The Once and Future Liberalism

*We need to get beyond the dysfunctional and outdated ideas of 20th-century liberalism.*

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Writing about the onset of the Great Depression, John Kenneth Galbraith famously said that the end had come but was not yet in sight. The past was crumbling under their feet, but people could not imagine how the future would play out. Their social imagination had hit a wall.

The same thing is happening today: The core institutions, ideas and expectations that shaped American life for the sixty years after the New Deal don’t work anymore. The gaps between the social system we inhabit and the one we now need are becoming so wide that we can no longer paper over them. But even as the failures of the old system become more inescapable and more damaging, our national discourse remains stuck in a bygone age. The end is here, but we can’t quite take it in.

In the old system, most blue-collar and white-collar workers held stable, lifetime jobs with defined benefit pensions, and a career civil service administered a growing state as living standards for all social classes steadily rose. Gaps between the classes remained fairly consistent in an industrial economy characterized by strong unions in stable, government-brokered arrangements with large corporations—what Galbraith and others referred to as the Iron Triangle. High school graduates were pretty much guaranteed lifetime employment in a job that provided a comfortable lower middle-class lifestyle; college graduates could expect a better paid and equally secure future. An increasing “social dividend”, meanwhile, accrued in various forms: longer vacations, more and cheaper state-supported education, earlier retirement, shorter work weeks, more social and literal mobility, and more diverse forms of affordable entertainment. Call all this, taken together, the blue model.

In the heyday of the blue model, economists and social scientists assumed that from generation to generation Americans would live a life of incremental improvements. The details of life would keep getting better even as the broad outlines of society stayed the same. The advanced industrial democracies, of which the United States was the largest, wealthiest and strongest, had reached the apex of social achievement. It had, in other words, defined and was in the process of perfecting political and social “best practice.” America was what “developed” human society looked like and no more radical changes were in the offing. Amid the hubris that such conceptions encouraged, Professor (later Ambassador) Galbraith was moved to state, in 1952, that “most of the cheap and simple inventions have been made.” If only the United States and its allies could best the Soviet Union and its counter-model, then indeed—as a later writer would put it—History would end in the philosophical sense that only one set of universally acknowledged best practices would be left standing.

Life isn’t this simple anymore. The blue social model is in the process of breaking down, and the chief question in American politics today is what should come next.
One large group, mainly “blue state” self-labeled liberals who think the blue model is the only possible, or at least the best feasible, way to organize a modern society, wants to shore it up and defend it. This group sees the gradual breakup of the blue social model as an avoidable historical tragedy caused by specific and reversible policy errors. Supporters of the model point to the rising inequality and financial instability in contemporary American life as signs that we need to defend the blue system and enlarge it.

Others, generally called conservatives and often hailing from the “red states”, think the model, whatever its past benefits or general desirability, is no longer sustainable and must give way to an earlier, more austere but also more economically efficient pre-“big government” model. Often, backers of this view see the New Deal state as a great wrong turn. Their goal is to repair the errors of the 1930s and return to the more restrictive constitutional limits on Federal power from an earlier time.

But even as the red-blue division grows more entrenched and bitter, it is becoming less relevant. The blue model is breaking down so fast and so far that not even its supporters can ignore the disintegration and disaster it now presages. Liberal Democrats in states like Rhode Island and cities like Chicago are cutting pensions and benefits and laying off workers out of financial necessity rather than ideological zeal. The blue model can no longer pay its bills, and not even its friends can keep it alive.

Our real choice, however, is not between blue or pre-blue. We can’t get back to the 1890s or 1920s any more than we can go back to the 1950s and 1960s. We may not yet be able to imagine what a post-blue future looks like, but that is what we will have to build. Until we remove the scales from our eyes and launch our discourse toward the future, our politics will remain sterile, and our economy will fail to provide the growth and higher living standards Americans continue to seek. That neither we nor the world can afford.

