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Future Prospects for Economic Liberty

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The following is adapted from a lecture delivered on August 2, 2009, during a Hillsdale College cruise from Venice to Athens aboard the Crystal Serenity.

One of the justifications for the massive growth of government in the 20th and now the 21st centuries, far beyond the narrow limits envisioned by the founders of our nation, is the need to promote what the government defines as fair and just. But this begs the prior and more fundamental question: What is the legitimate role of government in a free society? To understand how America's Founders answered this question, we have only to look at the rule book they gave us—the Constitution. Most of what they understood as legitimate powers of the federal government are enumerated in Article 1, Section 8. Congress is authorized there to do 21 things, and as much as three-quarters of what Congress taxes us and spends our money for today is nowhere to be found on that list. To cite just a few examples, there is no constitutional authority for Congress to subsidize farms, bail out banks, or manage car companies. In this sense, I think we can safely say that America has departed from the constitutional

principle of limited government that made us great and prosperous.

On the other side of the coin from limited government is individual liberty. The Founders understood private property as the bulwark of freedom for all Americans, rich and poor alike. But following a series of successful attacks on private property and free enterprise—beginning in the early 20th century and picking up steam during the New Deal, the Great Society, and then again recently—the government designed by our Founders and outlined in the Constitution has all but disappeared. Thomas Jefferson anticipated this when he said, “The natural progress of things is for liberty to yield and government to gain ground.”

To see the extent to which liberty is yielding and government is gaining ground, one need simply look at what has happened to taxes and spending. A tax, of course, represents a government claim on private property. Every tax confiscates private property that could otherwise be freely spent or freely invested. At the same time, every additional dollar of government spending demands another tax dollar, whether now or in the future. With this in mind, consider that the average American now works from January 1 until May 5 to pay the federal, state, and local taxes required for current government spending levels. Thus the fruits of more than one third of our labor are used in ways decided upon by others. The Founders favored the free market because

it maximizes the freedom of all citizens and teaches respect for the rights of others. Expansive government, by contrast, contracts individual freedom and teaches disrespect for the rights of others. Thus clearly we are on what Friedrich Hayek called the road to serfdom, or what I prefer to call the road to tyranny.

As I said, the Constitution restricts the federal government to certain functions. What are they? The most fundamental one is the protection of citizens’ lives. Therefore, the first legitimate function of the government is to provide for national defense against foreign enemies and for protection against criminals here at home. These and other legitimate public goods (as we economists call them) obviously require that each citizen pay his share in taxes. But along with people’s lives, it is a vital function of the government to protect people’s liberty as well—including economic liberty or property rights. So while I am not saying that we should pay no taxes, I am saying that they should be much lower—as they would be, if the government abided by the Constitution and allowed the free market system to flourish.

And it is important to remember what makes the free market work. Is it a desire we all have to do good for others? Do people in New York enjoy fresh steak for dinner at their favorite restaurant because cattle ranchers in Texas love to make New Yorkers happy? Of course not. It is in the interest of Texas ranchers to provide the steak. They benefit themselves and their families by doing so. This is the kind of

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[Latin]: in the first place

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enlightened self-interest discussed by Adam Smith in his *Wealth of Nations*, in which he argues that the social good is best served by pursuing private interests. The same principle explains why I take better care of my property than the government would. It explains as well why a large transfer or estate tax weakens the incentive a property owner has to care for his property and pass it along to his children in the best possible condition. It explains, in general, why free enterprise leads to prosperity.

Ironically, the free market system is threatened today not because of its failure, but because of its success. Capitalism has done so well in eliminating the traditional problems of mankind—disease, pestilence, gross hunger, and poverty—that other human problems seem to us unacceptable. So in the name of equalizing income, achieving sex and race balance, guaranteeing housing and medical care, protecting consumers, and conserving energy—just to name a few prominent causes of liberal government these days—individual liberty has become of secondary or tertiary concern.

Imagine what would happen if I wrote a letter to Congress and informed its members that, because I am fully capable of taking care of my own retirement needs, I respectfully request that they stop taking money out of my paycheck for Social Security. Such a letter would be greeted with contempt. But is there any difference between being forced to save for retirement and being forced to save for housing or for my child's education or for any other perceived good? None whatsoever. Yet for government to force us to do such things is to treat us as children rather than as rational citizens in possession of equal and inalienable natural rights.

We do not yet live under a tyranny, of course. Nor is one imminent. But a series of steps, whether small or large, tending toward a certain destination will eventually take us there. The philosopher David Hume observed that liberty is seldom lost all at once, but rather bit by bit. Or as my late colleague Leonard Read used to put

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it, taking liberty from Americans is like cooking a frog: It can't be done quickly because the frog will feel the heat and escape. But put a frog in cold water and heat it slowly, and by the time the frog grasps the danger, it's too late.

