

Working Toward Authentic Recovery

Larry P. Arnn

One of the worst financial crises in American history broke into public view in the first ten days of September, 2008. Several of the oldest and largest financial institutions in the world were wiped out, all of them highly profitable until the very eve of their demise. The government rescued the largest insurance company in the world. Two quasi-public corporations, Fannie Mae and Freddie Mac, that invest in about half the mortgages in the U.S. were also rescued. For days the regular system of credit transfers that makes commerce possible was nearly frozen. The stock market lost more than 40 percent of its value. Recession is upon us, and it is likely to be sharp and may be prolonged. The economic storm will pass, God providing.

It is time for recovery, both economic and political. The two are related as political recovery will, in the end, determine economic policy for many years. The goal of that recovery is simple to state: we must recover the art of constitutional government. That we have lost sight of it is plain. The means are also simple to state: we must begin by studying that art. Its beauty will call to us as it ever has.

One imagines that there is plenty of greed on Wall Street. Greed is a moral vice, a failure of justice involving taking more than one's due. To eliminate greed would surely be a fine thing, as

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would the elimination of any vice. It would also be an astonishing achievement.

It would be astonishing for the simple reason that the teaching and practice of virtue, and the discouragement of vice, is a necessarily continuous and difficult challenge in human affairs. Not many of us, likely, are simply vicious, simply practitioners of vice. But similarly, not many of us are simply virtuous, simply ready to do the right thing for the right reason all the time.

Should we build our political institutions upon the elimination of greed? A caution stirs the mind immediately at the thought of it. James Madison writes in *The Federalist Papers* about faction, about our making combinations to serve our interests, even when those interests do not correspond to the public interest. One will read in vain to find the chief author of the Constitution suggesting that faction, much less greed, could ever be eliminated. Rather, he writes that "Ambition must be made to counteract ambition. The interest of the man must be connected with the constitutional rights of the place." In other words, we must build our political institutions to operate around the problem of human vice, to mitigate that problem by discouraging vice, but also to place our inter-



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ests in alignment with the public interest.

"Liberty," writes Madison, "is to faction what air is to fire." To eliminate the effects of self-interest would be to eliminate freedom itself. This is, then, just the point. The Constitution of the United States is a document full of safeguards. It sets out to do two things: first, to build a powerful government, competent to defend our rights against oppressors both foreign and domestic; second, to limit that government, and to arrange its powers, so as to render it, itself, harmless to the liberties of those it governs. That is why we have the key devices of the Constitution: separation of powers; federalism, which requires a federal government of enumerated and not unlimited powers; bicameralism; the Bill of Rights.

In a splendid essay in *Forbes* magazine, "How Capitalism Will Save Us" (11/10/08), Steve Forbes explains that the problems we face are connected to two major government policies, along with some minor ones. The major ones are the subsidy of mortgages, including risky ones, by the government, and the inflation of the currency over the last four years. This inflation is the reason that gold has more than doubled in value. It is the reason that the dollar, until the last few months, slid relentlessly against world currencies for almost four years. Forbes writes: "Greed and recklessness always run rampant during bubbles, and the mania that engulfed housing and much of the financial sector was no exception." These things have come together to make trouble.

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govern themselves. The national defense, secured so well as human contrivance can secure it, has a high place in this art. So too does the provision of a stable currency. So too does the protection of property and contracts. So too does the maintenance of a tax burden that does not stifle labor, savings, and investment.

Of course this list leaves out most of the federal government as we have it today. Very much and probably most of what we have today cannot be eliminated. It should, however, be managed in a new spirit. Under that spirit, decentralized administration of things would be achieved wherever possible. Under that spirit, the delegation of public goods to private and to local action should be pursued ardently.

There are models in our past of this art that would be worth studying again today. They include the wonderful Northwest Ordinance, which provided the largest subsidy to education in our nation's history, and which contained no element of federal management. They include the great Homestead Act, signed by President Lincoln, which gave federal land to any citizen who would agree to live on it and work it. The way out of our entitlement mess is implicit in such acts as these. One need only read these short, principled and beautiful laws, and compare them to the kind we pass today, to see the difference. It is not details that should be legislated, but rather grand things, especially ends. We should be seeking to recover in our laws the grand and sublime simplicity of which the Constitution is a beautiful example.

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What is fundamental is the purpose and function of our political system. Either we shall have limited government, in which a few vital things are tended to with a careful eye and strong but limited powers, or else we shall attempt to allocate the labor and capital of the nation by force of law. This second will make a disaster of a kind not seen in this country from its first days.

When one sees that these principles are written in the Declaration of Independence and in the Constitution, he begins to see then what a revolutionary thing was achieved here in our nation. He begins to see the reason why for two centuries and more the American people have been the last best hope of mankind on earth. By becoming a student of his country, the citizen becomes again an intelligent lover of it.

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