The blue social model rested on a novel post-World War II industrial and economic system. The “commanding heights” of American business were controlled by a small number of sometimes monopolistic, usually oligopolistic firms. AT&T, for example, was the only serious telephone company in the country, and both the services it offered and the prices it charged were tightly regulated by the government. The Big Three automakers had a lock on the car market; in the halcyon days of the blue model there was virtually no foreign competition. A handful of airlines divided up the routes and the market; airlines could not compete by offering lower prices or by opening new routes without government permission. Banks, utilities, insurance companies and trucking companies had their rates and, essentially, their profit levels set by Federal regulators. This stable economic structure allowed a consistent division of the pie. Unionized workers, then a far larger percentage of laborers than is the case today, got steady raises in steady jobs. The government got a steady flow of tax revenues. Shareholders got reasonably steady dividends.
There were problems with the blue model. It abided systematic discrimination against women and minorities, and a case can be made that it depended on that discrimination to some degree. Consumers had little leverage: If you didn’t like the way the phone company treated you, you were free to do without phone service, and if you didn’t like poorly made Detroit gas guzzlers that fell apart in a few years, you could get a horse. The system slowed innovation, too; AT&T discouraged investments in new telecommunications technologies. Rival companies and upstart firms were barred from controlled markets by explicit laws and regulations intended to stabilize the position of leading companies. By some accounts, too, the quarter century after World War II was a period of stultifying cultural conformity. In this prologue to the end of History, some “last men”, from the Beatniks to Lennie Bruce to Andy Warhol to Lou Reed, were already bored, resenting the pressure to conform that the mass consumption, Fordist era entailed.

The blue model began to decay in the 1970s. Foreign manufacturers recovered from the devastation of World War II and in many cases had more efficient and advanced factories than lazy, sclerotic American firms. German and Japanese goods challenged American automobile and electronic companies. The growth of offshore financial markets forced the U.S. financial services industry to become more flexible as both borrowers and lenders were increasingly able to work around the regulations and the oligopolies of the domestic market. Demand for new communications services created an appetite for competition against Ma Bell. The consumer movement attacked regulations designed to protect big companies. As a sign of the times, Ted Kennedy, of all people, cosponsored a bill to deregulate the airlines. Anti-corporate liberals rebelled at the way government power and regulation allowed corporations to give consumers the shaft. The new environmental movement pointed to the problem of privately caused but publicly paid-for externalities like air and water pollution.

As the old system dissolved, companies had to become more flexible. As industry became more competitive, private-sector managers had to shed bureaucratic habits of thought. Lifetime employment had to go. Especially productive workers had to be lured with high pay. The costs of unionization grew; in the old days, government regulators simply allowed unionized firms to charge higher prices to compensate for their higher wage costs, but that no longer worked in the face of greater competition. High wages in the United States drove manufacturers toward greater automation even as low wage labor in Asia and elsewhere began to make inroads in manufacturing. And with the advent of the pro-deregulation Reagan Administration, government enthusiasm for maintaining the Iron Triangle waned dramatically, coincidentally dividing the Republican Party into pro- and anti-big business wings as never before since the first Gilded Age.

Some companies (like the automakers) were large and rich enough to cling to the blue model long after its sell-by date. The result was a long, slow and grueling decline whose late stages are still unfolding today. The Big Three lost (and are still losing) market share to more nimble rivals. Their unionized
workforce became old, inflexible and expensive, and they were supporting ever larger numbers of retirees on the basis of smaller market shares and shrinking profitability. These days, most private-sector blue companies can only survive with government support. Government protection from foreign competition (economically wasteful and illegal under our international trade agreements) is one option; direct subsidies and cash transfers (bailouts and tax breaks) is another. Neither works very well or for very long. Both are unsustainably expensive given current levels of national debt.

Demographic change is accelerating the crisis of the blue social model, as retirement and other social benefits come under increasing pressure. Social Security and Medicare are covering a steadily growing percentage of the population. Younger workers no longer believe these systems will be in place for their old age. They are at least partly right. Without major change, the current Medicare system cannot last. Beyond that, a general crisis of the pension system threatens to reduce the income of older people even as government is less able to take up the slack. Defined benefit retirement programs have largely disappeared in the private sector; state and municipal pensions threaten to bankrupt some cities and states, and they are forcing officials in others to choose between drastic service cuts and breaking pension commitments to retirees.

With some significant variation, the welfare-state economies of Western Europe have also been true blue, and they have consequently encountered the same limits and entered the same systemic crisis as the U.S. system. In a sense, the European situation is worse. It is structurally bluer than America, as measured by public share of GDP and the extent of “cradle-to-grave” services proffered. Demography is a graver problem in the European welfare states than in the United States, and the poor design of the European monetary union has further exacerbated the crisis in many countries.

There are a lot of reasons to be nostalgic for the old days (especially for the white males who were, far and away, the biggest beneficiaries of the old system), but there are also good reasons to bid the blue model good riddance. It wasn’t a particularly inspiring system. There was actually a lot that was unjust and cramped about the blue social model, and the friends of progress and the average person should be chomping at the bit to put something better in its place. Even in the early days of the blue social model, after all, social critics pointed to mass assembly line production as a dehumanizing innovation that condemned millions to a wage slavery of repetitive, meaningless, soul-killing work to produce endless streams of mediocre consumer products.

