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The Core of Liberty Is Economic Liberty

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by Deirdre N. McCloskey

Since the rise during the late 1800s of socialism, New Liberalism, and Progressivism it has been conventional to scorn economic liberty as vulgar and optional—something only fat cats care about. But the original liberalism during the 1700s of Voltaire, Adam Smith, Tom Paine, and Mary Wollstonecraft recommended an economic liberty for rich and poor understood as not messing with other peoples' stuff.

Adam Smith spoke of “the liberal plan of [social] equality, [economic] liberty, and [legal] justice.” It was a good idea, new in 1776. And in the next two centuries, the liberal idea proved to be astonishingly productive of good and rich people, formerly desperate and poor. Let’s not lose it.

Well into the 1800s most thinking people, such as Henry David Thoreau, were economic liberals. Thoreau around 1840 invented procedures for his father’s little factory making pencils, which elevated Thoreau and Son for a decade or so to the leading maker of pencils in America. He was a businessman as much as an environmentalist and civil disobeyer. When imports of high-quality pencils finally overtook the head start, Thoreau and Son graciously gave way, turning instead to making graphite for the printing of engravings.

That’s the economic liberal deal. You get to offer in the first act a betterment to customers, but you don’t get to arrange for protection later from competitors. After making your bundle in the first act, you suffer from competition in the second. Too bad.

In *On Liberty* (1859) the economist and philosopher John Stuart Mill declared that “society admits no right, either legal or moral, in the disappointed competitors to immunity from this kind of suffering; and feels called on to interfere only when means of success have been employed which it is contrary to the general interest to permit—namely, fraud or treachery, and force.” No protectionism. No economic nationalism. The customers, prominent among them the poor, are enabled in the first through third acts to buy better and cheaper pencils.

Economic liberty, that is, is part of liberty. Of course.

Indeed, economic liberty is the liberty about which most ordinary people care. True, liberty of speech, the press, assembly, petitioning

the government, and voting for a new government are in the long run essential protections for all liberty, including the economic right to buy and sell. But the lofty liberties are cherished mainly by an educated minority. Most people—in the long run foolishly, true—don't give a fig about liberty of speech, so long as they can open a shop when they want and drive to a job paying decent wages. A majority of Turks voted in favor of the rapid slide of Turkey after 2013 into neo-fascism under Erdoğan. Mussolini and Hitler won elections and were popular, while vigorously abridging liberties. Even a few communist governments have been elected—witness Venezuela under Chavez.

The protagonist of *Forever Flowing* by Vasily Grossman (1905–1964), the only example of a successful Stalinist writer who converted wholly to anti-communism, declares that “I used to think liberty was liberty of speech, liberty of the press, liberty of conscience. Here is what it amounts to: you have to have the right to sow what you wish to, to make shoes or coats, to bake into bread the flour ground from the grain you have sown, and to sell it or not sell it as you wish; . . . to work as you wish and not as they order you.”

The blessed Adam Smith was outraged by interferences in 1700s Britain in the right of workingmen to move freely to find profitable work. “The property which every man has in his own labor, as it is the original foundation of all other property, so it is the most sacred and inviolable. To hinder him from employing this . . . in what manner he thinks proper without injury to his neighbor, is a plain violation of this most sacred property.” Not as they order you.

And economic liberty, surprisingly, has massively enriched the world in goods and services. How much? In 1800 the income per person of a country like Sweden or Japan, expressed in 2018 prices, was about \$3 a day. Now it is over \$100 a day, a 3,200 percent increase. Not one hundred percent or even two hundred percent, but thirty-two hundred percent. The enrichment was not a factor of two, as had been routine

from time to time in earlier spurts, such as the glory of Greece or the prosperity of Song China, to fall back to \$3 a day. It was a factor of thirty-three. No starvation. Taller people. Doubled life expectancy. Bigger houses. Faster transport. Higher education. If you doubt it, see the late Hans Rosling's startling videos at Gapminder.

The usual explanations of the Great Enrichment from economists and historians don't compute. Accumulation of capital or the extractions of empire were not the causes. Ingenuity was, and the ingenuity was caused in turn by a new liberty after 1800. The liberal plan of equality, liberty, and justice made masses of people bold--first the free and wealthy men, then poor men, then former slaves, then women, then gays, then handicapped, then, then, then. Make everyone free, it turned out (the experiment had never been tried before on such a scale), and you get masses and masses of people inspired and enabled to have a go. "I contain multitudes," sang the poet of the new liberty. And he did. He and his friends had a go at steam engines and research universities and railways and public schools and electric lights and corporations and open source engineering and containerization and the internet. We became rich by giving ordinary people their economic liberty.

And now the "we" has extended far beyond its heartland in northwestern Europe. China after 1978 and India after 1991 began to abandon the illiberal European theory of socialism, devised in the middle of the 1800s and exported by the 1970s to a third of the globe. The result of turning towards economic liberalism was that the annual growth of goods and services per person available to the poorest in China and India rose from its socialist level of 1 percent a year, and sometimes negative, to 7 to 12 percent per year. At such rates, it will take only two or three generations for both countries to have European standards of living. Such a prospect for this four in ten of humans is no pipe dream. Similar enrichments were achieved over a

similar span in Hong Kong, South Korea, Singapore, and Taiwan, with other startling success stories for new liberalism and a reasonably honest government in Ireland and Botswana.

