

# Why Economists favour Liberty

WHEN IT COMES TO THE social sciences, and the political orientation of those working in them, it is probably fair to say that this group is not one in which liberal ideas are the predominant force. Rather it seems that a lot of anti-liberal sentiment has its roots in the sphere of the social sciences. Although such a proposition is of course difficult to prove, anecdotal evidence abounds. For example generations of historians have been trying to tell us how the Industrial Revolution and free-market "Manchester Capitalism" harmed the working classes. The vast majority of sociologists keep on arguing against the dangers of individualism and it is by far easier to find the works of an anti-liberal philosopher or political scientist on the shelves of any given bookshop than those of a true friend of freedom from the same subject area.

One might think that one of the reasons why this is the case can already be found in the generic term of all these subjects: After all, they are commonly labelled the "social" sciences, and something that is called "social" usually does not indicate a connection to individualist or liberal ideas. Now, of course, social in this context rather denotes a differentiation of the social sciences from the natural sciences. Nevertheless, it is often true that members of these professions indeed tend to understand their task as dealing

not so much with individuals and their decisions, but with whole entities, groups or – with the proper word – society. The notion of society, however, is something that liberal thinkers find difficult to understand and conceptualise, and often the term is rejected outright. As Margaret Thatcher famously remarked: "There is no such thing as society".

There is one group amongst social scientists however, in which a majority is decidedly liberal in their views. I am talking about the economics profession. Economists, it must be stated, are social scientists themselves because what they are dealing with are not physical, chemical or biological observations and causalities but human beings and the way they act purposefully. But the view of human interactions from an economist's point of view differs from that of a sociologist. While most sociologists are first and foremost interested in dealing with human relations and interactions from the perspective of the group and understand the individual first and foremost as part of that group, the economist's point of departure is the individual human being and his or her motives, means, desires, aims and actions. In the world of the economist, the individual is at centre stage. The reason for this special focus on the individual is simple: Organisations or things cannot and do not act, only individuals do. It is thus misleading to say

that X Ltd. has decided to buy Y Ltd. or that the government has increased taxes. In fact, the economist can only analyse and understand the behaviour of the individuals behind these 'actions'. The focus on individual action is often referred to as 'methodological individualism' and the vast majority of economists confess to this approach.

Methodological individualism of course does not mean that the individuals the economists deal with are all Robinson Crusoes, living on secluded islands. Nothing could be further from the truth as economics only begins to make sense if individuals begin to interact with other individuals. The economist observes how they engage in exchange with each other. These individuals deal with people that sometimes they do not know too well, they often do not know what to expect from these interactions, and yet we can observe such situations every day. One only has to go to a weekly market to understand what it means to engage in exchange processes under limited information and uncertain expectations. And yet, the fascinating thing to the economist is that these processes work. The French economist Frederic Bastiat put it so well in the early 19th century when he expressed his amazement about the working of the Parisian food market with the famous words "Paris gets fed!". Paris got fed despite there being no one person or department responsible for providing the hundreds of thousands of hungry Parisians with food and drink (and energy, clothing, housing etc). And even worse, nobody even knew what Parisians would demand, where they would demand it and when they would demand it. It is the

individuals' actions that made and still make this complex system work.

The key behind the working of such a system is not any kind of planning, but the actions of individuals who are driven by their striving to gain in mutually voluntary exchanges. In fact, a planner could never collect the information and data he would need to achieve what the market achieves spontaneously. Just imagine you were responsible for providing all Londoners with something as simple as bread. How could you know how much bread people will eat, how much you have to bake, where to sell the bread, what kinds of bread people want and how much they would be willing to pay for it? And that's just the beginning. Before you can deal with these questions, you first have to get flour, yeast, energy and water. Even equipped with a supercomputer no one could fulfil this task the way the free and dispersed interactions of countless individuals do.

But this is the crucial point: The individuals must be free to form their judgments and expectations, free to gather their information and free to make their decisions. Limiting their freedom to act could result in an interference with the processes. It is the same logic why Paris gets fed and Pyongyang does not: Governments that interfere with economic liberty will never be able to substitute the marvel of the market.

It is therefore no wonder that economists favour liberty. They know that individuals have to be free to make the best choices for themselves and ultimately for the rest of society. Yes, society. The economist does not deny it exists. But he knows that without individual liberty it cannot work. ■

**Governments that interfere with economic liberty will never be able to substitute the marvel of the market**



**Dr Oliver Hartwich argues that our social**

**history is the clearest example of the important link between individual liberty and the free market, and their fundamental role in society.**

**Dr Oliver Marc Hartwich is a Research Fellow at Policy Exchange. He was born in 1975 and studied Business Administration and Economics at Bochum University (Germany). After graduating with a Master's Degree, he completed a PhD in Law at the universities of Bochum and Sydney (Australia) and published his award-winning thesis with Herbert Utz Verlag (Munich) in March 2004. He is a leading economic and free market thinker of his generation.**