Fordism was once a term of abuse hurled at the factory system by Marxist critics who, rightly, deplored the alienation and anomie that mass production for mass consumption entailed. Has the Fordist factory system and the big box consumerism that goes with it now become our ideal, the highest form of social life our minds can conceive? Social critics also denounced our school system, justifiably, as a mediocre, conformity inducing, alienating, time wasting system that trained kids to sit still, follow directions and
move with the herd. The blue model built big-box schools where the children of factory workers could get the standardized social and intellectual training necessary to enable most of them to graduate into the big-box Ford plant and shop in the big-box store. Maybe that was a huge social advance at one time, but is that something to aspire to or be proud of today? Don’t we want to teach our children to do something smarter than move in large groups by the clock and the bell, follow directions and always color between the lines?

Finally, in this regard, the blue model has impoverished our lives and blighted our society in more subtle ways. Many Americans became (and remain) stuff-rich and meaning-poor. Many people classified as "poor" in American society have an historically unprecedented abundance of consumer goods—anything, essentially, that a Fordist factory here or abroad can turn out. But far too many Americans still have lives that are poor in meaning, in part because the blue social model separates production and consumption in ways that are ultimately dehumanizing and demeaning. A rich and rewarding human life neither comes from nor depends on consumption, even lots of consumption; it comes from producing goods and services of value through the integration of technique with a vision of social and personal meaning. Being fully human is about doing good work that means something. Is a blue society with our level of drug and alcohol abuse, and in which the average American watches 151 hours of television a month, really the happiest conceivable human living arrangement?

In any event, there is no going back to blue, and using public resources to try to prop up the old system is a waste of those resources and a hurtful diversion from the need to figure out what we need to do next. Europe’s challenges are complicated mightily by an unfinished and perhaps impossible federal project (too large a subject to analyze here in depth). American society, for its part, must move beyond the increasingly dysfunctional and outdated ideas of 20th-century liberalism. If we don’t, economic decline and social stagnation will undercut our prosperity, endanger our liberty and undermine our international power and domestic security. That is a future no true liberal could love.

The real crisis today in the United States is the accelerating collapse of blue government, not blue private industry, which is a phenomenon largely behind us. We are witnessing a multi-dimensional meltdown that affects our lives and politics in many ways. Three elements of the blue government meltdown in particular are worth mentioning.

The first is the government’s role in providing the benefits associated with the blue system. When we talk about “runaway entitlement programs”, we are talking about commitments by the government to provide retirement and other social benefits that originated as part of the blue system social contract. Workers could retire as early as 62 with a combination of Social Security and private pensions. These costs are now exploding according to the immutable logic of demographic and actuarial facts, and it is clear that the government can’t pay them into the future.
The second crisis is that the government is now the last “true blue” employer in the country. Federal, state and local governments are often staffed by lifetime civil servants whose jobs are protected by law and by some of the last truly powerful unions in the country. All the Reagan Administration and like-minded state governments ever managed to do was to slow the growth of government, not reduce it; government at all levels today accounts for a larger share of U.S. gross national product than it did in 1981 (and that was when government did a lot more in regulating the economy). It has become incredibly expensive for governments to do anything at all, and they are poorly equipped to respond nimbly to the fast-changing conditions of America today.

Quasi-governmental sectors of the economy (like the health and university industries) are also mainly blue: characterized by high wages, stable employment, cumbersome procedures, and powerful non-industrial (or “trade”) unions that “produce” only paper and process, imposing high transactional costs to the economy. The result is a governmental sector too unproductive, too unresponsive and too expensive to do what needs to be done at a reasonable cost. Government also retains the anti-consumer mentality of the old blue monopolies: If you don’t like the lousy services government provides, you can...move. This is why public schools are increasingly expensive and yet do not provide improved services. Education, health care, the legal system and government are four crucial economic sectors in which costs have been rising faster than inflation for much of the last generation.

Finally, culturally and intellectually, bureaucrats and politicians often remain blue. Despite the ebbing of the blue private sector, they think instinctively in the old ways, come up with blue solutions to non-blue problems (think the Obama Administration’s approach to health care costs), and often fail to grasp either the constraints or the opportunities of the new era.

As long as the Federal government can print money and find lenders to buy its bonds, it can bleed slowly. It can watch its fiscal position erode gradually, and only gradually become less effective and popular. But state and local governments increasingly need vast transfers of cash from the Federal government to keep their blue noses above the rising tide. The stock market declines after September 2008 wiped out huge chunks of the wealth that state pension systems needed to have even a hope of paying the pensions promised to government retirees under terms more generous than virtually any private employers now provide. California and New York are headed over the cliff without Federal bailouts, and others are following close behind. That is why a substantial share of the Obama Administration “stimulus” spending was targeted less at New Deal-era infrastructure projects than at simply keeping unsustainable state bureaucracies and systems afloat for a few months or years longer.

