

ILLUSTRATION BY AJAY MOHANTY



On progress

Markets cheered political shocks of Brexit and Mr Trump's election expecting a return of the true progressives of classical liberalism

The post-traumatic stress amongst the clerisy and most Western media, after Brexit and Donald Trump's presidential victory, is being expressed as the defeat of "progressives" by Hilary Clinton's "deplorables". But is such a narrative valid?

The answer turns on what is meant by "progressive". The magisterial study of the *History of the Idea of Progress* by Robert Nisbet argues that the idea of progress is a Western one which goes back to the Greeks and the Christian Church — particularly to St. Augustine's *The City of God*. It is based on a unilinear flow of time, and sees the unfolding "cumulative advancement of mankind, materially and spiritually through time" (p. 76). It is Augustine's vision in his *The City of God* which, as I argued in my *Unintended Consequences*, has haunted the West. From the Enlightenment to Marxism to Freudianism to Eco-fundamentalism, Augustine's vision of a Garden of Eden, a Fall leading to Original Sin and a Day of Judgment where the saved attain Paradise, keeps recurring. But as Nisbet notes, from the Greeks to the Christians and most of the secular mutations of Augustine's vision "there has been a close relationship between belief in the general progress of mankind and the belief in the necessity of economic growth and development" (p.334).

It is the latest secular mutation of Augustine's *The City of God*, Eco-fundamentalism — carrying the Christian notion of *contempus mundi* to its logical conclusion — which has led in the second half of the twentieth century to a growing "disenchantment or more ominously an outright hostility toward economic growth. There is rising fear that we and our planet are doomed unless we bring this growth to a halt, unless we drastically curtail

our use of fuels and minerals, unless we renounce all nuclear power, unless we declare vast areas of land and water to be eco-systems, off-limits to any kind of economic or technological use, and so forth" (p.335). This Eco-fundamentalism, which seeks to thwart economic progress, is today a core belief of those who call themselves progressive. The latest executive actions of President Barack Obama to ban vast areas of the US to drilling and oil exploration, as well his executive orders to cripple the mining of coal (to come into effect the day before his leaving office) are symptomatic.

The second deviation from the principles of policies to promote economic progress accepted from Adam Smith to J S Mill, occurred at the beginning of the twentieth century with the writings of Thorstein Veblen, J A Hobson, L T Hobhouse and John Dewey. The classical liberal belief in the nineteenth century "that progress lay through free private enterprise was only part of a larger faith that individual freedom in all spheres — speech, assembly, press, religion and so forth — was, as Mill and Herbert Spencer had argued, the key to progress. Even so, it was belief in economic progress and the

indispensability of this form of progress to all others that was perhaps the most spectacular manifestation of the philosophy of progress prior to the Great Depression of the 1930's" (p.299). This classical liberal view survived the Great Depression in the writings of Friedrich Hayek, Milton Friedman and the Chicago School. "To an astonishing degree this traditional faith" claims Nisbet "holds firm in the minds of the American people, though not of most intellectuals it would appear". (p.300).

By contrast, amongst social scientists another form of liberalism-cum-progress, harking back to

the ideas of Veblen et al (and one should add John Maynard Keynes) holds sway. This "so-called new liberalism sees the direct use of the central government's planning, regulatory, and directive powers as the key to progress". Whilst adhering to individual liberty in the sense of Mill and Spencer, it sees a role for the state not found in classical liberalism. This new liberalism provides support for the regulated administrative state, whose celebration is another distinguishing deviant feature of current progressives from the true progressive followers of classical liberalism. The European Union (EU) is the best example of such an administrative "state".

But can a state espousing Eco-fundamentalism and the new liberalism foster economic progress? I can be brief about Eco-fundamentalism as this column has taken issue with its claims and prognostications. (See chapter 10 of my *Poverty and Progress*). It is this branch of progressives which has created the despotism of the administrative state. As William McGurn has noted (*Despotism and Donald Trump*, Wall Street Journal, December 14, 2016) "the same folks who see in Mr Trump a Benito Mussolini in waiting are blind to the soft despotism that has already taken root in American government." Assertive federal bureaucracies have substituted regulation for the rule of law. "Over the Obama years the Competitive Enterprise Institute reckons, Washington has averaged 35 regulations for every law". Whilst the Mercatus Center at George Mason University has "estimated that regulations have knocked 0.8 per cent off of annual gross domestic product growth since 1980, for a cumulative total of \$4 trillion in lost domestic product". Mr Trump's recent appointments to the major regulatory agencies augur an end to this administrative overreach. Whilst Brexit, with the UK's escape from the dysfunctional administrative regulatory "state" of the EU, will allow the completion of the Thatcher economic revolution thwarted by the EU regulations.

The expansion of the regulatory state under President Obama has led to the US falling from being third in the World Bank's 'ease of doing business' to eighth today. Moreover a quantitative analysis of regulatory risk by Alex Vogel and Jeff Hood finds "it has increased 80 per cent since 2010 — and that this burden particularly hurts manufacturing and heavy industry". (Clark S Judge, *America's rust belt is right to blame Obama*, Wall Street Journal, December 20, 2016). They also find that as a result, capital expenditure fell by nearly \$32 billion between 2020 and 2015, with the negative relationship between increased regulatory risk and declining capital expenditure being tightest for "industrials". This, in turn, led corporations in the US' industrial core to cut jobs by more than 1.1 million. No wonder the "deplorables" gave Mr Trump his unexpected victory, which gives them hope if he fulfils his deregulation promise. The remaining canker in this rosy prospect is Mr Trump's attack on free trade, from which hopefully he will back track as he has done on some other issues.

So, unlike the moaning new liberal progressives, I trust that as both the FTSE and S&P rose to new heights after the political shocks of Brexit and Mr Trump's election, they are signaling a Happy New Year with the expected return of the true progressives of classical liberalism.



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