writing partner, Robin Currie, without Robin the book would not have been written. He helped me in so many different ways as did many of my colleagues.

The book is called *The Battle* and in this book I argue something that's a little bit jarring. I argue that America is in a new culture war. This is not a culture war of the 1990s

over God and gays and guns and abortions. This is not, as many people in Washington, D.C. would have you believe, a war between Democrats and Republicans. This is a struggle between two visions of America's culture. The vision that says America is based on the culture of free enterprise versus the vision that says America needs to progress to European style social democracy.

Now, when I say free enterprise, I mean limited government, rewards and consequences of actions that are determined by market forces and a reliance on entrepreneurship. When I say social democracy, what I mean is a large and growing government, managed economy and a focus on income inequality or income equality. Reasonable people disagree which is the right system for our country. Reasonable people can regret the fact that we are of a culture of free enterprise. And I am going to assert that we are in the middle of a culture war to decide which of these cultural visions should prevail.

I'm going to tell you tonight why I think that free enterprise has to win, and you may not agree with me. But even if you don't agree with my points and with my arguments, I think that you will understand a little bit better why so many Americans today are so angry about what's going on in Washington, D.C.

In the world of ideas, among intellectuals, frequently you see kind of an inscrutable confusion about what's going on outside of Washington. Frequently people ask me, so what do you make of all of these protests and all of these tea parties? Why are people getting so wrapped around the axle about a little change in policy here, a little increase in tax rates for a few people there? And I say it's about culture.

And I'm going to tell you why I think that is. So even if you disagree with what I have to say about what's best for America, I'm hoping that you'll understand what's going on a little bit better. And if you do agree with me, I'm going to tell you what I think we need to do to win, what I think we need to do to ensure the strength and safety and vitality of the free enterprise system going forward.

Now, why do I say we're in a new culture war? Actually, it's not me saying that it's the President of the United States who says that. Here's a quote from President Obama from May 13th 2009. On that day he gave the commencement address at Arizona State University for the graduating seniors. Arizona State sort of won the lottery to be the first university to get a commencement address by the new president. The new president addressed the graduating seniors with these words, I quote, "You're taught to chase after all the usual brass rings. You try to be on this who's-who list or that top 100 list. That has

been part of our culture for far too long. Let me suggest that such an approach won't get you where you want to go, it displays a poverty of ambition."

Note that he's talking about changing our culture. The necessity of changing our culture from pursuing the brass rings of success not just changing our economy. We need to understand and appreciate this. We can pretend that the administration's policies today are part of an economic argument, are part of details about how we're going to conduct business, but we're fooling ourselves. The President of the United States is not pretending any such thing. He understands that it's our culture that we're talking about and our culture that he believes we need to change.

Now, what will our founders say? The answer is our founders would say that the president is right. This is about culture. This isn't just about economics. Here's Thomas Jefferson in 1787, a quote that you've heard many times I imagine, "A wise and frugal government which shall restrain men from injuring one another, which shall lead them otherwise free to regulate their own pursuits of industry and improvement, shall not take from the mouth of labor the bread it has earned."

Why not? Does taking the bread from the mouth of labor that earned it would be economically inefficient? No. Thomas Jefferson said we shouldn't do that because it would, in his

words, "It is necessary to close the circle of felicities." In other words, to take the bread from the mouth of the labor that earned it would make us a less happy nation. Thomas Jefferson understood as did the founders that how we earned our daily bread, the prosaic details of our daily lives, our workaday lives was how we express ourselves, was central to our culture.

Jefferson and Mr. Obama would disagree violently about free enterprise but would agree completely on the cultural centrality of free enterprise. And many Americans appear to agree that the free enterprise system is fundamentally cultural. The Tea Party movement that we see all around us these days is based on rebellion against government intrusions into the economy, including bailouts and ballooning debt.

In Massachusetts, probably the most important race or at least the most reported on race that we've seen in the past year, Scott Brown won the vacant seat that had been held for more than 40 years by the late Senator Ted Kennedy and he won a platform that made the moral case for capitalism. Here is the speech that really put him over the top according to polls. He said this, "What made America great? Free markets, free enterprise, manufacturing, job creation. That's how we're going to do it not by enlarging government." It's extraordinary. This is not a politician who's saying a chicken in every pot. This is a politician who's saying the government is putting too

many chickens in too many pots. It's an incredible ethical case for the free enterprise system and it won a celebrated election. There is no better evidence of the cultural centrality of the free enterprise system and what we're seeing in current events today.

So which culture do Americans prefer? Do Americans prefer the culture that the currently leaders would like to take us to in which we would progress into what our European friends have already started to experience, social democracy? Or do Americans prefer a culture of traditional free enterprise? That's an empirical question. That's a question we can turn to the data that asked. And the data are very clear it turns out.

In March of 2009, the Pew Research Center asked a large group of Americans, do you believe that free markets are the best way to organize the American economy despite severe ups and downs? That was the wording of the question. Seventy percent of Americans said yes, 20 percent of Americans said no, and 10 percent didn't know. Gallup, this year, in January of this year, asked whether people had a positive image of the free enterprise system; 86 percent said yes.

At the same time redistribution, a central facet of social democracy is immensely unpopular. The Ayres, McHenry Polling Corporation asked this, which option do you prefer, asked this in the middle of 2009, do you prefer government policies, do you

believe government policies should promote fairness by narrowing the gap between rich and poor, spreading the wealth, and making sure that economic outcomes are more equal? Or do you believe that government policies should promote opportunity by fostering job growth, encouraging entrepreneurs, and allowing people to keep more of what they earned? Respondents to that survey chose the second option over the first 63 percent to 31 percent.

No matter how you asked the question, you always find that America is in point in fact a 70-30 nation in favor of free enterprise. Now, this is an incredibly comforting finding to me as the president of AEI. AEI is an organization based on three principles. You can read it in our mission statement or don't, I'll just tell you. AEI is dedicated to expanding liberty, increasing individual opportunity and defending the free enterprise system. We're an organization where each one of the central tenets of our mission polls at 70 percent. We are in point of fact, the most mainstream policy organization in America today. I didn't anticipate an applause line but on behalf of my colleagues, thank you.

So we can ask about capitalism, we can ask about free markets, we can ask about free enterprise, we can ask about redistribution, the data always come out the same. We can even ask about business. So this is a dicey thing to do right now. Business is pretty unpopular for all sorts of bad and good

reasons as we all know. But when we ask people even about the free enterprise system as regards business, we get the same set of answers.

Here's an interesting results that we get from Gallup in the middle of 2009. Seventy-six percent of Americans say business is the source of America's strength, this despite the most severe downturn in probably 50 years and despite that fact that malfeasance and greed were in the front page of every paper in the middle of 2009. Seventy-six percent say the source of America's strength is based on business.

