

## First Principles by John B. Taylor



Review by: JP Kloninger

I read and found First Principles by John B. Taylor interesting and fairly enjoyable, although just a tad repetitive with the main points he was trying to make. I suppose this may have been intentional, to really drive the points home. Further, I have to admit that at times I found the writing style somewhat pretentious. Mr. Taylor has an impressive background to say the least (former U.S. Treasury undersecretary, for one) and is highly qualified to write about the subjects discussed in the book, but I found the tone and name-dropping a bit superfluous and near condescending at times. However, the book remains effective in delineating and substantiating the importance and relevance of the following principles of economic freedom:

- Predictable policy framework
- Rule of Law
- Strong incentives
- Reliance on markets
- Clearly limited role for government

The author references these five principles throughout the book, as he touches on their application (or lack of) throughout the history of the United States, and persuasively demonstrates how relatively high adherence to these principles has almost always been correlated with periods of economic health and growth in our country; and how periods of detraction from these principles is associated with economic downturns that we have experienced since 1776. The 1980s and 90s are discussed as a positive period of growth and prosperity in America, championed by Ronald Reagan and his administration's adherence to the principles of continuity, the rule of law, low governmental intervention, and the allowance of market forces to create a robust, growing economy. To contrast such periods, the Great Depression of course, and the more recent Great Recession of 2008 are discussed as periods that clearly exhibited haphazard policy-making and intervention by the government, thus distorting market workings, promoting jittery financial conditions, lack of market confidence by firms and consumers, and an overly risk-averse business climate which stifled growth and

worse, created busts such as we saw during the recent mortgage crisis, caused by banks' artificial confidence and cavalier practices fostered by an overly protective and interventionist government.

Taylor fairly points out how neither Republican nor Democrat administrations are solely at fault for deviations from the proven principles of economic freedom, nor is the implementation of them to be credited to one or the other party alone. For example, he highlights the Clinton (Democrat) administration as one that recognized and acted upon the importance of a government maintaining a limited role in markets, by giving individual states greater autonomy over issues of medical care, by signing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. On the Republican side of the house, Taylor reminds us of the post-1968 Nixon administration, with its overly interventionist fiscal and monetary policies, despite his proclamations pre-election that he was going to act towards less interventionism.

Overall I found the book to be a timely one in light of current economic conditions. While the future of the US economy is far from clear and the rebound from 2008 has been – perhaps expectedly after the “irrational exuberance” seen in the early 2000’s – frustratingly slow, Taylor gives us a good, strong reminder of the time-tested value of the five conceptually simple principles of economic freedom. Let’s hope the current administration can at least move the needle in the next four years toward a more stable economic climate supported by low-interventionism, consistency in policy, and some loosening of the reins for American – and global – business to create value and increase well-being at large.