

BY ROBERT B. EKELUND, JR. AND MARK THORNTON

# We certainly agree with Jeff Frankel (*Milken Institute Review*, 1st Quarter 2003)

that the “Republicans have become the party of fiscal irresponsibility, trade restriction, big government and failing-grade microeconomics.” However, we would argue that there is less mystery to this exchange of economic platforms with the Democrats than meets the eye.

The Republican Party was established in the 19th century as a party of big government and economic intervention. Its reputation as a party of limited government is of more recent vintage. And the retirements of Phil Gramm from the Senate and Dick Armey from the House – both conservative economists – mark the continuing regression toward its roots.

The Republican Party that emerged in the 1850s was a hybrid with many parents. One founding group came from the Free Soil Party, which advocated free land and other subsidies for farmers. In contrast, Democrats of the era wanted to sell off the vast public lands of the Midwest and Great Plains in order finance government without high tariffs or deficit spending.

Supporters of the Know Nothing Party also joined the nascent Republican Party. They were motivated by resentment of immi-



grants – and, more specifically, resentment of the competitive pressure the new arrivals put on wages. Not surprisingly, the Know Nothings favored immigration restrictions, along with protective tariffs to bolster returns to unskilled labor. So here, too, the contrast with the position of the Democratic Party of the time, which supported both immigration and free trade, was stark.

Also joining the Republican ranks were Prohibitionists (who wished to bar slavery in the West) and Abolitionists. Members of the Republican Party generally shared an opposi-

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## **REBUTTAL**

tion to slavery, advocating policies of containment, emigration or emancipation. The Democrats, for their part, generally supported states' rights, limited federal government and economic prudence. They typically backed slavery in the South and legal segregation in the North.

that are in the interest of incumbent businesses. Indeed, the biggest public works project in the nation's history was building the intercontinental railroads, an initiative that truly galvanized the membership of the Republican Party. Republicans also created the Interstate Commerce Commission, with the nominal task of regulating rail monopolies.

## **P**rotectionism was Job One for the early Republicans.

The ambitious economic agenda of the young Republican Party had ideological roots in the ideas of Federalist icon Alexander Hamilton and Whig leader Henry Clay. They favored protective tariffs for manufacturers, a national bank, and plenty of public works and patronage. The flurry of laws, regulations and bureaucracies created by Abraham Lincoln and the Republican Party during the early 1860s is similar to that of Franklin D. Roosevelt's "New Deal" for their volume, scope and questionable constitutionality. In fact, the term "New Deal" was coined in 1865 by Daniel Elazar, a newspaper editor in Raleigh, North Carolina, with the objective of putting Lincoln and the Republican Party platform in a favorable light and persuading North Carolinians to rejoin the Union.

Protectionism was Job One for the early Republicans. They passed the Morrill Tariff, which raised levies on manufactured imports to extremely high levels. The policies of the early Republicans, like those of their present-day counterparts, yielded large budget deficits. Pre-Civil War Democrats, by contrast, worked effectively to eliminate the national debt.

Favoritism for big business has always been a hallmark of the Republican Party. Then and now, they tend to support subsidies, public works projects and regulations

In fact, the ICC pre-empted far more ambitious pro-farmer efforts by the states to regulate rail tariffs.

The Republicans started out as a party with a mercantilist agenda – what today would be called "rent-seeking" – inviting interest groups to lobby government for special privileges ranging from monopolies to trade protection to government pork barrel contracts. It is no coincidence that the party's ascendance triggered a plague of government corruption.

How, then, did the Republican Party gain the reputation as a free-market, limited-government party? In part, because Democrats upped the ante with the anti-market policies of Roosevelt's New Deal. Another reason is that historians confused Republican support for the cowboy capitalism of the 19th-century robber barons with pro-market policies. But allowing a free market in government favors is hardly the sort of laissez-faire policies favored by free-market economists or libertarians.

In fact, all of the modern policy issues discussed by Jeff Frankel were very much in play during the early days of the Republican Party. The Republicans have not mysteriously switched positions with Democrats, but have simply switched back to the policies that built the party in the first place. **M**