Now, here is a weird little fact however. In the same survey the interviewers asked respondents, do you trust business? Seventy-five percent said no. Now, I puzzled over this apparent contradiction for a while. Three-quarters of Americans say that our strength is business but three-quarters also say you can't trust business. How can this be right? And I was puzzling over this and I mentioned it to my wife, who's here tonight, and I said how can it be that people hold this apparently competing cognitions? And she said, "No, no, no. You don't understand this. It's simple, it's obvious." Tell me. She said, "Think about it this way. Everybody is in favor of marriage but nobody trust husbands." I took umbrage at that but the point was well-taken. Americans are not stupid but we know wherefrom we get our strength.

The main point is that America is a 70-30 nation in favor of free enterprise for the moment. Now, compare this to our European friends. Here's a question that a lot of international surveys ask. Do you believe that the government should redistribute more income that at present from rich to poor? If you ask Americans this question, about 33 percent say yes. If you ask Spaniards this question, 80 percent say yes. That in a nutshell tells you the difference, culturally, around economics that we see between the two nations.

But even more vivid than that is what you see on the streets. Who is protesting in America and who is protesting in Europe? In America we see tea partiers who are protesting the fact that the government is encroaching on the free enterprise system. They're protesting the fact that the government is spending too much money in bailing out too many people. What are they protesting in Greece? The government is not giving them enough stuff. That the government, in the face of the worst economic, perhaps existential crisis in many decades, won't pay off the lavish pensions that they felt to which they were entitled.

It is orthogonal to the Tea Party demonstrations in the United States. There's no better example of the cultural difference between America and Europe today than the difference between the Tea Party demonstrations and the demonstrations we

see going on in Greece. Some may say that if the 30 percent against free enterprise can change our culture sufficiently, we'll have a little more of that Greece here in America in 20 years.

So 70-30 is pretty encouraging if you agree with me that the free enterprise system is good for the United States, but 30 percent is actually still a lot of people. Thirty percent is a lot of Americans and it's actually the majority of citizens in many communities around the United States and I grew up in one. I grew up in Seattle, Washington to a family of artists and musicians -- I grew up in the Soviet Union basically. And I literally had no personal relations with anybody who voted for Ronald Reagan. I mean, this is an insulated community but actually, it seemed mathematically impossible to me that Regan was elected because if nobody -- well, that's kind of an old joke, right? Somebody said that about McGovern, how could Nixon get elected if everybody voted -- I knew who voted for McGovern.

It was the same thing in my family and among my friends with Ronald Reagan. When I grew up and I moved away, actually I took a job when I was 19 years old playing chamber music and I toured around the United States and I played concerts in all 50 states over the next 5 years. Incredible experience and the most important part of the experience is I got to talk to people outside of Seattle. And it turns out that Seattle is not a good

or reflective model of the rest of America. I met people who actually did vote for Reagan and didn't seem insane.

And I actually started to absorb certain truths that other people seemed to be telling me, and I started to question many of the cultural political dogmas with which I was raised. It actually came to a head a few years later, by this time I was married, I was back visiting my parents in Seattle over Christmas holiday. I was in the kitchen with my mother and we were preparing a meal and she said -- she was -- I could tell she was uncomfortable and nervous about something. She said, "Arthur, I need to ask you a personal question." I thought, oh, great, this is one of those uncomfortable moments where I'm the adult child and she wants to know if I'm smoking pot or something like that. And she said, "Have you been voting for Republicans?"

And I can honestly tell her that I was an independent and I still am, but that wasn't good enough. That simply was not -- that sort of like saying, it's okay, mom, I only smoke pot on weekends. It was not strong enough. It was a drift from the culture; the pervasive 30 percent coalition culture against free enterprise in America. So 30 percent is plenty of people but if you think about it, it's still not enough to win elections. So here's a question that might be lurking in your mind and certainly was lurking in mine when I was doing a lot of the math

for this book. If it's a 70-30 country, how come the 30 percent are in charge? How did that happen?

And there are two answers to that question. The first is that the 70 percent haven't been in charge for a very long time. If I look back over the last decade, I see shades of statism. Frankly, when I see 55,000 spending earmarks, none of which were vetoed for abuse spending by President Bush, when I see the largest expansion and entitlement spending in U.S. history in Medicare Part D or 50 percent real increase in the size of the Department of Education under the Bush Administration, I have to say that's statism. That's not the 70 percent majority and all we have today is the 30 percent coalition on steroids; simply the administration who doesn't do it secretly and get in trouble for it but embraces the whole idea. So the first explanation is that we haven't had a 70 percent culture in charge of our economy or our country for a very long time.

The second reason that we are a 70-30 nation being governed by the 30 percent is, of course, the big game changer of our time which is the financial crisis. The financial crisis put the fear of God in a whole lot of people and many were persuaded, at least temporarily, by the argument that the free enterprise system was to blame. You take those two things and you put them together and you can understand how at least temporarily the 30 percent coalition can govern.

Now, that will work for a while if you're part of the 30 percent coalition that opposes the free enterprise system. The 30 percent coalition that sees a better future in European style social democracy, but it will only work for a while. You need a permanent solution. A permanent solution is one which changes American culture for good. How do you change American culture for good? And to get the answer to that question you need to ask an economist. An economist will tell you, use carrots and sticks. Find some incentives. Find reasons why people won't have to pursue free enterprise as the American dream. Find reasons that they won't find social democracy objectionable; lower the cost and raise the benefits of social democracy especially for young people.

Here are two very good sets of policies that I would recommend to the 30 percent coalition if it wants to change the American culture for good. Now, they're not very original because actually the 30 percent coalition thought of these first. The first is to make sure that the percentage of people who pay nothing for our state increases, particularly among the young. Make sure that a bigger and bigger percentage of Americans have no skin in the game at all.

Right now 38 percent of Americans - of working Americans - have no federal income tax liability. By this time in 2011, actually in January of 2011, when the current administration's

tax reforms come into play, that number of people who have zero federal income tax liability will increase to 47 percent and it's only going north. There's no reason to think that that will ever decrease again; unless, we fundamentally change our tax outlook.

Now, it's interesting to know that if you ask people, should everybody pay some federal income taxes? Two-thirds of Americans, 66 percent to be exact, say yes. Why, because most Americans believe that participating financially in the tax system is part of what it means to be a citizen. It's what puts the sense of responsibility in people's actions that helps them to remember that government isn't free. Notwithstanding that fact, approximately half of American taxpayers by this time next year will pay no federal income taxes at all. That's a great strategy if ultimately you want to change culture.

Second, elevate the public sector over the private sector. How you do that, well, pass out lots of jobs to begin with. The Bureau of Labor Statistics gives us data every year on unemployment rates across sectors. And recently we were delighted to learn that there two sectors in the American economy that still have unemployment rates below 6 percent and they are, according to the government, the first is unpaid labor. Think about this for a second. The government is delighted to report that even though we have a lot of

unemployment in this country things are going just fine for volunteers.

The second category of workers that have unemployment below 6 percent are government workers. And there's a reason for that. Governments are hiring not in every level and not all the time but the federal government last year created 13,000 new federal jobs and good jobs at that. The number of federal jobs that pay \$100,000 and above doubled in 2009. Today the average government worker earns \$71,000 a year. The average private sector worker earns \$41,000 a year. Contemplate that just for a second.