Again, the primary justification for increasing the size and scale of government at the expense of liberty is that government can achieve what it perceives as good. But government has no resources of its own with which to do so. Congressmen and senators don't reach into their own pockets to pay for a government program. They reach into yours and mine. Absent Santa Claus or the tooth fairy, the only way government can give one American a dollar in the name of this or that good thing is by taking it from some other American by force. If a private person did the same thing, no matter how admirable the motive, he would be arrested and tried as a thief. That is why I like to call what Congress does, more often than not, "legal theft." The question we have to ask ourselves is whether there is a moral basis for forcibly taking the rightful property of one person and giving it to another to whom it does not belong. I cannot think of one. Charity is noble and good when it involves reaching into your own pocket. But reaching into someone else's pocket is wrong.

In a free society, we want the great majority, if not all, of our relationships to be voluntary. I like to explain a voluntary exchange as a kind of non-amorous seduction. Both parties to the exchange feel good in an economic sense. Economists call this a positive sum gain. For example, if I offer my local grocer three dollars for a gallon of milk, implicit in the offer is that we will both be winners. The grocer is better off because he values the three dollars more than the



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Hillsdale cruisers Terry and Val Applegate on the Crystal Serenity as it departs Venice



Classicist and military historian Victor Davis Hanson speaking to Hillsdale cruisers

milk, and I am better off because I value the milk more than the three dollars. That is a positive sum gain. Involuntary exchange, by contrast, means that one party gains and the other loses. If I use a gun to steal a gallon of milk, I win and the grocer loses. Economists call this a zero sum gain. And we are like that grocer in most of what Congress does these days.

Some will respond that big government is what the majority of voters want, and that in a democracy the majority rules. But America's Founders didn't found a democracy, they founded a republic. The authors of *The Federalist Papers*, arguing for ratification of the Constitution, showed how pure democracy has led historically to tyranny. Instead, they set up a limited government, with checks and balances, to help ensure that the reason of the people, rather than the selfish passions of a majority, would hold sway. Unaware of the distinction between a democracy and a republic, many today believe that a majority consensus establishes morality. Nothing could be further from the truth.

Another common argument is that

we need big government to protect the little guy from corporate giants. But a corporation can't pick a consumer's pocket. The consumer must voluntarily pay money for the corporation's product. It is big government, not corporations, that have the power to take our money by force. I should also point out that private business *can* force us to pay them by employing government. To see this happening, just look at the automobile industry or at most corporate farmers today. If General Motors or a corporate farm is having trouble, they can ask me for help, and I may or may not choose to help. But if they ask government to help and an IRS agent shows up at my door demanding money, I have no choice but to hand it over. It is big government that the little guy needs protection against, not big business. And the only protection available is in the Constitution and the ballot box.

Speaking of the ballot box, we can blame politicians to some extent for the trampling of our liberty. But the bulk of the blame lies with us voters, because politicians are often doing what we elect



Hillsdale cruisers at the Topkapi Palace in Istanbul



Historian Paul Johnson and Hillsdale cruisers dining on board the Crystal Serenity



Economist Walter Williams at a book signing following an on-board lecture



Hillsdale cruisers on a tour of the ruins at Delphi in Greece

them to do. The sad truth is that we elect them for the specific purpose of taking the property of other Americans and giving it to us. Many manufacturers think that the government owes them a protective tariff to keep out foreign goods, resulting in artificially higher prices for consumers. Many farmers think the government owes them a crop subsidy, which raises the price of food. Organized labor thinks government should protect their jobs from non-union competition. And so on. We could even consider many college professors, who love to secure government grants to study poverty and then meet at hotels in Miami during the winter to talk about poor people. All of these—and hundreds of other similar demands on government that I could cite—represent involuntary exchanges and diminish our freedom.

This reminds me of a lunch I had a number of years ago with my friend Jesse Helms, the late Senator from North Carolina. He

knew that I was critical of farm subsidies, and he said he agreed with me 100 percent. But he wondered how a Senator from North Carolina could possibly vote against them. If he did so, his fellow North Carolinians would dump him and elect somebody worse in his place. And I remember wondering at the time if it is reasonable to ask a politician to commit political suicide for the sake of principle. The fact is that it's unreasonable of us to expect even principled politicians to vote against things like crop subsidies and stand up for the Constitution. This presents us with a challenge. It's up to us to ensure that it's in our representatives' interest to stand up for constitutional government.

Americans have never done the wrong thing for a long time, but if we're not going to go down the tubes as a great nation, we must get about changing things while we still have the liberty to do so. ■



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