There are several ugly truths that the country (and especially those states whose governments are bigger and bluer than the rest) must soon face. One concerns taxes. The debate today at the elite level is about whether the rich should pay more. Given the historic lows of marginal and capital gains tax rates, this is a
debate of consequence for reasons having to do with fairness. But it distracts attention from a more fundamental political reality: Voters simply will not be taxed to cover the costs of blue government, and in most cases they will vote out of office anyone who suggests otherwise.2 That, at base, is what the Tea Party movement is all about. Voters with insecure job tenure and, at best, defined-contribution rather than defined-benefit pensions simply refuse to pay higher taxes so that bureaucrats can enjoy lifetime tenure and secure pensions.

Second, voters will not accept the shoddy services that blue government provides. Government must respond to growing consumer demand for more user-friendly, customer-oriented approaches. The arrogant lifetime bureaucrat at the Department of Motor Vehicles is going to have to turn into the Starbucks barista offering service, and options, with a smile.

Third, government must reconcile itself to its declining ability to manage a post-blue economy with regulatory models and instincts rooted in the past. We need to be thinking about structural changes based on properly aligned incentive architecture, not regulatory systems based on command protocols.

The collapse of a social model is a complicated, drawn out and often painful affair. The blue model has been declining for thirty years, and the final bell has not yet tolled. But toll it will, and as the remaining supports of the system erode, slow decline and decay is increasingly likely to give way to headlong crash. That may be happening now; the financial mess that came upon us in the fall of 2008 may be both symptom and accelerant (not cause) of the basic problem.

One of the main reasons Americans have been so slow to recognize the collapse of the blue model is that the language we use to discuss and think about politics tends to disorganize our stock of understanding about our own society. Millions of Americans are conservatives and even reactionaries but think of themselves as “liberals”; at the same time, millions of genuine liberals and even radicals call themselves conservative. It’s an unholy mess that calls desperately for a language intervention. Let us begin with a historic meditation on the “L” word.

“Liberal” and “progressive” are two of the noblest and most important words in the English dictionary. They describe essential qualities of the American mind and essential values in American politics in a country born in reaction against oligarchy and concentrated autocracy. They sum up in a nutshell what this country is all about. A liberal is someone who seeks ordered liberty through politics—namely, the reconciliation of humanity’s need for governance with its drive for freedom in such a way as to give us all the order we need (but no more) with as much liberty as possible. In this sense, liberty isn’t divided or divisible into freedoms of speech, religion, economic activity or personal conduct: Genuine liberals care about all of the above and seek a society in which individuals enjoy increasing liberty in each of these dimensions while continuing to cultivate the virtues and the institutions that give us the order without which there can be no freedom.
But today the words liberal and progressive have been hijacked and turned into their opposites: A “liberal” today is somebody who defends the 20th-century blue social model; a “progressive” is now somebody who thinks history has gone wrong and that we must restore the Iron Triangle of yesteryear to make things better. Most of what passes for liberal and progressive politics these days is a conservative reaction against economic and social changes the Left doesn’t like. The people who call themselves liberal in the United States today are fighting rearguard actions to save old policies and established institutions that once served noble purposes but that now need fundamental reform (and in some cases abolition), lest they thwart the very purposes for which they were created.

This is not the first time such a reversal around the word liberal has taken place. To the contrary, there is a long history of specific political agendas that incorporate a forward-looking program and bear the name liberal precisely because they look ahead in the name of the nation as a whole. As time goes by they make their contributions and society goes on to face new issues. The old “liberal” becomes the new “conservative” and fresher, more useful ideas emerge to capture the label. Old liberalisms are born to perish as new, more vital liberalisms take up the struggle; in the process the liberal spirit itself lives on.

We can see this process at work in modern Anglo-American history, during which liberalism has gone through at least four distinct incarnations. Liberalism 1.0 was the political expression of the original Enlightenment philosophy that developed in Britain and shaped the Glorious Revolution of 1688. That Revolution remains the seminal political event in the history of the English-speaking world. The American Founding Fathers set out consciously to imitate the spirit of 1688. Both the Declaration of Independence and the Bill of Rights flow from the ideas of a revolution that once and for all made Parliament supreme over the Crown in British history.

But the Revolution of 1688 had its limits, and by 1776 liberalism 1.0 was no longer enough. In Britain, the corruption of the House of Commons allowed George III to reassert royal control; Americans realized that the constitutional monarchy of liberalism 1.0 was no longer ideal. The 2.0 liberalism of our Founding Fathers replaced constitutional monarchy with a republic expressly founded on natural rights and the sovereignty of the people. The 1.0 Revolution of 1688 had replaced an intolerant established Church with one constitutionally more tolerant; the 2.0 American Revolution of 1776 separated the church from the state to the benefit of both.

