

The Economic Advantages of a Commitment to Liberty¹

The Freeman: Ideas on Liberty

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In my last column I discussed the bias toward excessive government caused by the dead-weight costs of taxation. Because these costs go unseen, while the benefits from government spending are readily apparent, government expands beyond reasonable limits.

Unfortunately, the unseen cost of taxation is only one factor pushing for too much government. Much of the cost of government is in lost liberty—decisions on how we live our lives are increasingly made by government authorities. And just as with the dead-weight costs of taxation, the costs of gradually losing our liberties go largely unseen. On the other hand, benefits (typically temporary and small) from restricting liberty are easily seen. The result is a political bias that steadily erodes our liberty. Pragmatic politics, free of ideological considerations, with each issue decided solely on its perceived costs and benefits, gives free rein to this bias against liberty. Only with a genuine ideological commitment to liberty, one that creates serious obstacles to all proposals for sacrificing it to some public objective, can we halt, and hopefully reverse, the erosion.

The Hidden Cost of Restricting Liberty

All government actions, whether taxing income, restricting imports, controlling prices, regulating businesses, or subsidizing agricultural production, reduce our liberty to some degree. Of course, some restrictions are necessary for maintaining the social order on which other liberties depend. Traffic laws, sanctions against criminal activity, and the requirement to pay enough taxes to defend our borders come to mind. However, beyond some minimum level the loss of liberty begins imposing costs without offsetting social benefits.

But even when a government restriction on liberty imposes large net costs on society, it still creates benefits commonly captured by a relative few. An example is an import restriction, which concentrates benefits on those in the protected

¹ Slightly modified for instructors and students using Common Sense Economics (CommonSenseEconomics.com)

industry by restricting consumers from buying from those who offer them the best deal. As discussed in earlier columns, consumers lose far more than those in the protected industry gain. But because the reduction in liberty spreads cost over all consumers, the political process easily overlooks it. Likewise, government regulations that restrict people from going into certain occupations are advertised as necessary to protect consumers from the unqualified. Yet these restrictions reduce the competition faced by existing members of the protected occupation (who lobby for the restrictions), with the benefits they receive more than offset by the costs to those whose freedoms are restricted. But again, the costs are widely spread and largely unnoticed.

The costs of restricting our liberties are easily ignored not only because they are spread widely over the general public, but also because they are indirect and delayed. Often the greatest advantage we realize from freedom is its availability to others. For example, only a relatively few people will choose to become entrepreneurs. But most of the benefits from entrepreneurial freedom take the form of better products and lower prices for untold millions of consumers who will never start companies themselves. As F. A. Hayek observed, “The benefits I derive from freedom are thus largely the uses of freedom by others, and mostly of the uses of freedom that I could never avail myself of.”² So most of those harmed by the erosion of a freedom will notice no additional restriction on their own freedom and remain unaware of the harm they are suffering.

Also, freedom is vitally important because we have no idea how it will be used. No one can confidently predict the advances that will be made in the future if people are free to try things most would never consider trying. Quoting Hayek again, “If we knew how freedom would be used, the case for it would largely disappear.”³ So most of the cost of restricting freedom today will be doing without things we otherwise would have had tomorrow. The cost is not only delayed, but almost impossible to recognize when it does arrive because it comes as the absence of things we never knew we could have had.

Finally, our liberty is seldom lost all at once. Instead, it is nibbled away a little at a time. Supposedly, if you place a frog in a pan of water and heat it up gradually, the frog will remain in the water completely unaware of the increased temperature until it boils to death. Similarly, as our liberties are eroded slowly, one by one, we hardly notice the loss.

Commitment to Liberty

Because we overlook the costs of eroding liberties, the bias in favor of excessive

² F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 32.

³ *Ibid.*, p. 31.

government is more pronounced and harmful than indicated in previous discussions. Even if all the financial costs of expanding government were fully considered, there would still be too much government if the personal costs of restricting our liberties were ignored. Unfortunately, when government proposals are considered, many of the financial costs and almost all the costs of reduced liberty are politically ignored. The minor benefits to a few trump the far greater loss of the liberty by the many in case after case. Seldom does anyone oppose a particular program because it will erode our liberty; and when someone does, he is typically dismissed as an ideological crackpot. But unless we restore a broad and deeply felt ideological commitment to liberty in general, the value of the particular liberties lost to each government expansion will do nothing to retard that expansion, and our liberty will be surely and steadily sacrificed to the special-interest influence of ordinary politics.

Quite apart from the value of liberty as an end in itself, genuine commitment to liberty is essential for sound, long-run economic policy. The importance of freedom to the innovations and technological improvements on which all economic progress depends cannot be overemphasized. Consider that the national income of the U.S. economy is now a little over \$8.5 trillion annually. If average economic growth is reduced from 2.5 to 2 percent per year because of liberties eliminated by government action, in 25 years the national income will be \$1.81 trillion less per year than it would have been. That amounts to a loss of approximately \$6,830 for every American, a loss that almost no one will notice and which would be difficult to connect to the erosion of liberty even if it is noticed. What will be noticed, and appreciated, are the benefits of particular government activities, even though the entire country is far worse off because of many of them.

The advantage of a commitment to liberty, with respect rather than ridicule accorded those who champion it, is that it would replace the political pragmatism of case-by-case considerations with an ideological rule of restraint that would better promote the long-term interests of all. The problem with political pragmatism is that it doesn't work, not if the objective is to serve the general interest.

Reference:

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