It may make sense to you. But if you were to accept that that is appropriate and proper, you have to accept this proposition, the average government worker is worth 73 percent more than the average private sector worker. You have to say that that is correct for you to accept the fairness of this difference, fundamentally, in pay across the sectors.

What else can we do? Well, if you listen to the State of the Union Address in January you will remember that the president proposed the Student Loan Forgiveness Program. The Student Loan Forgiveness Program tells you that if you work diligently and pay off your student loan, after 20 years you can stop paying. Sounds like a nice bit of relief but if you listen carefully, that's actually not the deal for all workers in the

economy. If you work for the government you can stop paying off your loan after 10 years instead of 20 years.

In other words, this is student loan affirmative action for government workers against private sector workers. If you graduate from college today and open your own business and work hard, you'll pay off your student loans and after 10 years your classmate who graduated with you and went to work for the IRS to tax you can stop paying off his loans courtesy of his own employer. This is an amazingly circular system and it's a very efficient one I dare say at changing the circumstances of our culture. Ingenious, you might say.

Now, I gave you the data that we're a 70-30 nation and the data are just voluminous, I didn't go into all the details and mercifully for you, I didn't. And when I present this data to a lot of audiences, many political conservatives will crow about them and say, see, I knew we were right, 70 percent of Americans agree with us. But that's actually not appropriate to conclude because I can give lots of examples in which minority cultures were the correct cultures, were the morally superior cultures. The pre-Civil Rights South in America was a minority culture that believed that everybody was created equal and should have the same civil rights. We all know that they were correct.

So we can't just walk away and say since we're a 70-30 nation, the 70 percent is right and the 30 percent is wrong. We

need to go further than that. We need to look at a little bit deeper into the data to see whether or not we can come into some conclusion about how morally we're stacking up between the two groups.

And to do this, let's start by asking the following question. Why does the 30 percent coalition believe that the free enterprise system is bad for America? Now, the reason tends to be that redistribution is seen as a tool for a happier society. There's too much income inequality, that's the problem with the free enterprise system. Many people will tell you, who hold that point of view, that if we simply were to equalize incomes more, we'd be a better, a fairer, a happier society.

Now, that's not a crazy idea when you look at the data. Let me tell you why you might make this judgment. Let me tell you why you legitimately might come to this conclusion.

The General Social Survey in 2004 collected by the University of Chicago showed that people who earn \$75,000 or more are twice as likely to say they're very happy people as people who earned \$25,000 a year or less. Every source of survey data available show that in any particular community, people who are richer are always on average happier than people who are poorer. It doesn't matter if the whole community is rich or if the whole community is poor.

As a matter of fact there's a famous study that was conducted at the Harvard School of Public Health in 1995 that asks survey respondents, or should I say ask experimental subjects, to decide between two alternative universes. You get to pick which world you want to live in. One in which you earn \$50,000 a year and all your neighbors are on \$25,000 a year or one of which you earn a \$100,000 a year but all your neighbors earn \$200,000 a year. And the experiments stipulated and the purchasing power was the same. In other words, a \$100,000 is better than \$50,000, more cars, more houses, more stuff. What did people choose? Most people chose to be relatively richer but absolutely poorer. Most people chose the 50 when the guy next door only had 25. As they say, it's not enough to win, your friends have to lose too.

People are so fallen. We could all be doing better but now, you know, I would just assume that we all did a little bit worse so I can feel good about myself. At least that's the apparent interpretation of the data and it makes perfect sense that a lot of people would say, you know, income inequality brings unhappiness and furthermore, it's unfair. It's due to luck, it's due to birth and it's due to discrimination, a lot of people argue.

Now, that's the idea that income inequality is due to things besides merit is very, very common among political

progressives. For example, imagine I asked you this, which I did in a survey at the Maxwell School at Syracuse University in 2005. Do you believe that hard work and perseverance can overcome disadvantage in life? The answer to that question, for lower income conservatives, 90 percent say yes. Among upper income liberals, only two-thirds say yes. In other words, a third of rich liberals believe that hard work and perseverance cannot overcome disadvantage in this country. They believe that the American dream is a false promise. If you believe that, then you believe that fairness requires income redistribution. Fairness is the only way to get there because the system itself is tilted. The deck is stacked and taxing the rich is no longer just about getting enough money to pay for government. It's about making society fairer and more equal and better and more just.

Now, that's a pretty logical conclusion to come to. It's also elegant and simple, and it has motivated generations of political progressives here and around the world. But it's wrong, and it's wrong because it misreads the data and it misunderstands the human heart. It's wrong because it leaves out one key variable when we do our work and when we live our lives. That's a variable called "earned success."

Now, when I talk about earned success, what I mean is the willingness and ability to create value in your life or in the

life of somebody else. And when we measure earned success and we put it into our equations, we find that differences in income go away in explaining any difference in happiness at all. Money doesn't matter, absolutely or relatively, when people are asked about the success they think that they are earning in terms of the value they're creating with their lives. When we understand the projects of our lives, the money compensation no longer explains our relative happiness.

Here's an example. Imagine I ask you, how successful do you feel in your profession? This is a very good way of getting at this earned success concept. About half of American say they feel very successful or completely successful in their work lives. Now, using these data which come from the General Social Survey, once again from the National Opinion Research Center, imagine two people who are precisely the same demographically - the same religion, the same sex, the same age, the same region of residence, the same number of kids - the same everything. And furthermore, both of them say they feel very successful about their professions. But one earns eight times more than the other. They will be equally likely to say that they are very happy people, statistically. In other words, I can wash out the entire balance of impact from money as soon as I start asking people about their perceived earned success.

Now, next question. When I'm doing this data analysis, I think to myself, well, that's all well and good but what about unearned success? What about unearned rewards? What can I say about that? Maybe it's just as good to get a windfall. So I started looking into that and where did I go first, lottery winners. Lottery winners are really interesting people and the reason is because something really big happened to lottery winners, and it turns out there are studies on them. There's one study that looks at 22 major Powerball lottery winners and it looks at their happiness over time.

Now, when you ask lottery winners or ask people who play the lottery a lot, what would you do if you hit the lottery? You get some pretty interesting answers. As a matter of fact, this is a pretty typical ice-breaking party game. Perhaps you played it yourself. You go around the room and you say, what would you do if you hit the lottery? It's a window onto the soul, right? So whenever you play it, some people would say I'd quit my job - nobody at AEI. Some people would say I'd buy a boat or something like that, something big material. If it's a mixed group of men and women, the men will say, I'll start the foundation, right? They'll try to impress the opposite sex. Yeah, right.

But people will tell you something good that would happen in their lives, one thing wonderful that would happen in their

lives if they'd just hit the lottery. Well, they're not looking at the data. What would really happen? Nobody ever says what would really happen. Something like this, well, if I hit the lottery, probably I would start with my no-good brother-in-law taking advantage of me and then I would probably get clinically depressed and then I would start an alcoholic spiral. That's not what people say but that's what the data show. They're really awful when you look at what happens when people hit the lottery.

