



INDIVISIBLE

Social and Economic Foundations of American Liberty

Leading Conservatives
Exchange Policy Perspectives

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INTRODUCTION BY JAY W. RICHARDS

CONTENTS

PREFACE	1
Jennifer A. Marshall and J.D. Foster, Ph.D.	
INTRODUCTION	5
Jay W. Richards, Ph.D.	
CIVIL SOCIETY	12
MORAL ARGUMENTS FOR LIMITING GOVERNMENT	
Joseph G. Lehman	
RULE OF LAW	17
ECONOMIC PROSPERITY REQUIRES THE RULE OF LAW	
J. Kenneth Blackwell	
LIFE	21
THE CAUSE OF LIFE CAN'T BE SEVERED FROM THE CAUSE OF FREEDOM	
Representative Paul Ryan	
FREE EXCHANGE	25
MORALITY AND ECONOMIC FREEDOM	
Jim Daly with Glenn T. Stanton	
MARRIAGE	31
THE LIMITED-GOVERNMENT CASE FOR MARRIAGE	
Jennifer Roback Morse, Ph.D.	
PROFIT	37
PROPHETS AND PROFIT	
Marvin Olasky, Ph.D.	
FAMILY	42
WASHINGTON'S WAR ON THE FAMILY AND FREE ENTERPRISE	
Stephen Moore	
WAGES	47
THE VALUE OF WAGES	
Bishop Harry R. Jackson, Jr.	
RELIGION	52
WHY FAITH IS A GOOD INVESTMENT	
Arthur Brooks, Ph.D., and Robin Currie	
INTERNATIONAL TRADE	56
WHY TRADE WORKS FOR FAMILY, COMMUNITY, AND SOVEREIGNTY	
Ramesh Ponnuru	
CULTURE	60
A CULTURE OF RESPONSIBILITY	
Edwin J. Feulner, Ph.D.	

PROPERTY	66
PROPERTY AND THE PURSUIT OF HAPPINESS	
Representative Michele Bachmann	
ENVIRONMENT	70
CONSERVING CREATION	
Tony Perkins	
EDUCATION	77
A UNIFIED VISION FOR EDUCATION CHOICE	
Randy Hicks	
CONTRIBUTOR BIOGRAPHIES	82

FAMILY

Washington's War on the Family and Free Enterprise

BY STEPHEN MOORE



Stephen Moore

LIBERAL DEMOCRATS IN WASHINGTON HAVE STRUCK political pay dirt in recent elections with a message of the “middle-class squeeze.” By this they mean that the federal government’s policies are failing middle-class Americans. Stagnating or declining real wages for workers, exploding health-care and college costs, and higher gasoline prices—among other challenges—are said to be “threatening most Americans’ valued way of life.” And certainly the deep recession of 2008–2009 has only confirmed in voters’ minds the hard pocketbook reality of this recurring theme.

What the Democrats under President Obama have proposed as a relief to the financial crunch facing families is more governmental assistance to reduce these costs through federal subsidies, for example, to help pay for college. Mr. Obama’s fiscal year 2010 budget is filled with more than three dozen tax credits and new spending programs to help stretch the incomes of middle-class families—including the President’s signature tax cut of a \$400 credit per household.

This is the same budget that proposes some \$9 trillion to \$10 trillion of new borrowing to pay for all of these programs as well as new tax increases on the rich. To get a \$400 tax credit, each family in America will have to bear nearly \$100,000 of its share of the new debt on the federal credit card. No wonder so many Americans have come to recognize the Obama giveaways as a kind of fool’s gold. A society that cares about the future of its children does not run up massive debts for those children to pay off in the future. I have often described the Obama-Democrat agenda as one of fiscal child abuse, and the abusiveness is getting worse with each passing month.

Republicans, in turn, have done little to win the trust of families in recent years. The Democrats are right in their diagnosis of the problem in many cases—such as the rising cost of essentials like education and health care—though wrong in their prescription. The borrow-and-spend policies of George W. Bush led to only modest advances in family incomes from 2001–2007, and the 2008–2009 recession has caused big declines in incomes and family savings. The latest Federal Reserve study, which was released in April 2009, indicates that about \$9 trillion of wealth has been destroyed in the stock and housing market implosion.

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STRONG FAMILIES AND ECONOMIC PERFORMANCE

A falling economy puts stress on our families. Family counselors across the country are reporting that the financial strains of this recession are causing more disharmony in marriages and families. A *New York Times* story in June 2009 describes how the downturn is putting a “chokehold on those caring for family members,” including elderly parents, younger children, and even 20-somethings who have not found jobs that will allow them to become financially independent.²⁹

Healthy, intact, and loving families are absolutely critical to keeping the U.S. economy on solid footing in future years and decades.

If families are split apart by economic hardship, this will be a bigger blow to the long-term economy than even lost wealth. Why? Because healthy, intact, and loving families are absolutely critical to keeping the U.S. economy on solid footing in future years and decades.

Sometimes free-market economists underestimate the importance of intact families as basic building blocks for sustainable economic growth. I admit to being guilty of this myself. I concentrate on taxes, trade, and regulation—all of which are critical “pillars for economic growth,” as described in my recent book *The End of Prosperity*.³⁰ But in preparation for writing this essay, I was shocked to learn how strong and even incontrovertible the linkage is between strong families and strong economic performance.

