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How economics and individual liberty promote individual and societal well-being

First-off we must all come to agreement as to some basic principles by what we mean as individual and societal well-being. I would say that individual well-being is the ability to achieve self-actualization. To paraphrase Abraham Maslow and his 'hierarchy of needs', first we must have food and shelter. The fulfillment of material needs then allows time for family and social interaction, this self-selecting human interaction then allows for spiritual growth, spiritual growth then allows for self-actualization. But, note, first our material needs must be met. I would like to define societal well-being as some kind of construct between utilitarianism – the greatest good to the greatest number – without sacrificing deontological beliefs – that no harm is done to anyone.

Thus, the question might be reframed as how do economics and individual liberty allow for a society in which we all have food and shelter and where the greatest good to the greatest number is achieved without harming anyone else in the process. This is indeed where economics and individual liberty come in to play. Economics is defined as the study of how scarce resources are allocated in a society (these scarce resources of course include food and shelter) and individual liberty is the ability to act and think freely. Only an individual knows what she wants or needs to achieve her greatest good and what is their own self-actualization. Harm might be defined as physical or material trespass.

There are just a handful of (almost) universally agreed-upon truths in economics, and these truths are which allow for material wealth to be created – for food and shelter to be provided. The first truth might be that of the market, where supply meets demand. The market, in other words, is where those wishing to buy something voluntarily (note the intersection of liberty and economics) meet those voluntarily wishing to sell something. Both the buyer and seller gain (utilitarianism) through this voluntary (deontological) transaction. This market mechanism is how scarce resources get distributed, from those that need them less to those that need them more.

The second (almost) universally agreed-upon truth in economics is that of wealth-creation (food and shelter) through comparative advantage and trade. Comparative advantage is an economic term for the specialization of labor. If you focus on something, you become better, more efficient, more creative and take more pride in, the fruits of your labor. Someone, or everyone, may be better at what they do than what you do, but specialization and trade allows a sum greater than the parts.

We all are unique, we all have our own areas of interest - we all have our own personal definition of our greatest good. This is another economics concept called subjectivity; only an individual knows what is best for her, what they enjoy doing with their time (the

ultimate limited resource), what they want out of life, what they want to ‘produce’ for themselves, for their loved ones, for society, for their own path towards self-actualization. And this is where individual liberty goes again hand-in-hand with economics. People must be free to choose their path, to take chances, for trial and error, to learn through doing, to learn through their mistakes. Without the freedom to try and fail, there is no path towards enlightenment.

Society as a concept cannot be discussed without defining societal institutions. Society is a grouping of people. People come together through the accident (or grace) of birth. We all are born with our immediate societal institutions; we do not choose our family or our place of birth. We do not choose our intelligence level or our first foods which nurture us through our first years. This is something we all have in common. Self-actualization can be defined as how to learn to live with, to transcend or to embrace what we are given at birth.

There is an old saying that the only things certain are death and taxes. Let’s discuss these. Death is becoming less and less certain. We are currently living, on average, twice as long as our ancestors of just 100 years ago. This again can be explained by economics and liberty. Resources are being distributed more and more efficiently through trade, through specialization. Advances in science and technology and medicine have allowed for the cure of diseases which would have killed us just 100 years ago. There is no telling how long we will be living 100 years from now.

There are those who say that much of our material improvement has been at the expense of a degraded planetary natural environment. Others say that the planet is in better shape than 50 years ago. Still others say that economics – and the discovery system allowed by individual liberty – will allow us to live harmoniously with our planet, or in fact with other planets. That Earth too will benefit, that the planet’s, shall we say, ‘food and shelter’ will be sustained and improved upon as we continue to invent and distribute what we invent and learn better to adapt to our surroundings. Economic liberty provides wealth to buy the things we value. If society values a healthy natural environment, then liberty and economics will provide this as well, much as it has reduced the poverty, and increased the life-span, of many. Not all, but many.

Some societal institutions are not entirely voluntary. One of the (almost) universally agreed-upon truths in economics is that not all resource allocations and liberty-promoting institutions are created by the market. This is where government comes in. If someone is harmed through their actions with someone else (if deontological principles are violated) and these wrongs cannot be addressed through voluntary means, society has created government to help redress the wrong. This is what civil law and its forum, the court system, is for. Law provides a framework in which to base economic and personal decisions, knowing that there will be a peaceful means to address any wrongful behavior.

Not everyone is honest and peaceful and everyone makes mistakes. This is part of our universally-shared human condition. This is why society has created public safety institutions; the fire department and emergency medical services and the police

department. These institutions have developed over time as has society developed over time.

As economics and liberty have allowed the planet to hold a larger population living longer lives, our societies have grown from small communities (the first governments were city-states) into large nation-states. Nation-states, like all institutions, are made up of people and not all people are honest and peaceful and we all make mistakes. Armed forces were created to protect the citizens of city-states and nation-states. Some nations require their citizens to serve in their army; we in the United State of America no longer have this requirement, other nations do.

Economics has terms to describe the necessitation of these roles for government; public goods and market failures. When it is not cost-effective for an individual acting in the market to provide these common goods (as an individual acting on her own does not have the incentive to pay for her share of these shared services in advance) government provides the necessary institutional frameworks to allow individual liberty and the market to thrive, for wealth to be created and distributed, and for human endeavor to progress.

Government is used by society to trade-off deontological beliefs – that no harm is done – with utilitarianism – the greatest good to the greatest number - when it is perceived that this balance cannot be achieved voluntarily through the market. Government too has limits and can make mistakes just like people can. It can skew economic exchange through regulation benefiting some over others and can limit individual liberty through over-regulation. Government mistakes are different than those created in the market as the mistakes are not made through voluntary exchange or individual risk-taking, but through government's uniquely societal-granted coercive powers. Economics defines this government over-reach as government failure. In addition, government is often funded through involuntary means (taxation) and this is a limit on individual liberty and the ability to keep the fruits of one's labor. The role of government changes over time and government failure can be corrected; society is dynamic.

It is through these societal interactions, through this combination of government, the market and liberty that individual and societal well-being is promoted and achieved. The free interaction of individuals within a society, the ability to vote and choose political leaders whose actions will help determine society's chosen role for government, is how our society has progressed and humans have grown and prospered. The balance between deontology and utilitarianism is always in play and the results are not always perfect. However, it is through economics and individual liberty that individuals can find a path towards self-actualization and societies can find a path towards the fulfillment of material needs.