An economically illiberal government can, of course, borrow from countries honoring liberty. The USSR did from 1917–1989, for example, and for a long time even many economists in the West believed its fairy tale that Central Planning Worked. When communism fell in 1989 we discovered decisively that planning did not work, not for the economy or the environment or for other liberties. Singapore is sometimes cited as an example of intelligent tyranny. And so is China, dominated still by an elite of communist party members. Both, however, practice substantial economic liberty, despite their lamentable practice of jailing political opponents.

And enrichment, in the end, leads to demands for all liberties, political as much as the economic liberties, as it did in Taiwan and South Korea. Enriched people will not long put up with serfdom. And anyway the average record of tyrannies is economically disastrous, such as in Zimbabwe, next door to prosperous Botswana, or for that matter in the long and dismal history of illiberalism worldwide from the invention of agriculture down to 1800.

The Christian gospel says properly, “For what shall it profit a man, if he shall gain the whole world, and lose his own soul?” The claim against economic liberty has always been that even if we gain the world in goods, we lose our souls. We are told from the radical left that free exchange is intrinsically evil. Any extension will merely extend the evil. From the radical right, we are told that free exchange is ignoble compared with the glories of rank and war. But the radical left and right, and also the middle complaining about “consumerism,” are mistaken. The evidence is that economic liberty does not corrupt us, but rather makes us rather virtuous as well as very rich. It enriches in both senses, material and spiritual.

For one thing, mutually advantageous exchange is not the worst ethical school. It is better than the violent pride of aristocrats or the violent insolence of bureaucrats. And in economic liberalism, the human desire to excel is provided millions of honorable paths, from model railway building to show business, as against in illiberal societies the narrow path to eminence at the court or politburo or army. We do not lose our souls in commerce, but cultivate them. The military, admired nowadays even in liberal societies, is commended daily for its “service.” But every economic act among consenting adults is service. The ethical habits of commerce are expressed daily in the way an American shopkeeper greets his customer: “How can I help you?”

The upshot? The concert halls and museums of well-to-do countries are full, the universities are flourishing, and the seeking of the transcendent, if not in the established churches, is expanding. One cannot attend much to the transcendent of art or science or baseball or family or God when bent over in a paddy field from dawn to dusk.

The best way to make people bad and poor is the illiberality of communism and fascism, and even the slow if sweet socialism of over-regulation. Women among the theocratic despots of Saudi Arabia are quartered at home, unable to flourish so much as driving an automobile. The economic nationalism of the new Alt-Right is impoverishing, and anyway closes us to ideas from the wide world. If betterment is slowing in the United States—a widely held if doubtful claim—we need the betterment coming from newly enriching countries such as China or India, not cutting ourselves off to “protect jobs” at home. Protectionist logic would have us make everything in Illinois or Chicago or our local street. Breakfast cereal. Accordions. Computers. It is childishly silly as economics, though stirring as nationalism.

At the heart of communism and fascism, and the regulating impulse from the middle of the spectrum of governmental compulsion, is massively messing with other people's stuff. In the United States, over one thousand occupations require licenses from the government. Opening a new hospital requires the existing hospitals to grant a certificate of need. In Tennessee, if you wish to open a new furniture moving company—two men and a truck—you are required by law to ask permission of the existing moving companies. Protection of existing jobs has created worldwide a massive and politically explosive unemployment of youths. One-quarter of French people under 25 and out of schooling are unemployed. It's worse in South Africa.

Yet true and humane liberals are not anarchists (Greek an-archos, no ruler). One can admit that it can be good to abridge economic liberty a little to the extent of taxing the well-to-do to give a hand up to the poor, such as publicly financed education. No serious argument there—Smith and Mill and even Thoreau agreed. (True, big government routinely gives also a hand up to the rich and powerful, such as protections for farmers in the U.S. and the Common Market. Big governments follow the nasty version of the Golden Rule, namely, those who have the gold, rule.) And one can admit that if the Canadians invade the United States, economic liberty might usefully be abridged for the duration, if prudent for defense. No argument there, either. (Yet big governments routinely break the peace for glorious conquests. Fear those Canadians.)

The solution, liberals believe, is to restrict the power of government, even when the government is popular. Fascism often and communism sometimes, unhappily, are popular. Moderate versions of both, in nationalism and socialism, are very popular, until they go wrong. People favor for the nonce the alleged glory of governmental aggressions against foreigners (see Europe in August 1914) and the alleged free lunches of governmental control of the economy (see Venezuela in August 2017).

Better keep the government leashed. Of the 190 or so governments in the world ranked in honesty from New Zealand at the top to North Korea at the bottom one might generously take the top 30 as adequately honest for the task. Spain is the marginal case. Britain and the United States qualify. Italy, ranked 75th, just above Vietnam, does not. But the top 30 moderately honest governments serve merely 13 percent of the world's population. That is to say, 87 percent of the world is governed corruptly and incompetently, by a relaxed standard of goodness. The calculation shows why the optimism among amiable people on the left and among not so amiable people on the right about extending the illiberal powers of government is naïve. Thoreau wrote, in true liberal style, "I heartily accept the motto, —'That government is best which governs least,' and I should like to see it acted up to more rapidly and systematically."

Yes, with a few modest exceptions.

This essay will appear in a volume for the Renew Democracy Initiative.



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Deirdre Nansen McCloskey taught at the University of Illinois at Chicago from 2000 to 2015 in economics, history, English, and communication. A well-known economist and historian and rhetorician, she has written 17 books and around 400 scholarly pieces on topics ranging from technical economics and statistical theory to transgender advocacy and the ethics of the bourgeois virtues. Her latest book, out in January 2016 from the University of Chicago Press—*Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*—argues for an “ideational” explanation for the Great Enrichment 1800 to the present.
