

The

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## The Killing of the American Dream

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**U***SA Today* offered a roundup of how the great recession has affected American life. The trends are gleaned from US Census data, which provide a look at how economic downturns can devastate a society, and offer a glimpse into a theme that the Austrian tradition has long emphasized. Economics isn't just about trade statistics, retail sales, or GDP. It is the very pith of life.

What the Census data indicate is that our mobility has been drastically curtailed from what it was a few years ago. The number of people who have not moved from one home to another, from one community to another, has risen substantially.

From an economic point of view, this makes sense. Maybe people are afraid to put their houses up for sale for fear of discovering what price the market will bear. Many people sank vast sums into their houses under the assumption, alive for decades, that homes would forever go up in price. This turns out to be the great myth that has devastated family finances across the country.

Another factor affecting mobility has been the tight labor market. Jobs are just not easy to come by, and it is especially difficult to transport a boom-time salary to another location during the bust. Market pressures during recessions are always downward. The safest path is to stay put.

Another trend is the delay in marriage. For the first time since the data have been tracked, the share of women 18 and older who are married fell below 50 percent. The share of the population age 25 to 34 that is unmarried jumped from 34.5 percent in 2000 to 46.3 percent nine years later. This is a massive social trend, dictated by economic realities.

There is a general tendency to marry in secure economic times, and to put this decision off during periods of economic uncertainty. Moreover, falling incomes and tighter labor markets give women, in particular, less to gain from a marriage, because there is far less likelihood that a household can get by on a single income. ➡

We've also seen a jump in the number of people working from home, which also makes sense given the tighter labor markets and growing resistance to hiring. Another option besides working at home is one that Europeans know very well: going back to school. This trend has taken hold in the United States in the last two years.

The tendency to plunge back into school is also dictated by economic realities. We are now in the third straight year of college graduating classes whose earnings potential is far less than they had expected during their years in school. During these years, students accumulated six-figure debts that they figured they could pay off in a reasonable time with their high incomes. Those incomes have not appeared. So rather than accepting pay at the prevailing rate, they have reenrolled in school to defer having to service the loan.

We might as well bring up the striking trend of young people moving back in with their parents after a period of living by themselves. This phenomenon has given rise to the phrase Boomerang Generation. In 2000, some 17 percent of Americans age 20 to 29 lived at home. Today, some estimates put that figure at 34 percent. And this compares to 1960, when only 9 percent of people in this age group lived with their parents.

This Boomerang Generation also turns out to be the Sloth Generation, since many of these people have never held a job in their lives. It's not their fault, for the most part. The economic crisis, child-labor laws, socialized educational costs,

minimum wages, and a government-imposed culture of prolonged adolescence have combined to deny opportunity to an entire generation.

Tragically, labor-force participation among American youth age 16 to 24 continues to fall. Most recently, it fell to 60.5 percent in July 2010, which is the lowest July ever recorded. Before 20 years ago, the typical labor force participation rate ranged between 81 and 86 percent. In other words, four out of five kids in this age group gained hugely valuable experience for a lifetime of work. Now only three out of five kids do. The most dramatic drops we've seen in these figures have been in the past three years.

So we can begin to see the outline of how American living standards have been hammered. We are witnessing the fall of the American dream, which has always been about having hope in the future. People do not have that hope as they once did. This is a striking fact of our times, one made even more devastating as we look at the economic fundamentals such as the unpayable public debt and the out-of-control spending in Washington and the states that continues to consume vast amounts of private capital.

However, if we take a longer-term look, we can see that these trends date back decades, with the turning point the severing of the dollar's last link to gold in 1971. This is the event that set up the explosion of government growth, of credit addiction across the population, of massive malinvestment in housing and many other sectors, of the gutting of American savings, and,

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most seriously, of the loss of freedom to the national-security state.

Long term, our living standards have been eroded in fundamental ways that have a profound cultural effect. The American family once lived well on one income. Now, two incomes is the expected reality. That shift took place following the great inflation of the late 1970s. Many people saw this as the great news that the workplace was being opened up to women. More likely it was not a sign of liberation, but of a dramatic demographic adjustment required to maintain high living standards. And the state didn't mind: it added millions to the tax rolls. One wonders if "liberation" is really the right word to use for this change.

Such adjustments are ongoing. The hidden tax of inflation, combined with the growing regulation of labor markets, makes maintaining the illusion of high living standards ever more difficult. This explains Boomerang Generation, the delay in entering the workforce, the delay of marriage, unemployment among the young, the dashed dreams after graduation, and the advent of the phenomenon of the lifetime student. These fundamental indicators are not reflected in the GDP data, which count government spending as economic growth and credit-fueled consumption as evidence of rising living standards.