Liberalism 2.0, as developed in the late 18th and early 19th centuries, was rooted in the thought of 1.0 liberals like John Locke. But Adam Smith, Thomas Jefferson, Benjamin Franklin and George Washington developed and put into practice a set of ideas about how individual liberty could be reconciled with economic development and good governance. Note how the names changed. In 1688, if you supported the Glorious Revolution you were a Whig and a liberal. In 1776, if you supported those same principles against the Declaration of Independence you were a Tory conservative.
Yet while liberalism 2.0 was more advanced and more fully and consistently liberal than the 1.0 model, 2.0 liberals remained tied to many ideas later liberals considered anathema. The American Founders, for example, thought that limiting the vote to rich white men was just fine; women and the “lower orders” had no legitimate place in public life. While 2.0 liberals understood that slavery was an evil (much more so than the 1.0 liberals), they believed that it could be tolerated until it died a natural death.

The 19th century saw the development of liberalism 3.0. Sometimes called Manchester liberalism, this was, compared to the earlier systems, a philosophy of radical individualism and equality. The 3.0 liberals had much more confidence in the common-sense reasoning power of ordinary people than earlier generations. Their programs included once unthinkable ideas like universal suffrage, the abolition of slavery, an end to state-enforced monopoly corporations, limited government, free markets at home and free trade abroad. 3.0 liberals tended to support strong, personal and emotional religious belief; they were much more likely to be evangelical than either 1.0 or 2.0 liberals. Like earlier liberals, 3.0 liberals believed that capitalism, individual rights and a culture of virtue supported by a tolerant, non-fanatical Protestant Christianity could provide ordered liberty. (They also, by and large, believed in the superiority of the white race, thought that “too much” Jewish influence was bad and believed that Catholic countries could never become effective modern democracies.)

In the 20th century, liberals continued to seek new ways of advancing the core liberal synthesis of individual freedom with social order. Before the Depression and World War II, liberalism 4.0 reflected the progressive ideas of men like Theodore Roosevelt and Woodrow Wilson. As a result of the New Deal and World War II, turn-of-the-century progressivism was revamped and retweaked into liberalism 4.1, the big government, Iron Triangle system that most Americans think of when they hear the word “liberal” today. Today liberalism 4.1, blue liberalism, is increasingly outdated and backward-looking, but in its time it was a genuinely positive attempt to realize old values in new circumstances, and many of its achievements still demand our respect. The driving force shaping the agenda of 4.0 and 4.1 liberals before and after the New Deal were a series of powerful and profound historical developments that changed the world under their feet. The earlier versions of liberal politics had been built in societies that, while beginning to urbanize and industrialize, were still predominantly agricultural. Both Jeffersonian and Jacksonian liberals saw independent small farmers as the basis of American freedom and democracy.

All that began to change after the Civil War. The Industrial Revolution and associated phenomena (urbanization, mass immigration from non-English speaking, non-Protestant societies and the economic decline of small farmers and rural communities) presented liberals with new problems: urbanization, class conflict (and the competition with socialism for the support of urban industrial workers), assimilation and the regulation of a modern industrial economy. These extremely complex problems posed challenging questions about the basic premises of liberal thought. Classically, liberals considered an unholy alliance of church and state as the prime enemy of freedom. In the late 19th century, however, the rise of huge
industrial corporations seized pride of place as a threat to individual liberty; 20th-century, 4.0 liberals began to think about the state as a possible ally to defend individuals from unaccountable private power. The liberalism of Theodore Roosevelt and men like William Allen White was defined by their response to these challenges. Democratic government needed to ensure a level playing field, to fight for basic equality of opportunity.

There were other problems, too, and they grew after World War I. Agrarian America had been a relatively egalitarian society when it came to incomes; the Industrial Revolution and mass immigration threatened to divide society into paupers and millionaires. Agrarian America had also been relatively homogeneous in culture: Protestant and British, or from relatively similar cultures in northern Europe, like those of Germany and the Netherlands. A society including millions of impoverished urban workers from radically different cultural backgrounds could not be run as in the past; the situation grew even more complex as millions of African Americans left Dixie for big Northern and Midwestern cities.

The progressives and liberals who created 20th-century liberalism did their best to address these and similar problems in ways that would preserve as much as possible of the old liberal heritage in a new world. The development of a professional, bureaucratic civil service and the regulatory state were intended to preserve individual autonomy and dignity in a world dominated by large and predatory corporate interests. At the same time the challenges of modernization and urbanization (public health, food safety, and provision of newly necessary services like electricity and gas) could best be met through public services and, in some cases, regulated private monopolies. The emerging professional and managerial classes were not just middle classes in the sense of standing between the rich and the poor in income and status; they were mediating classes who sought through the state, the universities and the learned professions to erect a balance between the interests of the wealthy and those of the workers.