To be specific, people do have an increase in their happiness but it's all worn off after six months. After six months, people are back to their baseline levels of happiness. But one thing is different permanently and that is the ability to enjoy the little things in life - sports, hobbies, friendships, television, shopping - all the joys washed away and it's washed away forever, and furthermore they don't enjoy spending the money. It's bad for you to win the lottery. Your life will simply hold less joy after about six months. Now, it might be great six months but it's bad deal.

Okay, now, perhaps you're thinking as I did, that's because lottery winners are different. If I had a whole bunch of new money, I'd know how to spend it, right? I'd know how to handle it. So I ask this and I had the data on this too. What happens if you had a windfall that a lot of people in this room are more

likely to get? What's our lottery? The answer is inheritance. That's how many people here would have the lottery touch them; it's the same kind of unearned windfall.

So what happens when you inherit? And the answer is, the same thing. It's like winning a lottery. If you inherit money, it creates some euphoria for a short period of time but it permanently wears off and what are you left with? Especially if it's a lot of money, the lingering doubt that anything you achieve in life thereafter really comes from your own earned success. It's a recipe for insecurity. It's a recipe for unhappiness. It's incredible.

When I was going through this -- I was writing this up in a book. I wrote a book on happiness two years ago. And I was writing this up and I couldn't believe the things I was finding about inheritance, and I was explaining this to my family at the supper table. And I said there's nothing worse than inheriting. It's just really, really bad for you to inherit. And my oldest son - he's here tonight - and I could see the wheels turning in his head. It's his investments, right? My investment is at risk. He said, "Dad, I think something's wrong with your data."

The same goes for a welfare check. The same goes for a government transfer. You can't find unearned income that gives you joy. The only joy that's attached to income comes from earned success and it's because of the success itself and it's

not because of the money. There are a lot of life lessons in this. Never try to get unearned income. As a matter of fact, if you're above the level of subsistence, mind you, in an already rich country, don't try to get income at all. If you're actually at the level where you can support yourself, look for earned success. That's the strategy in life according to all of the data.

So how does this get us back to the redistribution as a dream of a better, fairer, juster [sounds like] America? You can't get there from what the redistributionist want to do. Income inequality per se doesn't cause unhappiness and income redistribution per se will not increase our level of flourishing. Actually, by spreading money around and not spreading earned success around, it attenuates the ability and the willingness and the incentives for people to do what they need to do to earn their success, and in that way it lowers our flourishing.

Here's the great paradox of redistribution. The paradox is this, when we seek to get happiness by redistributing money, we get unhappiness because people have less of an incentive to earn their success. That's why I believe that the free enterprise system is not just an economic alternative. The free enterprise system which matches skills and passion so that the most people most of the time can earn their success. That system is a moral

imperative. That system is a positive moral good beyond just being an economic alternative.

Now, one quick side note. I've also found in the research that it doesn't matter if you earn your success and it's denominated in something besides dollars. I wrote a book once called *Social Entrepreneurship* because I wanted to figure out this weird phenomenon where all these people who didn't have any money but were really entrepreneurial in the non-profit sector, why were they so happy? And the reason was because they were earning their success but the explosive rewards they were getting were not counted up in green pieces of paper. They were getting counted up in a number of people who understood and appreciated the free enterprise system or the number of souls saved or the kids literate or the park cleaned up or whatever it happen to be; the people who are exposed to chamber music for the first time, whatever it was, they were denominating their earned success, they were counting their rewards in a different denomination. That's earned success too.

So don't get me wrong. We're not just talking about money. As a matter of fact I'm not talking about money at all. This is really what our founders meant when they said that we had the inalienable right to pursue our happiness. We pursue our happiness by living in a system where we ensure the freedom of ourselves and each other to pursue our earned success.

Now, there's another moral imperative here, and that's a moral imperative I often bring up when I'm talking to politically conservative audiences who really are behind this notion that free enterprise is the best thing cooking, I'd say. But that's not the end of the story. It's still not good enough to set up a free enterprise system and walk away because what we need to do from there is dedicate ourselves to the second moral imperative which is making sure that the promise of free enterprise is not a hollow promise for anybody and that's an expensive time consuming thing to do. This is where compassion and conservatism really need to come together, or as they say in business, where the rubber hits the road is on individual opportunity and making sure it's not fiction for anybody. What are we going to do today to make sure that everybody can earn their success if they so choose?

Now, let's say hypothetically that you agree with me, that free enterprise is a great thing. What are we going to do? Chris in his introduction persuasively made the case that the system's under attack. And it's under attack from about 30 percent of the population and the leaders of that group for reasons that I believe are profoundly misguided and that's based on social science research, not just my own ideology. It's based on the data as far as I know, as far as I believe.

So what do we do? If you agree with me, what are we supposed to do? I think that we're supposed to do three things. I think that there are three things that we can do to fight for the free enterprise system, to engage in the battle - that is the title of my book. The first is really simple. The first is actually ridiculously simple and that is to live according to our principles - to work, to create wealth, to be employed joyfully and to pass up the government dole. These are ethical propositions. Ordinary life under the system of free enterprise actually is helpful because it reinforces the system that we cherish.

The second way that we fight is actually getting involved in the public policy process. The current grassroots activities that we see today, I think, are very healthy symptom of Americans recapturing a sense that their culture is at risk. This activity, this grassroots activity desperately needs an intellectualization. It needs your ideas, it needs our ideas. But getting involved also means getting involved with policy makers. Holding them accountable for when they say they're changing our economy but actually they're changing our culture. It also means getting involved with organizations that have dedicated themselves to this fight. That sounds an awful lot like a fund-raising pitch for AEI. And it is.

Number three, what do we do to be in the fight? The answer is don't lose anymore arguments about the free enterprise system. Get all the facts right. As far as I'm concerned, here are the big three things that we need to know. Number one, the free enterprise system is a mainstream value. The free enterprise system is a 70-30 belief, it's not a right-wing thing, it's not part of the conservative movement, it's not a Republican thing or a Democrat thing, it's a mainstream belief and we have to stand up for it as such.

Number two, the primary case for the free enterprise system is cultural, not economic. When we get backed into a corner to say that the reason we like the free enterprise system is because it's economically efficient, that's when we start to lose the argument. The stakes are so much higher than economic efficiency. They get into the ethics of what the system really means for helping people to earn their success.

Key fact number three - and this is one that I can't stress enough - is that free enterprise is the fairest system. Over the past year-and-a-half, we've heard the administration argue for more and more redistributive public policy saying that what we really need is a sense of fairness and balance in our economy. I quote, "Fairness and balance in our economy." Well, most Americans - according to the data - see fairness actually as a system that rewards hard work and merit and excellence and

penalizes free-riding and corruption. That's actually a pretty good definition of the free enterprise system.

Look, if you work harder than your neighbor and you retire with the same amount of resources, that's actually not fair. That's unfair according to most Americans. If you pay your mortgage, even though it's underwater and your neighbor walks away without recourse, that's not fair. That's unfair. We need to take back the entire concept of fairness.

Most Americans think that forced income redistribution beyond what we need for a functioning level of government is profoundly unfair, and we can't stand for the twisting of the concept of fairness that we're currently hearing from the administration. Many of our ancestors came to this country not because it offered greater government redistribution programs than their home country, but because it offered the opportunity to earn success because it offered real fairness for the same time.