Abstracting from the periods of boom, we can see that these declines in living standards are making American society less of a place of dynamic change, risk taking, independent living, and opportunity, and more of a place of static living, struggling to get by, delayed adulthood, greater dependency, and ever fewer opportunities for production, saving, and planning. These changes are making this country less of what it was, and more of what Europe is today.

I don't need to tell you that none of these trends bode well for the future. What was once the American dream is turning into the American stasis. We

are beginning to awaken to a world that is not a land of opportunity but a country of barriers, thickets, difficulties, and struggles against artificially created potholes on the road to success. And that success is ever more spotty and ever more remote, always threatening to be undermined by the latest political upheaval.

I'm particularly concerned about these trends hitting young people, who, after all, give the best sign as to our future. The classroom is no substitute for the workforce. Russia under communism had the highest percentage of PhDs per capita in the world, and this contributed nothing to the productivity of the nation.

Having established the trend lines, let us now speak of cause and effect. In every case, we can easily trace these trends to economic realities, which in turn are profoundly affected by government policy trends and monetary policy in particular. Monetary policy is truly the hidden hand behind the strangulation of the American dream. It is the secret force at work that erodes our living standards, funds the growth of the leviathan state, and makes every sector of economic life dependent on rising debt.

But there are other factors at work here, too. Antitrust law hobbles business as never before. Taxes drain productivity from corporations, small businesses, and households. Protectionism keeps the best products at the best prices out of the hands of consumers. Edicts issued by a thousand bureaucracies keep American enterprise constantly guessing about the legal climate. Patent mania has created a minefield for innovation in every sector from medicine to software. Imperial wars have drained away capital and labor resources from the private sector.

The leviathan state is the great enemy of American prosperity, the monster that devours wealth. Every bit of economic growth that we experience is due not to the presence of this leviathan, but to

the ingenuity of American enterprise in getting around the barriers.

To understand how this works, imagine the US economy as a car on a racetrack. Private enterprise, in addition to building the car, provides the fuel, maintenance, and technical innovations that make it run. The government, meanwhile, is in charge of the track, and it puts tacks on the road, increases the sharpness of the turns, and adds speed bumps, as it burns with envy.

In order to keep the car travelling forward at a fast rate, private enterprise has to innovate constantly, adding horsepower, tack-proof tires, and drivers that are ever more skilled. Private enterprise can never rest in its efforts to overcome the ever intensifying demands on the car and driver. All the while the Federal Reserve stands by to tempt the car's crew with engine-destroying fuel available at zero price.

The sad reality is that there is no easy way for freedom to triumph today. Politics is the chosen route of many, but it offers no long-term solution. For this reason, you can count me among the skeptics that the Tea Party is going to achieve anything like a restoration of liberty. It isn't clear that many of these activists really understand that ending despotism will require a gutting not only of the current crop of state managers, but the entire apparatus of state management itself. That means ending all forms of government intervention, domestic and international.

It is not enough to cut back or even end the welfare state; the imperial warfare state must also be dismantled. That means taking apart the national-security apparatus as surely as we must end the economic intervention in domestic life. To oppose one while supporting the other—and this is the very essence of the Republican Pledge to America—is self-defeating if not deliberately deceitful. We know the results of this kind of intellectual incoherence

because we've seen it so many times before.

Tea Partiers proclaim themselves to be against socialism, but reflect on the often-overlooked forms that socialism takes in our time. The first type is corporate socialism that puts large banks and corporations in the driver's seat of public policy, leading to bailouts for the most well-heeled firms out there. In an effort to keep home values from falling and to keep American automotive companies from going belly-up, the whole of the American mortgage market is socialized and American car manufacturing put on the public dole.

A second type of American socialism comes in the form of a gargantuan military-industrial complex that plows through more than a trillion taxpayer dollars each year to sustain the American empire around the world—and be enriched, of course.

Yet a third type is that which provides social security and medical benefits for older Americans, people who believe that because they have paid into these systems their entire lives, they are entitled to receive back as much as possible.

These three systems of socialism are a main cause of the American bankruptcy. They are absolutely unsustainable. A consistent application of the principle of liberty must take aim at these programs, across the board, with no exceptions.