On religion, 4.1 or blue liberals were better than their predecessors at understanding the ways in which growing numbers of American Catholics and Jews could support rather than undermine the culture of faith and virtue on which American civil liberty ultimately depends. Partly to create a neutral public space in which Catholics and Jews could join Protestants on equal terms in debate, blue liberals tended to favor the secularization of public life. Despite some missteps and excesses along the way, when it came to both gender and (perhaps their greatest accomplishment) race, blue liberals did yeoman service to the cause of human freedom by opening the doors of full participation more widely than ever before. Their great effort to open the gates of American opportunity to non-whites, with special attention to African Americans, was one of the greatest triumphs ever of the American liberal spirit.

Although socialists and social democrats sometimes made common cause with 4.1 liberals, at bottom, blue liberalism was built as an alternative to socialism rather than an on-ramp for it. With the onset of the Great Depression in particular, most American liberals came to believe that providing benefits like Social
Security and unemployment insurance would inoculate American workers against more virulent forms of socialist ideology and attract new immigrants and their children toward the American liberal tradition. It worked. The strong socialist movements, mostly based among recent immigrants from countries with strong socialist and social-democratic traditions, gradually faded away. The descendants of the European immigrant waves between 1880 and 1920 turned their backs on socialism, and the overwhelming bulk of the American labor movement was strongly anti-communist throughout the Cold War.

The second phase in the construction of what became the blue liberalism of the past two generations owed much to the emergency mentality of both the Great Depression and World War II. Programs like the Civilian Conservation Corps and later the GI Bill, along with the experience of mobilization and rationing during the war, convinced many liberals that government could and should do more than ensure a level playing field, that it could plan, regulate, and control well enough to at least bracket a rough equality of economic and social outcomes, not just opportunities. The historically high rates of taxation during World War II were largely maintained during both the Truman and Eisenhower Administrations in order to finance what became the regulatory state of the Iron Triangle. In time, with the advent of the Great Society programs of the “best and the brightest”, liberalism 4.1 became more explicitly redistributionist, and more deeply convinced of the superiority of the technocratic ethos. Thus President John F. Kennedy at Yale University in June 1962:

The central domestic issues of our time . . . relate not to basic clashes of philosophy or ideology but to ways and means of reaching common goals—to research for sophisticated solutions to complex and obstinate issues. . . . What is at stake in our economic decisions today is not some grand warfare of rival ideologies which will sweep the country with passion, but the practical management of a modern economy. What we need is not labels and cliches but more basic discussion of the sophisticated and technical questions involved in keeping a great economic machinery moving ahead.

Uniting all the versions of liberalism since 1688 has been a drive to find a creative compromise between the individual’s drive for self-expression and freedom and the need for a stable society. Liberalism insists that an open, dynamic society will lead to a better life for all, and that promoting ordered liberty is the morally obligatory as well as the pragmatically desirable thing to do.

All four versions have something else in common: None can serve as the political program for the heirs of the two great revolutions today. We don’t want the constitutional monarchy and Anglican establishment of William III; we don’t want the aristocratic, limited-franchise republic of George Washington; we don’t want the Manchester liberalism of the 1860s; and we don’t want the managerial state that liberals and progressives built in the first two-thirds of the 20th century. That doesn’t mean we should not admire, learn from and build on each of these liberal traditions, but our job today is to synthesize enduring liberal values in a 21st-century liberalism 5.0.

As with earlier versions, liberalism 5.0 must build on the best of what has gone before while making adjustments—radical when necessary, though never gratuitously so—to existing beliefs and institutions.
5.0 liberals must challenge the right of blue liberals to own the L-word, seeking both to convince 4.1 liberals to come back to the future and denouncing those who won't as the blinkered reactionaries and speed bumps they are.

These conversions are not as rare as one might think. Benjamin Franklin was one of the most prominent American 1.0 liberals during much of his life. During his long residence in London he hoped that a Transatlantic British Empire under the royal House of Hanover would be a beacon of enlightenment to all the world. But as times changed, so did Franklin; he became a 2.0 liberal and one of the most courageous and effective leaders of the American Revolution. Some of the most important and creative people who will lead the movement toward a 5.0 America will have grown up steeped in the values of 4.1 thought.