I'm almost at the end of my remarks but I want to make one last point and then we'll have a question-and-answer. We'll have a discussion and I'll get to hear what you think.

Here's why I think the battle is really worth fighting. The battle for free enterprise that we are right now has to be fought. Now, it's time-consuming and costly to worry about these things. It's actually just easier just to compromise over

public policies. It's easy to compromise over healthcare reforms that we don't particularly like, that don't reflect our values and we think are going to run up the debt. It's easier just to compromise about financial market regulation that we think is costly and won't improve any sort of efficiency or fairness in our economy. But let's remember why fighting matters and why it matters right now. What we care about is not just efficiency and money. What we care about is happiness and human flourishing. Those are the ideas on which this institution was founded and indeed the ideas on which this country was founded.

Free enterprise is the best system to allow the most people to achieve the most earned success and it's this system that has set more people free and improved more lives than any other system. It's led, frankly, to an unimaginable world of prosperity as people have sought the fruits of our system and shared them with the rest of us, shared through their own-earned success amazing advances in science and medicine that we never would have seen had people not been able to enjoy the rewards of their own good decisions; the education of millions of children and the end of tyrannical and collectivists regimes around the world. The spread of democracy is the fruit of the American free enterprise system. In my view, it is the most profound

expression of American values that has literally, radically transformed the world over the past 200 years.

Now, you know as well as I do that there are Americans today fighting and dying for these values. And it's my view that it's the very least I can do, to stand up for these values here at home. So for those of you who are doing just that with me, my last words to you are thank you.

Thank you and strangely I've finished on time and we have time for discussion. So does anybody like to kick it off? The first one is the hardest. Now, a couple of quick ground rules, Bradley Lecture ground rules, which is to say please wait for the mic, say who you are and make your statement in the form of a question. So where would you like to start? Michael Barone.

Incidentally, one quick comment before Michael starts. Michael Barone has just been named a recipient of this year's Bradley Foundation Bradley Prize. This is also known as a genius grant for conservatives.

Michael Barone: Well, thank you, Arthur, brilliant lecture. Question, how does earned success stack up in European cultures as opposed to American cultures? What do we know about that? Are they less happy than we are?

Arthur C. Brook: That's a wonderful question. When I was doing research on happiness, the first question I set out to

answer was which country is the happiest country and why? And the first thing you find out when you start stacking up all the data on happiness worldwide is that all of the surveys disagree with each other. So I have one survey that says that Sweden is happiest, the other one that says that Denmark is happiest. Well, we're on to something there, right? Another says that Brazil and Mexico were happiest and I found others that says the United States is happiest.

Now, that's a problem because when you have multiple well-executed surveys finding drastically different things, the first think you say is, we're not asking the question the right way or translating it differently in different places and people understanding the question differently.

So the answer to that question, which country is happiest, is we just don't know. It's perfectly plausible; the different systems would make different populations happier. Let me just pause at this. Some people have theorized that Americans are different and like entrepreneurship more than Europeans because of - and get this - our DNA. There's new research that suggest what? Well, what is the most characteristic or is the greatest characteristic of an entrepreneur and the answer is putting capital at risk. What kind of capital - financial capital, linguistic, social, cultural, religious capital - putting it all at risk.

And what is the single most risk-embracing act that you can engage in? The answer is immigration. So we're a nation fundamentally of immigrants. Who knows? Maybe we've loaded on what's a mutation on Europe. Maybe we're a risk-seeking nation that appreciates entrepreneurship more than others. If that's the case, it's perfectly plausible the free enterprise system would suit us better than it does the Swedes. I'm not willing to go to tell the Swedes today that they better embrace the American system of free enterprise but by that token, I'm not very interested about what they have to say about our system either. Thank you, Michael. Leon Aron.

Leon Aron: Leon Aaron, AEI. I have a question but I would like to make a personal statement, not in the form of a question. I always felt certain amount of simpatico that appeared to emerge between us, Arthur, and I realize now why. You, too, were born in the Soviet Union.

Arthur C. Brooks: Separated at birth.

Leon Aron: One of these days, we'll buy bottle of vodka and swap happy stories.

Now, I was delighted to hear this lecture and really looking forward to your book because it's something very similar to what I'm finishing now. It appears to me to belong to the grand intellectual tradition of -- I don't know if you're a former Marxist but many of them were, [indiscernible] Berlin,

Irving Kristol and Dr. Himmelfarb, and [indiscernible] Wilson. They looked for the roots of economic policies in culture, in morality, some of them because they've been Marxists and they've been to the other side and they know that an economic rationale does not explain everything.

This being said, I wonder - and I don't know, maybe you go that deeper in your book - but have you been sort of a bit cavalier in dismissing, for the want of better expression, the damage that has already been done. In other words, we've had elections. We had election in 2008. At what point, what is the watershed? At what point the seduction becomes corruption? Do you go into that in your book? Thanks.

Arthur C. Brooks: Where is the threshold? At what point is there no turning back? Well, that's the frontier we're exploring right now. Both sides are trying to figure out where that is. Is it 47 percent with no federal income tax liabilities? Is it 65 percent? Is it 72 percent? Is it 99 percent or will Americans always have an ethical adherence to the principals of free enterprise? The truth is just we don't know and I don't really want to find out.

But there has been significant damage done, this I agree with entirely. The healthcare bill that we just saw pass is going to create pain for people who like free enterprise. If you want to know how it's already creating pain, look at the

Wall Street Journal editorial page this morning and you'll see the work of AEI scholar Scott Gottlieb. He talks about the fact that already fewer people - not more - have health insurance coverage - already. We're actually seeing the unintended secondary -- actually primary consequences of these counter free enterprise policies that we're seeing. Can we come back from those types of harms? I don't know.

Now, there's a good side to pain however. Pain actually has -- now I'm really Soviet at this point, I realize. Many conservatives have gone out of their way to tell me that the great gift that Jimmy Carter gave America was Ronald Reagan. Maybe some of you agree, I don't know. But the basic point is this. When somebody is truly subversive of mainstream values and comes along, when a group of politicians, which as you know in my view are politicians of the national level that transcend parties and have gone back over a decade. This is not a partisan point; I remain a committed political independent on this in my disdain for both political parties. When we see the free enterprise system systematically abrogated over a decade, this creates the kind of pain that leads to questioning and this is what we're seeing today, and this is of course the best opportunity we've had in decades. It's a wonderful gift because we're having this conversation. This actual conversation 10 years ago probably wouldn't have made sense. Some of you are

thinking it doesn't make sense now. This is something that we have to use and it's a wonderful thing. So I think that under the circumstances, yes there's pain, yes some might not be reversible but I think much, much good can come of it. Thank you.

Let's go over here because you've had your hand up already and then we'll go to the back or some place.

Elizabeth Sinclair: Thank you. Elizabeth Sinclair, AEI groupie. Thank you very much for your brilliant lecture. How can we get your gift and transfer it to the large percentage of black people in America and Hispanics who have no association or understanding, kind of careful analysis?

