

Freedom and Humanity's Connective Structures

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Introduction

The matters I want to discuss today concern the terms and conditions by which people get along, and how the principles of classical liberalism fit into those situations.

Thinking about our so-called 'structured living-togetherness' leads us to the inescapable fact that the interactions implied by that phrase are vital to human existence and, indeed flourishing, given our innate sociality and the endemic limitations posed by autarky.

To paraphrase a famous quote by Adam Smith, '[i]n civilised society people stand at all times in need of the cooperation and assistance of great multitudes, while their whole life is scarce sufficient to gain the friendship of a few persons.'

In this context a key concern is: under what circumstances can idiosyncratic, unique individuals – all equally capable yet fallible, and caught between alluring hopes and haunting fears when contemplating even the mere prospect of reaching out to others, for both love and daily bread – best secure the extraordinary gains from social cooperation.

For us as classical liberals and libertarians the immediate instinct might be to respond by uttering the word, 'market.' Not too far behind in our mental calculus would be the words 'association,' 'civil society,' or even 'little platoons.'

Yes, these institutional frames through which human beings interact are immensely important in attaining socially cooperative situations, but references to those forms of spontaneous orderings alone don't quite capture the scope in which people get along.

Libertarians conceptualise political action as the antipathy of social cooperation but, rather, we need to appreciate, whether we like it or not, that humans also interact politically.

In the true sense of mainline political economy, from Smith to Mises to Hayek to Peter Boettke and Deirdre McCloskey, economic phenomena are interrelated with politics, and that politics surely affects the economy.

The beliefs, norms, sentiments, and values which comprise our cultural sensibilities also shape the prospects for broad-scale social cooperation. Those matters are not only of concern to sociologists, but increasingly to economists as well.

The folly of market-state separability

Economic interactions between individuals through market institutions, and guided by several property, relative prices and profit-loss signalling, have long been praised by liberals as fostering social cooperation. This is not only due to the fact that exchanges, oftentimes between strangers, effectively serve to bridge social distance through promoting trust and cordiality.

Of course, the 'marvel of the market' is its capacity to harness the inherent complexities of individualistic economic knowledge, about how, what, when, where and why to produce, distribute and exchange, in ways accommodating human material needs and desires.

Paris gets fed, as Frederic Bastiat once stated, even though there is no one person especially in charge of such an organisationally monumental task. Probably just as remarkable, if not more, is that *ex-ante* feelings of benevolence toward others aren't a necessary precondition for ensuring successful trades.

A good way to capture the structured living-togetherness rendered through political economy is through social network theory.

Following the work of Jason Potts and others, one can usefully depict the market process as a networked pattern of exchange interactions between suppliers and demanders.

The nodes represent heterogeneous economic agents, and the connections represent value-added flows of income, purchases, employment, or a myriad other transactions.

The implication of a process of material ‘Great Enrichment,’ as depicted by Deirdre McCloskey, is the evolution of the economic network embodying both a more complex and more distributed character.

Incidentally, I recently argued, in a short paper for the UK-based Institute of Economic Affairs, that the emergence of the distributed market network is not only determined by the efficacy of the trades themselves, but by the preparedness with which people economically associate with perceived members of so-called ‘out-groups.’

Classical liberals provide a detailed account of the properties of the spontaneously ordered market process, but a classical liberal *political economy* must account for the reality that, for better or for worse, people also compete and cooperate through political institutions.

Now, despite the fact that political action is, itself, an interactional process by heterogeneous agents in time and space, most treatments of fiscal and regulatory policies, that are central features of political activity, are characterised as something else altogether.

Conventional academic discourses in political science, public finance and public policy tend to regard political action as a unidirectional set of top-down interventions imposed upon market participants.

According to the ‘market failure’ narrative market actors routinely fail to cooperate in such ways to bring about efficient resource allocations or desirable material distributions.

Separable political actors – who, incidentally, just so happen to be imbued with benevolence and omniscience - wear the fatigues of taxing, spending, and regulating in such ways to perfect allocation and distribution.

Of course, one John Maynard Keynes popularised the claim that political actors must also stabilise markets to secure economic growth and adequate employment outcomes.

The depiction of political actors as distant, enlightened, alien interventionists into a separate market sphere is actually absurd. Whilst liberals and libertarians do not necessarily attribute benevolence and omniscience to political actors as a default assumption, there still remains the great tendency to frame political intervention in monolithic, separable terms.

