American Liberalism: Triumph and Tragedy

America’s philosophical, institutional, and cultural foundations are classically liberal. In no country are individual rights more honored and protected or power more decentralized and restrained than in the United States. Building upon democratic traditions that had been evolving over 150 years and driven by the principles that the “government that governs least governs best” and “the more power is decentralized the less chance it will be abused”, the Constitution’s architects created a political system in which power was divided between the executive, legislative and judicial branches, and federal, state and local governments, all to the end of guaranteeing individual liberty and rights.

Noble as these liberal principles are, the central theme of American history has been the continuous struggle to fulfill them. It was not until a half century after the Revolution that property qualifications were waived and all men, or at least all white men, were allowed to vote. Slavery was not abolished until 1865, and legal discrimination against African Americans continued until the 1965 Voting Rights Act. Women did not receive the vote until 1920. Congress passed the Freedom of Information Act in 1975 to curb the abuse of rights by the FBI, CIA, and other government agencies. Although tremendous progress has been made over the past two centuries, discrimination and violations of human rights continue sporadically if not systematically. Meanwhile, power may have been decentralized, but its abuse continues. During the 1980s, a mere decade after Watergate, the Reagan Administration’s Iran/Contra gate and Savings and Loan scandals, however devastating to America’s moral and economic well-being, shared headlines with countless lesser tales of corruption at all levels across the country.

Continuing corruption and discrimination, however, may not so much reflect flaws in America’s political system as it does flaws in human nature itself. Abuse of power will exist, to varying extents and ways, wherever there are people. What is significant about America’s liberal system is not that there is so much corruption, that but there is so little. More important than the reality that over 225 Reagan Administration officials resigned, were indicted, or imprisoned for unlawful or unethical acts is the fact that these abuses were uncovered and most of the violators punished.

There has been just as noticeable a gap between liberal economic ideals and reality. Every president, from Washington through Bush, has claimed allegiance to free trade. Yet, from the Republic’s birth, the government
has sporadically aided some businesses through tariffs and the general economy through building such infrastructure as canals, railways, and highways. Starting with the Antitrust Act of 1894, the government has attempted to curb the worst abuses of business. Roosevelt's "New Deal" and Johnson's "Great Society" stimulated massive expansions of government economic regulation and social welfare. Yet, both Presidents justified their policies with claims they were simply fulfilling Adam Smith's call for justice and public works. In word if not deed, Reagan's policies were rooted in the axion that "government was not the solution, it was the problem", and he promised repeatedly that his administration would "get government off the people's backs". Despite this rhetoric, the federal government's share of GNP actually rose one percentage point under the Reagan administration, from 24.5 per cent to 25.5 per cent.

The failure of American economic liberalism to create and distribute wealth as dynamically as those countries which pursue rational noemercantilist and industrial policies has been painfully evident throughout the postwar era. Hobbled by its laissez-faire philosophy and politically-shaped economic policies, America's growth rate lumbered along at around 2.5 per cent between 1945 and 1973, and 2.0 per cent since, while its competitors raced along at paces two to four times faster. Like all other nations, the United States has industrial policies which favor some over others. But, unlike those of its competitors, Washington's industrial policies are shaped by the industries and their political representatives with the most clout rather than by those industries which can contribute the most to American wealth and power. A related difference is that since industrial policies conflict with liberal theory, the "if it ain't broke, don't fix it" crowd of politicians and economists pretend they do not exist. Of course, many aspects of American policymaking system and policies need "fixing", but the first step is admitting that they do.

The constraints on America's economic development imposed by liberalism have been exacerbated by Washington's leadership of the global political economy since 1944. The United States in the twentieth century has followed the classic pattern of a country's rise to hegemony, its attempts to create a global political economic system in its own image, and its subsequent decline under the burden of maintaining the system and loss of comparative advantage to its economic rivals. A global leader must give more than it takes from the world political economy. Washington expended vast sums of wealth on defense and foreign aid, opened its own markets to its economic rivals while allowing them to keep theirs shut, intervened militarily and clandestinely around the world, and created and led a web of economic and military alliances. In so doing, Washington nurtured forces which would eventually lead to its own relative decline. While America's relative economic decline was inevitable, its absolute decline