Arthur C. Brooks: Thank you. Just back up just 10 seconds and ask who are the 30 percent coalition? About three to five percent, something like that, are leaders who are upper income, upper education elites in service and idea professions and Charles Murray has wonderful data coming out on this and I recommend his new book to your interest. This should be coming out next year. He finds that high-income, high-education idea professionals up to five percent of the population have increased their likelihood of calling themselves extremely left wing by a factor of 25 over the past 35 years, an extraordinary shift. So that's the core of the leadership of the 30 percent coalition. Who else makes up the 30 percent coalition?

One other group, something like up to 10 percentage points of the American population is made up of people who tend to define themselves with respect to a certain kind of victimhood.

Now, you can dismiss that if you want but I don't want to and the reason I don't want to dismiss that is because it's legitimate. It's legitimate that many people have frankly been locked out of the promises of the free enterprise system. That's my view. It's not necessarily a politically correct point of view particularly among conservatives, but I think that one of the reasons that so many people in the 30 percent coalition don't like the free enterprise very much is because they haven't been able to enjoy the promises of earned success, and that's a challenge to you and me.

That is the challenge of our time; is to go from thinking to action. To think how AEI and all of you can help earned success touch more people. This is what we should be doing as teachers; this is what we should be doing as doers. This in my view is a responsibility of stewardship of America's promise.

Let's go to the very back, there. We have a microphone coming.

Peggy Sands Orchowski: Thank you. Very interesting. Peggy Orchowski, I'm with the *Hispanic Outlook in Higher Education*. Wow, some radical stuff - inherited money is not earned. Do you consider stocks earned money, do you consider

derivatives earned money, do you consider takeovers of companies that were earning money but they could make more by being taken over, is that earned money?

Arthur C. Brooks: I consider inherited money earned by somebody, notably the person who is putting the money in his or her will. I consider capital to be valuable just like labor and land and entrepreneurship are valuable and those are the -- and capital is the resource that's rewarded when we talk about stocks, when we talk equities, when we talk about investments.

But here's the interesting thing and you bring up a very good point, the question is important in this way: Who actually is earning something or not earning something when money is inherited and what does this mean about what we should do? It's easy to take my words and say, okay, what we need is a 100 percent inheritance tax.

Funny thing that the inheritance tax is the tax that most Americans, including poor Americans, think is the most unfair of many manifestly unfair taxes in our tax code. They believe that the most unfair tax is the estate tax, including the poor. Now, this really puzzled me for a long time. I was writing a book about charitable giving at one point so I wanted to understand how it worked with inheritance tax. So I went out and I started talking to poorer people about the inheritance tax because I wanted to understand the dynamics of this opinion. It's a kind

of lost art in social science is going out and talking to the humans.

And as I was talking to people, I say, you don't understand. It's good for you, the inheritance tax, because you'll never pay it but all the services that will be paid for or disproportionately you'll get these services. They said we don't care. It makes us feel less free and we think it's unfair. People actually talked about their happiness when we talked about inheritance tax.

So that should we do about that? Should we create a system that makes everybody feel less free and that most people find is unfair and, furthermore, that takes away the liberty of the people to dispense of their resources as they see fit just because it actually doesn't create that much happiness for the heirs? My answer is no. We should let people dispense with their resources as they see fit and the heirs, they're on their own. They're going to have to deal with their misery when they get their large inheritance. Thank you, I appreciate your point very much. I think you have a follow-up comment.

Peggy Sands Orchowski: What about stocks?

Arthur C. Brooks: I think stocks are the return on capital and capital is inherently useful, and well-invested capital is the basis or is the fruit of human genius just like labor, in my view.

Let's come over here on this side. We haven't been on this side in a while.

David Brazell: David Brazell [phonetic]. I take it you would agree with the slogan, "no representation without taxation," given your comments. Given that though, that phrase sounds very anti-democratic. I mean we've moved from a system in the beginning of our country where you had to have a certain amount of wealth to be able to have the franchise and we gradually moved away from that to universal suffrage. How do you reconcile the desire to make everyone, in some sense, feel the burden yet not sound too anti-democratic?

Arthur C. Brooks: Sure. Well, in effect saying that the majority of Americans should be exempted from paying for any part of the services that disproportionately touch them, that's anti-democratic. It's actually democratic to have everybody be involved in the system in some way, where it touches everyone. In my view, that's the expression of the democratic impulse. Now, should everybody pay the same amount - of course not. That's absurd. Should we have a tax that's not progressive - not in my view.

Simply put, I agree with 66 percent of Americans who believe that there should be at least some pro forma contributions so that people understand that government isn't free. Now, that doesn't mean that we can't be extremely

progressive particularly when we reward entrepreneurs and entrepreneurs have outsized rewards. Why do you tax those folks -- you know, Willie Sutton, why do you rob banks? What was his answer? "That's where the money is," right?

There's a good reason to actually tax folks for the money is to get a functioning government but at the same time we can't forget that participation that are -- what we pay is part of who we are as citizens as well. It's not just about what you take, it's also about what you make and the central wisdom of that is a full understanding in my view of what citizenship can and should be.

Let's see, you've had your hand up here in a while so for a while, right in the middle.

Carlos Lozada: Hi. I'm Carlos Lozada of the *Washington Post*. You say this battle between free enterprise and big government is the new culture war. Is the old culture war over? And if not, is this new culture war with the rise of the Tea Party more of a winnable issue?

Arthur C. Brooks: It's a good question. Is the old culture war over? Let's put on a happy face and say yes, right? I'm really optimistic, yeah, of course. You know, abortion, that's all been solved. We all can all decide on prayer in schools. Actually, a good deal of the 1990s culture war issues has been largely resolved. It's interesting you hear very few

people talk about whether or not we should have prayer in schools anymore. It hasn't been resolve to the satisfaction of a lot of people and that actually gets at your point. That actually gets at your question.

Is it brewing under the surface - probably. Probably there will always be -- I mean I'm sure there will always be differences on particular social issues but what's become more salient right now is this issue of first freedoms as expressed in our workaday lives. That's what's really salient in public opinion today so that has actually in a way eclipsed the old culture war. Will the other one go away? Well, I will work mightily to try to help be part of the solution for the problems in the old culture war.

I feel that coming to terms on many of those issues is very important for this country to heal our soul. I think that the day we give up the new culture war over free enterprise is the day that we give in to the forces of social democracy. And I think also that they are less divisive in many ways and an argument that we need to have in a healthy democracy. And also I want to make one point. I want to make one point that I actually made in *Washington Post* which was this -- so somebody won the election who I think is insufficiently sympathetic to the free enterprise system. I didn't support that in November of 2008.

But the day after the election, my kids still went to school and there was still food in the supermarkets and if I'd call the fire department, they still would have shown up. Look, it's no joke. This is different than a lot of other countries in the world. We're arguing over something that's in a very high level and is testament to the fact that we have an important vital democracy. This is something that we should all celebrate regardless of whether we're in the 70 percent majority or the 30 percent coalition.