Developing a politically successful liberalism 5.0 must start with an understanding of what the people want. Americans may be conflicted, but we are not particularly complicated. In a big-picture sort of way, the American people have a Maslowian hierarchy of needs, and we want our political leaders to meet them all. By and large, American voters want five things. First, above and before all else, they want physical safety for themselves, their loved ones and their property. Americans generally expect American politicians to pass a credibility test on this issue before hearing them out on other issues. That is unlikely to change.

Second, Americans want and expect rising standards of living. Times when the economy fails to deliver the growth Americans expect tend to be politically tough: like the depressed years of the 1880s and early 1890s and, of course, the Great Depression. And now.

Third, Americans want honor. We don't want to be dissed by foreigners and we want to be free, equal and in charge of our own lives at home. We don't like plutocrats, snooty social hierarchies, privileged hereditary ruling elites, or intellectual and moral poobahs telling us how to live. We despise being at the mercy of large, unfeeling corporations. We don't like having our privacy violated by public or private snoops. We hate standing at the DMV line like humble peasants as officious bureaucrats abuse their authority. We also believe, deeply and viscerally, that the commonsense reasoning of the average person is enough to resolve political and moral questions, and we don't like experts who try to impose counterintuitive policy ideas (that deficits are good for you, for example).

Fourth, Americans want to feel that the United States of America is on track to fulfill its global mission, whatever that is (and our thinking here lately tends toward the fuzzy). But Americans generally feel that this exceptional country has some kind of unique world role, and they want their political leaders to keep the country on the right course.
Finally, Americans want to believe that all four goals work together: that defending their security, promoting their prosperity, preserving their freedom and equality and fulfilling their global mission are all part of an integrated package and worldview—and that the commonsense reasoning of the average American can understand the way the pieces fit together. They are, in other words, looking for more than a set of unrelated policies that accomplish certain discrete goals: They want those policies to proceed from an integrated and accessible vision that meshes with their understanding of traditional American values and concerns.

A generation ago, blue liberalism was pretty good at giving most of the people what they wanted, and between 1932 and 1968 blue liberals dominated American politics. From FDR to JFK (and LBJ until the Vietnam War went wrong and inflation got out of hand), liberal Democrats impressed most Americans with their ability to manage national security, build prosperity, honor the dignity of the common man and lead the world on the basis of a reasonably consistent and coherent worldview. The one Republican who managed to get elected President during the only period of stable Democratic power since the Civil War was Dwight Eisenhower, a man who could have won the Democratic nomination in 1952 if he had wanted it, and who accepted the basic New Deal policies of the Roosevelt years and the national security policy of the Truman era.

Since that time, the American political terrain has shifted several times, but it never came to as firm an equipoise as during the quarter century following World War II. From 1968 through 2010 we seem to have been in another era, one in which blue liberal candidates lost more elections than they won. During these years, however, Republican gains have not been consolidated like Democratic gains were during and after the Depression. And the basic reason is that the blue social model of rising living standards based on stable manufacturing jobs for blue collar workers doesn’t work anymore. Automation and outsourcing mean that manufacturing sheds jobs in good times and bad. Rapid technological change and tough international competition force companies to innovate aggressively, and to stay lean. In such circumstances, no party can keep the American people happy for long.

At the same time, the appearance of intellectual elitism widely attributed to blue liberalism has also offended Americans’ sense of dignity and honor. Many people seem to feel that there are too many well-credentialed blue liberals telling Americans things they don’t want to hear and don’t believe—and offering solutions (like much higher energy taxes to solve global warming) that appear to take the interests and concerns of average people lightly. Many blue liberals often argue that the real enemies of average Americans aren’t bureaucrats and Harvard-trained technocrats; they are the financial wizards, evil corporations and plutocratic tycoons. Maybe so, but at this point the argument doesn’t convince many people. Besides, why can’t both be enemies? After all, many elite liberal Democrats, in office and out, have been exceedingly Wall Street-friendly.
What does this argument look like when translated into historical terms? Many believe that the real ideological contest in America today is between “red” liberalism 3.0 (the more individualistic, laissez-faire, often evangelical kind of liberalism of the 19th century) and the more state-oriented, collectively minded post-World War II 4.1 blue liberalism. Red liberals denounce blue liberals as betayers of the liberal legacy, as ideology thieves who have taken a philosophy grounded in individual freedom and limited government and turned it into a charter for “big” government. Blue liberals respond that red liberals don’t understand how the complexities of modern life make the outmoded pieties of liberalism 3.0 inadequate to today’s problems. But common to both these positions is the belief that the American debate today is between two versions of the past: the (presumed) free market utopia of the 19th century versus the (presumed) social utopia of the New Deal/Great Society of more recent times. If that were true, this would be a nation of conservatives fighting reactionaries—the status quo of 1970 fighting the status quo of 1880.