But I think it is highly likely that the current revolutionary atmosphere in political life will be subverted by the political machinery of Washington. The radical sentiments you heard during the primaries are already being changed to please the establishment. After a lifetime of watching this process, I can promise you this much: if a candidate is willing to sell out to try to win, he is already conditioned for a career of selling out in office.

It is far more likely that the Tea Party movement will end in the same way the Republican uprising of 1994

did. Recall that the new Republican majority in Congress then did not cut the budget, did not abolish agencies, did not end government regulation of anything, and did not cut taxes—much less curb the power of the Fed. If this next round follows suit, the Republican elite will benefit from the energy and enthusiasm of naïve activists but will trim and curb the antigovernment agenda in the interest of “responsible governing.” The most we can hope for is a wonderful gridlock.

But the next question becomes, What exactly are we waiting for, and how do we bring it about? The answer is that we are waiting for, and working toward, a dramatic sea change in the ideas that people hold toward freedom itself. It is in the realm of ideas, and not in the sector of political action, that the real battle is being waged.

In this fight, I believe we are working with the most powerful tool of all, one that is stronger and more effective than all the armies, guns, and drones in the world. In the end, no government can rule without at least the passive consent of the people. This is why government works so hard at the manufacturing of ideologies to justify what it is doing to us. Our job is to counter this with education of a different sort, one that debunks the rationales behind despotism and then explains the meaning of liberty.

Unlike in the world of politics, there is tremendous news to report in the world of ideas. In the last Great Depression, the Austrian School had a hard time getting the word out about an alternative way of looking at the causes and consequences of central management of money, banking, and economic life. This time around, we have access to a fantastic global communications machinery.

The *New York Times* recently expressed stunned unhappiness that old books by dead people like Bastiat, Mises, and Hayek were circulating as never before. The essay called *The Law* by

Frédéric Bastiat especially has gained massive resonance today. Well, that is indeed a striking reality. This essay was a favorite of Leonard Read’s some 50 years ago. Indeed, I still have the copy he gave me in 1968. But five years ago, when it had fallen out of print, the Mises Institute brought it back, and made it a bestseller.

This is typical. In whatever way we can, along with all the hundreds of great old books, and great new books, we are devoted to getting the word out. Mises.org and LewRockwell.com dominate the pro-freedom sector of the worldwide web. Our student teaching conferences enjoy ever growing streams of applications. Our fellowship programs are booming. Our academic journals and professional conferences have growing influence. Our Mises Circles around the country are a great success. Our online courses can one day replace government high schools and state universities. Already, wherever you go on campuses today, you see young people with Mises Institute books and t-shirts.

As a result of the work we are doing, the government plan to stimulate us to the point of death has not gone unchallenged. The Keynesian policy consensus in Washington and the academy is truly unraveling as never before. The entire rationale for government management of economic life is under a level of strain not seen in the whole of the twentieth century.

The defenders of modern statism are increasingly desperate to come up with new grounds for controlling our lives, some of them so ridiculous that it is hard to imagine that they convince anyone. If you need an example, look no further than the view that government can and should control global temperatures 100 years in the future.

The revolution, Ron Paul often reminds us, is and will be fundamentally a philosophical one. Ideas remain our most potent weapon in the struggle between freedom and power. Ideas

are the means by which the weak fight against the entrenched, the independent against the establishment, the free against the state.

As Rothbard realized, the key battle for liberty takes place within the realm of ideas. The realm of ideas is an area of life in which one person can make a huge difference. And the forward motion of time means that there is always hope to be found in the future, because the future is something we make day by day through our actions and choices in the present.

I have no doubt that we can win this struggle for liberty. There are too many examples in history, even in our times, of how good ideas triumph over coerced rule. A people who resent and resist all forms of government control cannot finally be subjugated. And government control is far more vulnerable than it first appears. It can be toppled in the blink of an eye when the people it is attempting to control decide they

have had enough. Then, even government agents turn against the state.

But the preconditions to make this happen are the spread of the love of liberty, and an understanding of what makes it both beautiful and a fact that can never be permanently suppressed. Mises believed that the key to the future was reaching people in all walks of life. We've been given a glorious gift in the form of an opportunity to do just that, right now, through the work of the Mises Institute.

To my mind, this is a far more important priority than anything presented to us in the political sphere. Changing minds can bring a long-lasting victory for freedom, for ourselves and our descendants. Even in the midst of the biggest economic disaster in 70 years, we've never had more opportunities to enlighten not only this country but the entire world. It all depends on the actions and choices we make today. May they be the right ones. ■ FM

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