An obvious reason for distinguishing between market and state concerns the differing means through which agents interact. To stylise the distinction markets are assessed as representing the voluntary organisation of economic activity, while states represent the organisation of the economy through force.

Refuting the bifurcated vision of humankind does not nullify the classical liberal appreciation that politics represents the application of force.

Nonetheless, appreciating human interaction in complex network perspective brings to light the more realistic notion that politics, just like markets, are an interaction, and a way of doing things together.

The realism of entangled political economy

In a series of influential works, George Mason University economist Richard Wagner depicts a political economy that is complex, interactional, and evolutionary.

As he says in his latest book, *Politics as a Peculiar Business*, '[p]olitical entities compete among one another just as do market entities, and with political and market entities also engaging in both competitive and collusive activities.'

A realistic depiction of political economy Wagner describes is a mix of broadly-conceived market and political enterprises all together, with agents striving to secure the advantages of social cooperation.

Individuals can attempt to secure these gains through the economic means, in which two parties to a transaction gain from exchange of value-adding goods and services.

Alternatively, individuals can attempt to secure gains through the political means, in which a political actor dispenses advantages to a given actor, but with somebody else altogether – generically, the taxpayer – losing out as policies deplete the full gains associated with voluntary market processes.

The reality is 'political and economic entities are deeply entangled. Being entangled means that a business typically cannot determine prudent conduct independently of the desires of relevant political entities. It likewise means that political entities can't determine prudent practice independently of the desires of relevant commercial entities.'

From the standpoint of network theory, an entangled political economy may be interpreted as a non-random and scale-free assortment of nodes and connections between economic and political actors, all acting on the same social plane.

The peculiar features of this network are both profound and troubling in their implications.

Noting that heterogeneous agents operate within diverse organisational settings, legislatures in entangled political economy are effectively 'bazaars' through which some of the more critical aspects of political action takes place.

Wagner says, '[p]arlaments don't produce goods and services for customers, but rather service as intermediaries between people who are seeking support for their enterprises and people who have the means to support those enterprises.'

Keeping up with this metaphorical depiction of legislative bazaars, political representatives may be conceptualised as stallholders, whose positions are determined by periodic elections for political office.

The stall 'stock,' reallocated and redistributed by the political stallholders, is originally procured from beleaguered taxpayers, through dint of force represented in unceasing triadic exchanges.

Rent-seeking thrives, in that market suppliers and other participants within civil society constantly petition governments to secure fiscal or regulatory favours advantaging them at the expense of others.

Because of this, 'property rights are not absolute and invariant, but rather denote social relationships that are subject continually to margins of contestation and potential change.'

Network non-randomness appears in part because a small elite benefit from their rent-seeking endeavours.

The extent of non-randomness of interactions within entangled political economy is combined with scale-free network tendencies, by virtue of increasing centralisation of political power.

Centralisation is conceived here as an evolutionary transition from polycentric to increasingly monocentric arrangements for political offices.

Human beings attempt to get along through economic and political institutions, but the problem with the latter is that policy – over and above the codification of property rights, contract law and personal liabilities, enforced without fear or favour - entails an application of political power in which somebody is harmed.

The encouragement of public sector growth, that is a feature of deep entanglement, gives rise to policy discrimination (in which crony capitalists and other special interests win), and reduces the scope for socially cooperative market exchanges grounded in the discovery of, and search for, mutualised economic benefits amongst the masses.

The problem of entangled political economy, from a classical liberal perspective, surely begs for its disentanglement as a conceivable solution.

For Wagner some necessary conditions for rebalancing economic and political interests, in an admittedly ever-changing society, include constitutional limitations upon government, and institutions to suppress the outbreak of special interests.

In Wagner's own words, 'the task would seem to require both parchment and guns, that is, both knowledge pertinent to the task and rightly aligned desires and incentives to act consistently with that knowledge.'

The articulated dedication to the principles of limited government - through what could be best described as 'the constitution of liberty' - is necessary to frame widespread societal expectations about the functions of public sector activities.

The elucidation of constitutional controls also promotes the accountability of politicians, and their acts, to non-politicians.

Even though Richard Wagner refers to the word 'parchment,' we must be clear that the constitution of liberty need not refer to a document.

The constitution of liberty is 'a coherent set of general principles that characterise a constitution capable of securing freedom. Constitutional government cannot be legislated into existence or thrust upon a community. Its attainment and maintenance even in approximate form require appreciation of its nature, much hard work, and a great deal of good fortune.'