But it’s not true. Neither aged version of liberalism can adequately address what Americans most want. In particular, neither can provide a new era of rising mass prosperity for the overwhelming majority of the American people. Nobody has a real answer for the restructuring of manufacturing and the loss of jobs to automation and outsourcing. As long as we are stuck with the current structures, nobody can provide the growing levels of medical and educational services we want without bankrupting the country. Neither “liberals” nor “conservatives” can end the generation-long stagnation in the wage level of ordinary American families. Neither can stop the accelerating erosion of the fiscal strength of our governments at all levels without disastrous reductions in the benefits and services on which many Americans depend.

We cannot realistically solve our problems by trying to return to the 3.0 liberalism of the 19th century because the American economy of that era depended on conditions we cannot reproduce today. Though some may think it desirable, we cannot return to a largely agrarian economy. Nor can we replicate the industrial system of the 19th century, with its extremely high tariffs against foreign goods and a completely laissez-faire national attitude toward immigration. Trying to recreate the American economy of a century ago would lead to massive dislocations, depressions and quite likely wars around the world, not to mention thoroughly wrecking the American economy and bankrupting many of our banks and biggest corporations.

But if red liberal fundamentalism can’t work, blue fundamentalism can’t help us either. There’s no going back even half a century ago, because the great achievements of blue liberalism were also rooted in conditions we cannot replicate today. Between 1914 and the 1970s, when the blue social model took shape and rose to power and success, the world economy was in an unusual state. International financial and trade flows were much lower than before 1914 and after 1970, due to the disruptions of two world wars and the Great Depression. And the United States was so far ahead of the rest of the world in manufacturing that few American companies (or workers) had anything to fear from foreign competition.
Capital was dramatically less mobile; it was much easier to tax high earners without driving savings and investment out of the country.

At the same time, Americans in the first two thirds of the last century were more willing to engage in group politics than is the case today. Industrial workers fought to build unions and generally voted the way their leaders advised them. Ethnic groups stuck together and voted as blocs. Twentieth-century liberal politics generally involved negotiated agreements among party bosses and other leaders who commanded loyal followings. Few politicians today can count on this kind of unquestioning support in an era when party structures and patronage networks are both weaker and less reliable than they used to be. Now, instead of party structures funding candidates, candidates are expected to fund party structures.

We must come to terms with the fact that the debate we have been having over these issues for past several decades has been unproductive. We’re not in a “tastes great” versus “less filling” situation; we need an entirely new brew. But this is nothing to mourn, because both liberalism 3.0 and 4.0 died of success, just as versions 1.0 and 2.0 did before them.

As for 3.0, rising agricultural productivity ultimately drove millions of farmers off the land; high tariffs helped attract tens of millions of immigrants; ideas and institutions developed in a homogeneous, egalitarian and predominantly agricultural country no longer worked very well in an industrial, urban country threatened by class conflict. The same with 4.0. Our successful manufacturing economy led us to push for free trade; that stimulated other countries to export to U.S. markets and generated the kind of financial flows that undermined the nation-based Keynesian economic models of the 4.0 econ wizards. The rising affluence of Americans facilitated their mass migration into the suburbs where the old party organizations and ethnic loyalties broke down. More affluent and better educated voters became more individualistic and saw the system of party bosses as an obstacle to democracy rather than a way of making it work. Each version of liberalism in turn created a social system and an economy so dynamic and so inventive that it ultimately outgrew the institutions and ideas that had given it birth. Textbook cases of the cultural contradictions of capitalism at work they were.

Now it has happened again. The success of our institutions and ideas has so changed the world that they don’t work any more. We cannot turn back the clock, nor should we try. America’s job is to boldly go where none have gone before, not to consume our energies in vain attempts to recreate the glories of an unattainable past. We need to do for our times and circumstances what other Americans have done before us: Recast classic Anglo-American liberal thought, still the cultural and moral foundation of American life and the source of the commonsense reasoning that guides most Americans as they evaluate policy ideas and party programs, in ways that address the challenges before us.

For those blue Democrats clinging to liberalism 4.1, this is a time of doom and gloom. For those red Republicans longing for a return to liberalism 3.0, it is a time of angry nostalgia: Ron Paul making a stump
speech. This should be a time of adventure, innovation and creativity in the building of liberalism 5.0. America is ready for an upgrade to a new and higher level; indeed, we are overdue for a project that can capture the best energies of our rising generations, those who will lead the United States and the world to new and richer ways of living that will make the “advanced” societies of the 20th century look primitive, backward and unfulfilled.

We've wasted too many years arguing over how to retrieve the irretrievable; can we please now get on with the actual business of this great, liberal, unapologetically forward-looking nation?