So to what extent is it winnable? Well, I think it's actually healthy to have the arguments and ultimately my belief is that the 70 percent majority will once again - as we always have - prevail.

Let's come right around here on the aisle, right here. In the back row in the aisle, that will come up -- yeah.

John Holiday: John Holiday [phonetic]. I have a question. Is there a moral case against equality? We talk about happiness, earned success makes people happy, but that's kind of a little Benthamite, I mean, people are happier doing this thing. But isn't there a fundamental moral case about stealing?

Arthur C. Brooks: About stealing?

John Holiday: Stealing, when you're voting to redistribute somebody's property to yourself. When do you hit that point, and is that a sensitive point? I mean to some it is.

Arthur C. Brooks: It's pretty sensitive. You know, when you call taxes theft, some people are a little sensitive on that. But is there a moral case against equality? Yeah. It just depends on equality of what. I think there's a very strong moral case against equality of income because I think it's not fair. I think it goes contrary to the principles of fairness that I've set out here and that most Americans believe in.

What kind of equality do most Americans want? They want equality of opportunity. Equality of opportunity and equality of outcome are radically different things and we mistake those things at our peril. The founders talked about equality as equality of opportunity. They talked about freedom as freedom from coercion from the government. Today, many modern thinkers think of equality of income and freedom to have certain things. These are radically different conversations philosophically that we're having. So I could make a very strong argument, moral argument against equality but I have to stipulate what kind of equality. Very good, thank you.

Right in front of you, because I promised that.

Brian O'Shea: Hi. Bryan O'Shea [phonetic], I'd be interested to hear your thoughts on whether you feel big banks are part of what your definition of the free enterprise system is or whether they're a threat to the free enterprise system and

if you could ever accept regulation or possibly a breakup of the five or six big banks that we have right now.

Arthur C. Brooks: Well, whether I accept the regulation or not, that's one of the most regulated parts of the American free enterprise system and it has been for many, many, many decades. Banks have been and are regulated and have been all the way through the financial crisis. Now, whether or not they're a legitimate part of the free enterprise system I think that they are, but they're not unproblematic insofar as they can capture public officials.

I mean there's always a Faustian bargain when it comes to the proximity of big business to our government. That's something that we need to adjudicate. Reasonable people can disagree on it; we need to adjudicate our public policy system. That's part of the reason that when you ask people today what is your sympathy toward or do you feel sympathetic toward big business, only 49 percent of Americans say yes. When we asked do you feel sympathetic to small business, the number is 95 percent. I mean small business polls better than motherhood in this country and for all of the reasons that we're talking about here and all the fears and all of the things that are embedded in what you suggest. That is one the great and interesting conundrums for our time.

Right here, up in front, in the middle.

Wayne Berg: Wayne Berg [phonetic], independent writer. It seems to me that what you've done here this evening is the easy part of this. Throw out a bunch of abstractions, liberty and responsibility and so forth, it's when you get down to defining these terms and trying to decide what's worthwhile and what's free enterprise and what isn't that you get in the problem. The devil is the details.

Take for instance the question of farmers. Some of the most conservative people, always talking about liberty and individualism and so forth and still they're the recipients of some of the longest running government programs, the farm price support programs are going to able-bodied adults that ought to be able to take care of themselves. So I didn't hear much in your talk about how are you going to make these decisions? What is the legitimate program and what isn't and I'd like to hear your comment on that.

Arthur C. Brooks: Sure. Point is well-taken. I mean the point about this being the easy part, I don't take that point so well, but -- a book is a book, but I take your point that when you get down to the details and you're talking about winners and losers and policies. And the losers don't like it, they yell a lot and sometimes there are compromises in the legislative process. When the sausage gets made, it turns out that these compromises don't exactly support the free enterprise system,

don't support as you would say I think the abstractions of the virtues of the free enterprise system. What do you do about that?

Well, volume two of what I'm talking about here, I should say the prequel to what I'm talking about here is the 72-year corpus of work from the American Enterprise Institute. What we work on every single day of the week, what our 50 full-time scholars and 150 support staff work on all the time is working out the details of how legislation, public policy and public culture, how the details should reflect these fundamental viewpoints. I mean that's the reason that -- I'm talking outside of Washington, D.C., I say aei.org, let me repeat it nine times.

I mean this is the mother lode of empirical support and practical applications in public policy that tries to work out how these things can and should work. It's looking at that work from our scholars that inspired me to try to write the meta theme that we're talking about here today. And I can give you any example of what I think should be done. What I'll be doing is parroting the better work of one of AEI scholars. Farmers, what should we do? We should not have agricultural subsidies in this country.

How do you get off of agricultural subsidies in this country? You do it with courage and an application of principle

and we talk to people as their best selves. Furthermore, we try to offer programs that work in lieu of agricultural subsidies with a time horizon that's workable such that we have a goal of getting off of this system, basically this government narcotic, for people who should be the bedrock truly living day in and day out what our free enterprise system is.

Now, if you want the more practical applications, you can look at the 2008 Farm Bill on which we sponsored a symposium of about 20 academic papers on exactly how this gets done, and you'll see another new symposium volume coming out in 2010 that will update farm subsidies in the Farm Bill and what AEI thinks can get done such that we can get to the place where you think - and I think - we ought to be. Thank you. Bob.

Robert Emmett Tyrrell: Bob Tyrrell, I'm the editor of the *American Spectator*. I've heard this debate now going back over a decade, whenever we start talking about limited government, as we're talking about limited government now, people like George Will on the right and others on the left will say, oh that's all well and good but people don't want to give up their perks, they don't want to give up their subsidies, so you're not going to get any place.

It seems to me and I'd like your comment on this Arthur, that the Tea Party is just one example of it. There is now a new element owing to this economic crisis and that new element

is grave concern about the entitlements. The can that we've been kicking down the road can no longer be kicked down the road and it seems to me that people are now thinking about giving up some of their subsidies owing to this new element, the new element of this budgetary overhang that we face, the entitlement costs. Do I make my --?

Arthur C. Brooks: Sure, absolutely. Have we gotten to the point of so much pain, so much danger that we can actually join hands and start giving up our entitlement? Is that possible? Well, a popular ethical movement for the free enterprise system would suggest that the time is ripe to try. The time is ripe for leaders to actually make this particular principled case. I honestly believe that we can make progress on this and one of the ways that we do that is actually by looking at the most predatory of the public policies that are bankrupting us and special interests.

I mean it's time for honest and courageous leaders to talk very openly about public sector unions, for example, and about how they're bankrupting states and municipalities around the United States and what that's doing to the rest of us and what we're doing that looks a little bit like that in our ordinary lives as well. I mean this is a call to action to leaders. This is a call to action for leadership, for a lot of us in this room, I think to actually start to make this principled case.

Now, going to be disappointed that people don't have the intestinal fortitude to follow through and this doesn't lead to the kind of results that I'd like? Yeah, but I'm willing to try. I'm willing to try for better public policy and I think the time is right.

We have time for a couple more. Let's go to the very back row.

