

Who will be the most free in the year 2000?

Brave new worlds



In the year 2000, will people living in the Soviet Union be freer than people living in the United States? It is an outlandish thought, but recent events, both in the U.S. and in the U.S.S.R., suggest it may be possible.

"Freer" isn't the same as "richer." Ten years from now Americans will still be far richer.

Americans will still own more cars and more television sets, and enjoy more vacations. Soviets in the year 2000 will be poorer, work longer hours, and earn far less pay.

A country's wealth is an unreliable measure of the freedom enjoyed by its citizens. Wealth is, however, a fairly reliable measure of past freedoms. Free people are enormously productive. But a country's wealth-creating institutions can survive for generations even as freedoms gradually disappear. The Roman Empire, for example, prospered for centuries with the legal and economic foundations created by the earlier Republic.

America has been among the freest countries in the world for 200 years (but less than 100 years for black Americans). We are far richer now than Americans were 200, 100, or 75 years ago, but do we have as much freedom?

"Freedom" is a tricky word. It is a word well worth tracking down in a dictionary. The Merriam-Webster pocket dictionary first defines freedom as "the quality or state of being free: independence." Checking "free," we find: "1. having liberty." And the definition for "liberty" is: "1. freedom."

So freedom means liberty and

liberty means freedom. Great. The word "independence" was used in the definition of freedom, and "independence" is defined as: "the quality or state of being independent: freedom." So freedom means independence and independence means freedom. Terrific!

More helpful is Merriam-Webster's second definition of "free:" "not controlled by others: independent." Finally something substantial enters the scene. "Independent," happily, is not defined as "being free" or "having liberty." Instead, the first definition is: "self-governing."

So even a pocket dictionary leads (eventually) to the insight that freedom means freedom from the control of others. To be free is to be independent, which in turn is to be self-governing. Rose Wilder Lane, author of *The Discovery of Freedom*, said that freedom is self-control, nothing more, nothing less.

We are free to the extent that we govern or control our own lives, and to the extent we are free from the government or control of others. But how can we be completely free from government by others? The solution is in the notion that we should have "a government of laws, not men." A government of laws can insulate people from the direct control of others. Discovering the proper laws is therefore the key challenge.

A new Russian revolution

The Soviet parliament and presidency are trying to answer this challenge by developing legal institutions that will free Soviet citizens from the control of others (particularly communist party leaders).

Law professor Anatoly Sobchak is at the forefront of this process and is seen by millions of Soviet citizens in televised parliamentary

debates. Sobchak is considered the Soviet parliament's leading legal authority, and also, according to the *New York Times* "the most influential of the country's radical reformers—apostles of free markets, private property and competing political parties." (November 26, 1989, p. 3).

If the radical reforms recently proposed by Soviet economists Nikolai Petrakov and Leonid I. Abalkin succeed, citizens of the Soviet republics may very well have more control over their lives than will Americans in the year 2000. In

Continued next page

Staff



Editor

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Managing Editors

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Advisors & Contributors

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December, Soviet president Mikhail Gorbachev appointed Nikolai Petrakov as his personal advisor on economics. Petrakov, who is described by the *New York Times* as “a kind of Russian Milton Friedman,” recently announced plans for the Soviet Union to take the Polish cold-turkey plunge to a free-market economic system (March 25, 1990, p. E3).

Leonid Abalkin is Deputy Prime Minister and heads the new State Commission on Economic Reform. “The Soviet Government now has two good economists in positions of authority,” notes Ed Hewett of the Brookings Institution, “where a year ago there were none.”

Abalkin proposes to sell three-quarters of state-owned assets to the private sector, and wants ownership rights traded on a new stockmarket. Petrakov has “spent hours, sometimes entire days, with Mr. Gorbachev, devising comprehensive changes, with the intention of introducing them quickly...” notes Hewett who predicts a stream of decrees by early summer abolishing state control over industries, and converting them into joint-stock companies.

The birth of economic freedom in the Soviet Union may be derailed or delayed by conflicts with Lithuania and other republics that are trying to secede from the U.S.S.R. But if Petrakov and Abalkin are able to pull off these radical reforms, the Soviet people will be jolted toward freedom. Individual people, for the first time in Russian history, will not be controlled by others and thereby qualify as free people.

For those in Lithuania, Estonia, and Latvia, such reforms may be the only way to recover the freedoms they enjoyed before being subjugated by the U.S.S.R. after World War II.

From planning to poverty to revolution

Economic poverty will force political liberation in the Soviet Union, just as it has in Eastern Europe.

The Soviet command economy impoverished people by preventing them from working together efficiently. Central planning cannot motivate and coordinate the daily activities of the 250 million or so Soviet producers and consumers. (See box)

In a market economy, prices and the efficient allocation of resources emerge from voluntary exchange. A planned economy depends on those at the top controlling the lives of those at the bottom through layers of economic plans. But the planners at the top are never able to gather the information needed to run their plans. Market economies rely on very different institutions to generate information and to guide and coordinate behavior.

Market economies do have islands of control within their economies. These islands of control (sometimes called “islands of socialism”) are companies and corporations. Companies vary in the degree to which they try to control employees’ lives. The key constraint on company managers is the employee’s option to quit. So even the “control by others” employees can feel subjected to within a company is ultimately voluntary—that employees can choose to work for

themselves, or for other firms.

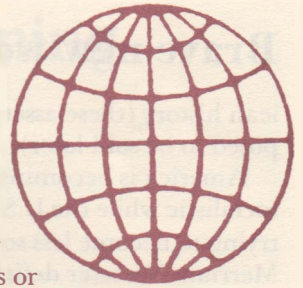
Market systems rely on the actions of free people either as individuals or in voluntary associations (companies). Prices provide the information while property rights and profit potential provide the incentives.

Without information, and without incentives, the Soviets have gotten poorer year by year. Only with economic collapse looming has Gorbachev agreed to follow his economists’ advice and try to establish a free market economy.

A quiet revolution in America?

No such economic collapse looms in America, so political leaders here are generally ignoring the advice of their economists. Instead of lowering taxes, repealing regulations, and privatizing state assets, the momentum here is for higher taxes, redoubled regulations, and the nationalization of assets. The savings and loan “bailout,” for example, has already become the largest nationalization of private property and assets in Amer-

Continued next page



Economics, motivation, & wealth

Anatoly Sobchak is blunt about the connection between free enterprise, motivation, and wealth. In talks to Soviet factory-workers that make up his blue-collar constituency, Sobchak explains that American workers live better because they work harder. And they are motivated to work harder because capitalism rewards productive workers and punishes lazy ones.

Says Sobchak, “Our demagogic slogans about equality have made our people lose their love for work.” Though fiercely attacked by unions, Sobchak is extremely popular among blue-collar workers. (*New York Times*, November 26, 1990, p. 3)

The socialist story is much the same in East Germany, where the typical workday, according to the *Times*, “begins to wind down at noon although it is officially eight hours long. Many employees do not return from lunch. Others wander off during the afternoon to shop, run errands or join the lunch-time dropouts for beer and cards in a tavern. Absenteeism is rampant and goes virtually unpunished.” Friedrich Ebeling of East Germany’s Democratic Awakening Party concludes “We had a society where the industrious were exploited by the lazy” (April 4, 1990, p. 1).