I will not summarize all of the evidence here, but suffice it to say that, in the short term, one family can live much more cheaply than two (i.e., households of divorced parents). Parents who stick with their spouses are generally happier than divorced spouses, and they tend to be more productive and successful in their careers. The mean net worth of households with married couples is two to four times higher than other households. For example, on average, a married-couple household has a net worth of \$187,000, while a female-headed household has a net worth of just \$49,000, according to a study in *Children and Youth Services Review* published in 2008.³¹ Census Bureau data indicate the same basic pattern regarding household incomes. The data are also clear that married men have higher earnings than single men, so the difference in family income is not solely a result of two-income households.

Much of this seems self-evident, though the magnitude of the differences

29 John Leland, “Downturn Puts a Chokehold on Those Caring for Family Members,” *The New York Times*, June 6, 2009, at <http://www.nytimes.com/2009/06/07/us/07squeeze.html> (accessed August 18, 2009).

30 Arthur Laffer, Stephen Moore, Peter Tanous, *The End of Prosperity: How Higher Taxes Will Doom the Economy—If We Let It Happen* (New York: Threshold Editions, 2008).

31 Charles Pajarita, Michal Grinstein-Weiss, Yeong Hun Yeo, Min Zhan, “Asset Holding and Net Worth Among Households with Children: Differences by Household Type,” *Children and Youth Services Review*, Vol. 30 (2008), pp. 62–78.

is striking. And the causality clearly runs in both directions: When families are facing financial trauma they are less likely to stay together.

But the much more important finding that keeps rolling in is the trauma that divorce and wrecked families cause for children, not only in their adolescent and teen years, but also into their adult lives. The convenient mythology that divorce and out-of-wedlock births have little lasting impact on children has now been exposed as devastatingly inaccurate. Children in single-parent homes generally have lower self-esteem, more drug use, lower academic achievement, and higher rates of depression than children in two-parent homes. What is more, longitudinal studies now suggest that these effects are long-lasting. Children who grow up in intact families with both spouses present in the home have higher educational achievement and higher incomes than children from broken families.

In other words, if we want our economy to perform, we need our families to be resilient and stable. Our society invests hundreds of thousands of dollars in converting each child into a well-functioning and productive adult citizen, and yet, culturally and economically, we undervalue by far the critical function of traditional families.

HOW FEDERAL POLICIES UNDERMINE THE FAMILY

All of this brings me back to the idea of government as the presumed solution to middle-class squeeze and financial hardship. I would make the case that many federal policies still intact today work against the family and thus against our social and economic well-being. Let me list several ways in which the government undermines the family, the foundational social and economic building block:

1. **The marriage tax penalty.** Steps have been taken to reduce this, but there is still a financial advantage on 1040 IRS forms for a couple to live separately rather than to marry and live together.
2. **Progressive taxation.** The biggest losers with high tax rates are working married women. Many women who work pay taxes on their first dollar of income at the highest rate of their husband's income. A flat rate tax would be fair and pro-family.
3. **The death tax.** No federal policy is more damaging to wealth creation than the death tax, which can snatch away up to one-half of a parent's lifetime earnings at the time of death rather than allowing the money to be transmitted to children and grandchildren. This causes the sale and breakup of family businesses, farms, and ranches. The death tax subverts the American ideal of passing on wealth from one generation of family to the next.
4. **The absence of school choice.** Our education system robs parents, especially those with lower incomes, of the opportunity to

send their children to the best quality schools or to home-school them. Educational decisions should rest with parents, not with politicians, school boards, or professional educators.

5. **Overspending.** Milton Friedman said it best: There's no such thing as a free lunch. Heritage Foundation analysis finds that federal spending is averaging \$33,932 per American family in 2009.³²
6. **The national debt.** We are passing on a "second mortgage" in excess of \$100,000 to every child in America. As stated earlier, this is immoral and weakens our nation's economic foundation for many future generations.

And finally, and most dangerous:

7. **The assault on free markets.** One theme that we have hammered home on the pages of *The Wall Street Journal* is that economic growth is reliant on economic freedom. This means low taxes, property rights, free trade, limited government, individual responsibility, and sound money. Our current policies of bailing out and nationalizing failed institutions—banks, insurance companies, car companies, the health care industry—short-circuit individual responsibility and so threaten to kill the golden goose of free enterprise that has made America the most prosperous nation in history. These policies will eventually slow economic growth, robbing our children of their economic future. At a 4 percent rate of economic growth, over 50 years our kids will be about two-and-a-half times richer than they would be at a 2 percent rate of economic growth.

The American Dream is based on the principle that every generation will be better off than the one that came before. This is the legacy that each generation of parents leaves to their children. We now know with certainty that a big part of attaining the American Dream is to produce healthy and resilient families in which parents impart values, a work ethic, and a success ethic to their children.

By overtaxing, overspending, and over-borrowing, runaway government is creating the very middle-class squeeze on families that our politicians now decry.

³² Brian M. Riedl, "Federal Spending by the Numbers," Heritage Foundation *Special Report* No. 63, July 27, 2009, at <http://www.heritage.org/Research/Budget/sr0063.cfm>.

The new saying in Washington is that a trillion dollars is the new “billion dollars.” It’s sad but true. The politicians have added three zeroes to every expenditure.

This increasingly powerful government is not the protector of children and families but their adversary. Now is the time for economic and social conservatives to work together to preserve our families and our free enterprise system,

By overtaxing, overspending, and over-borrowing, runaway government is creating the very middle-class squeeze on families that our politicians now decry.

which are inextricably linked and mutually reinforcing. When our politicians pursue policies that take away the rights of parents or the rights of individuals in the free market, they are not pursuing policies of compassion but of cruelty.

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Contributor Biographies

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