Adam Nicholson: Thank you. Adam Nicholson, a graduate student at Catholic University of America. One thing that seemed to be the core thing of your lecture was the idea of happiness. But as somebody else had pointed out, you never got around to defining what happiness is. I do think that's very crucial because you pointed out a good quotation from Thomas Jefferson which points to one element of happiness in the American context but I think there's arguably more to it. Most people will argue that simply entrepreneurship or entrepreneurial success is not the totality of human happiness. Would you be willing to touch on that and how that impacts your thoughts?

Arthur C. Brooks: Sure. What is happiness? That's sort of a whole another lecture, but I appreciate the question because it's an important one. We define happiness in three ways or we should define happiness in three ways. One is momentary euphoria; how I feel the moment that it turns out that

I hit the lottery. The other is psychological happiness where we ask in surveys, well-executed anonymously to large groups of people. On balance how happy would you say you are with the way your life is going? And that actually provides a miraculously accurate data, it turns out, at least social psychologists tell us it's true.

But of course there's a higher level of happiness which is the Aristotelian notion of a good life well-lived. That's something that in essence seems strange to the modern ear because that's the kind of happiness where you can be in grinding depression but living a good life and someone can look at you and say, actually you're happy. I can say, actually I'm not. No, no. You're living a good life well-lived. And so it's definitional in a way.

Now, why is that kind of funny? The answer is because the radical American experiment said that psychological happiness is the birthright of everybody. It's the birthright of everybody who abides according to the concepts the founders had of freedom. It's not just for nobility; it's not just for the lucky few. It's for the people that participate in the American experiment of freedom.

That's what the founders thought. Now, that's what they meant when they said it is our inalienable right to pursue happiness. They didn't say it's our inalienable right to have

happiness. They said to pursue happiness which is why we talk about this concept today, in the modern way, of psychological happiness. And how do we get to it? Well, those are the processes that we need to work out in the experience of our daily lives.

So there's a thumbnail sketch of -- when you look at the happiness literature, exactly what we're talking about, does it map perfectly on to different concepts like flourishing and satisfaction and enjoyment? No. Those are different concepts all together. Is it perfectly measured or measurable? Most certainly not, we do the best that we can so that social science can get us a little bit closer empirically to the founding principles that we believe are so critically important philosophically and that so many generations of people have quite frankly fought and died for.

Right here in the front row.

Male Voice: I'm sold on free enterprise and it makes me feel at home here. I just don't know that I've ever seen it or experienced it, even in this country. And a lot of what you said tonight has got me to thinking about this concept of fair enterprise. It seems to me that everything that had moved towards increasing what someone had called fairness chips away at the freeness of our enterprise system. Everything that seems to open up, try to open up access to free enterprise for those

who may not have it naturally or have it from birth or have it because they've inherited capital or whatever, restricts freedom for others. And so how do you sort of strike -- have sort of not understood that these things are compatible fully, or how do you strike a balance between what seems to be efforts at fairness which may in fact restrict freedom for others?

Arthur C. Brooks: Two points, one is how do you assess the effectiveness of any public policy. And the answer is along three dimensions - efficiency, fairness and liberty. Now, the problem with the economists is they talk about efficiency and they forget all about fairness and liberty, typically. The problem with other groups is they engorge one but they forget all the others. So there are inherent tradeoffs between the three dimensions of effectiveness of a cultural phenomenon or a public policy.

Sometimes economic efficiency offends our sense of propriety and fairness. Sometimes economic efficiency can even impinge on what we conceive of this liberty. But more often than not, when we define these things like most Americans define them, there's an inherent complementarity between efficiency, fairness and freedom and I'm talking about efficiency as getting the most with the least. That's a straightforward economic concept, but fairness as being a system that rewards hard work

merit [sounds like] excellence and penalizes free riding and corruption.

Fairness as in equality of opportunity not equality of income and this is matched up with freedom, the concept of liberty which is freedom from coercion, for people to live their own lives. Now, there are lots of complications. You made this excellent point. The devil is in the details, right, but when we at least understand, rightly understood what freedom and fairness are, we can find tremendous complementarities in the American free enterprise system. We can find policies that are efficient, that are free and that are fair.

Right here in the corner. I've neglected the corner here, sorry.

Grant Fell: I'm Grant Fell [phonetic]. If we are 70 percent of the population, why haven't we been in power since, what before World War I? I mean why do we get Eisenhower instead of Taft, why do we get Bush instead of Reagan -- it's not Reagan -- Buchanan. I mean why do we get a Congress like this? Why are we such losers?

Arthur C. Brooks: That's right. So the question is why are we losers, the unanswerable question. There are a couple of different reasons why the 70 percent doesn't govern all the time. Men are not angels and information is not perfect. And quite frankly in many, many elections in this country and around

the world, we've had two 30 percent choices. Again and again and again, people who actually rise to the top are those that are most interested in using the tools of government for their own power because these are the people that see that meaningful social change doesn't start in the hear of the individual - meaningful social change starts in pushing you around.

These are the people that are most attracted to the political process and I can't tell you any number of races, political races, in which the two candidates were both from the 30 percent coalition. You do the math and it turns out you're going to get somebody from the 30 percent coalition. It doesn't make you loser. It just means that what you ought to be doing is running for Congress. That's the practical implication of that. If we want to be less losers, we need to be more involved and we need to express ourselves politically in consonance with our values.

The second is of course we get all kinds of game changers and all sorts of confusion. Practical public policy is extremely complicated. There are lots of times when we don't know which alternative actually expresses the free enterprise viewpoint best or worst or which compromise is actually most palatable. And case in point is when we were trying to choose between the Bush administration which wanted big bailouts and the Obama administration which wanted bigger bailouts. This is

not exactly a palatable choice when you're actually looking for a 70 percent solution and all that's on offer are 30 percent solutions.

We have time for one more. Sorry, I got to pick a winner. Last row as it's closest to Marie.

Richard Ward: Richard Ward [phonetic]. Question, how do we have this debate and win it with our nation's young people considering the current state of academia as well as young people who have no skin in the game? Thanks.

Arthur C. Brooks: The solution is you, not me. The solution is young people themselves who actually adhere to these moral principles, to these ethical principles. The question is what are you going to do in the grassroots and in the political process? What are you going to do to save my country? That's the main point that I would ask. So I would turn it around as a question. But I would also make one more point and that's an empirical point because I'm a social scientist and I get to end with some data.

There are a number of very provocative studies that suggest that campuses actually aren't the problem. Eighteen to 22 is scary because, look, I mean I got kids, they're going to go away to college at some point, I hope. And when they go away to college, they're going to be in somebody else's hands, right, some socialist, right? So maybe that will convert them forever,

right? The data say no. The data say that actually the most important period in political conversion happens between the ages of 29 and 33. That's weird stuff, isn't it?

Now, if you have politically identifiable parents, the chances are 75 percent that you will grow up to vote the same way that they do. But the non-trivial percentage, 25 percent are switchers. And when does a lot of switching happen? The answer is between the ages of 29 and 33. That's the really dangerous tender age, so I'll leave you with this challenge. How should AEI meet the 29- to 33-year-olds? Where do I find them? On that note, I'll say thank you so much for coming and enjoy your evening.

[End of file]

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