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Is America's love affair with the free market ending?

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It was strangely fitting that Milton Friedman should have lived just long enough to see the Democratic Party take control of Congress in this month's mid-term elections.

The great defender of free market capitalism occupies an especially large place in the pantheon of philosophers and practitioners who helped to transform the global economy in the late 20th century, shifting it from its ruinous path of enslavement to government control and collectivisation towards the sunlit uplands of individual liberty.

Yet while he will for ever be associated with the political ascendancy of the Right in America and Britain, it should not be forgotten that in many respects **his larger achievement was in helping to transform the whole framework of political debate, so that pro-market economic ideology moved from the supposed lunatic fringes of politics to the consensus.**

Indeed, some on the Left, faced with the stagnation that their own ideologies had produced by the 1970s, actually embraced Friedman's philosophies more quickly than some on the Right. It was, remember, not Margaret Thatcher and Geoffrey Howe but James Callaghan and Denis Healey who as Prime Minister and Chancellor first pushed for fiscal discipline and monetary retrenchment to tackle inflation and slow growth in the late 1970s.

In lecturing in stark terms to his own party on the inflationary consequences of deficit spending in 1976, Mr Callaghan may have split Labour for a decade or more but he paved the way for what became known as Thatcherism. Paul Volcker, a Democrat-appointed chairman of the Fed, did much the same for US monetary policy.

After Mrs Thatcher and Ronald Reagan cemented the Friedman philosophy in the 1980s, Tony Blair and Bill Clinton completed the transformation by leading fiscally responsible governments in a climate of increasing monetary stability.

The question, while the great man's memory is still very much alive, is whether this new consensus might finally be cracking; whether the Left has had enough of free markets and has decided to revert to its much longer-held fascination for big government intervention.

In Britain, Gordon Brown continues to insist on his new Labour credentials, and his evident admiration for most things American ought to be reassuring. But just as Mr Brown gets ready to take the helm in the UK, in the US the long conservative ascendancy may be ending, offering perhaps a temptation for a future Labour prime minister to slip back into social democratic recidivism.

The Democrats who took control of half the elected branch of the US Government this month are an odd mix: unreconstructed Lefties such as Charlie Rangel, the new chairman of the House Ways and Means Committee (the main tax-writing body) who never really bought into the free market consensus; and Clinton-era new Democrats, such as Rahm Emmanuel, a former White House official who was the architect of the centrist strategy that brought the party such success two weeks ago.

These fractious groups have coalesced for now around some obligatory centre-left shibboleths. The first thing that they will do when they take over in January is pass an increase in the minimum wage. This still offends against free market principles, of course, but it has lost its sting for conservatives. Experience in the UK and the US in the past decade does not suggest that it has destroyed large numbers of jobs, as Friedman always said it would, although this may be because it has been set low enough not to interfere seriously with the functioning of the free market.

Next up for the Democratic coalition will be tax increases — another area where Left and Centre can probably unite. Not renewing the Bush tax cuts that expire in the next few years will fit just about all right with both the Left's platform of economic equality and the Centre's goal of fiscal prudence.

Yet from there, the real problems begin. The Democrats think that they won this month at least in part because globalisation has given free market economics a bad name. Voters in the Midwest and in northeastern America voiced grave concerns about economic security. These voters are no longer the Reagan Democrats who embrace small government, but steelworkers, car workers and service sector employees who fear for their jobs from global competition.

Here, the most worrying aspect is that even the centrist Clinton folks have backed away from the free market ideas they used to embrace. Hillary Clinton bemoans the size of the US trade deficit and calls for emergency measures to reduce it; she excoriates China for its unfair trading practices. And the needs of presidential politics may push her farther down that route as we get closer to November 2008.

Americans have not given up on the free market yet, thank goodness, but the endurance of Friedman's legacy will be severely tested in the next few years