As we have previously described, the prevalence of self-interest in the coercive realm of politics can exude immeasurable harm from the standpoint of securing social cooperation.

As Adam Smith explained it a long time ago, 'all for ourselves and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind.'

So, complementing the constitutional declaration of governmental limitations should be institutional structures to ensure either:

- conflicting expressions of politicised self-interests exhaust themselves into an impasse, with no harm rendered to voluntaristic economic interaction;
- the projection of self-interest in politics be harnessed in the generalised public interest, with no resulting degeneracy in the market order; or, as very much a last resort, if all else fails
- a given set of interests are conceded within the domain of politics, but there is sufficient fitness and resiliency within the political economy to swiftly erase them, or to strictly limit them in some other way.

In other words, checks are necessary to limit the power of certain individuals to follow their partial interest when interacting politically.

The reassertion of polycentric modes of public governance, such as competitive federalism, is very much a desirable institutional feature, as well as the revitalisation of cross-vetting legislatures, legislative-judicial separability, regular democratic elections, and so on and so forth.

Liberals are very well aware of the ‘perpetual challenge’ to restore constitutional government and suppress rent-seeking appetites, in the interests of promulgating social cooperation characterised by disentangled political economy.

In this context the Australian legal academic Suri Ratnapala wisely counsels, ‘[t]he fact that societies are self-ordering systems does not suggest that we should stand by passively and watch its spontaneous readjustments. Waiting for society to correct itself is not a promising option. Eternal vigilance remains the price of freedom.’

Understanding the non-rational as a price of eternal vigilance

The ways in which human beings get along is complex, and what that means is that even quite elaborate notions, such as social network theory and the condition of entangled political economy, don’t quite encapsulate the sheer magnitude of factors informing the extent to which people are prepared to engage in Smithian truck, barter, and exchange with each other, as opposed to Hobbesian rape, pillage, and plunder.

Adding further complexity to the framework outlined here are the implications of ethical beliefs, norms, sentiments and values affecting the extent to which interacting agents endorse contract, or status, as the major operating principle within political economy.

Recalling the sociological insights of Italian theorist Vilfredo Pareto, Wagner indicates that even highly discriminatory political processes risks acquiring something of an acceptance among the populace, insofar as politicians successfully invoke non-logical sentiments as persuasive rationales for their economically meddlesome actions.

Taxing, subsidising or regulating private economic interactions may be rationalised by the political class, and the special interests endorsing such measures, as ‘altruistic’ acts of caring about others, or redressing certain issues affecting others, even if evidence supporting the effectiveness of public interventions are often found wanting.

As classical liberals and libertarians would be aware, there are many intellectuals, artists, and members of other groups who are only too prepared to set down affective, non-instrumental cases for an extensive political entanglement with the economic means.

More generally, a conveyance of the indispensability of the state - or at least the projection of an awe-inspiring sense of governmental power and authority - is culturally propagated through the likes of symbols, ceremonies, rituals, stories, songs, and rhetoric.

It is conceivable that, as the domain of collective action continues to gradually take precedence over non-collective action, the influence of beliefs, ideologies, sentiments and values in political argumentation will keep growing in importance.

Wagner cites ‘[t]he language of welfare economics and economic policy ... [treating] ... all political entities as all-encompassing instances of “we.” ... Perhaps such ideology repeated again and again comes to be accepted. If so, the stage is surely set for an expansion of the reach of the political within society.’

If such daunting propositions are correct, the ongoing challenge for classical liberal advocates will be to also enunciate the case for economic-political disentanglement framed in new and attractive ‘non-logical’ ways – for want of better phraseology - that inspire people to support extended liberties, and the responsibilities inextricably associated with them.

Putting this in another way, achieving a sense of disentanglement between economy and polity necessitates the accompaniment of standard technical arguments, favouring marketised strands of social cooperation, with cultural images and narratives inspiring present generations to support the vision of freedom as outlined under classical liberal philosophy.

Remember, humans are context-seeking animals, and, so, as liberals we should oblige this taste in our fellow beings by unashamedly supplying them with the cultural contexts for rallying behind freedom and liberty.

Doing so compellingly would make the task of the liberal reformer, that is, to institutionally repair the malign legacies of entangled political economy, far easier to argue and implement.

Conclusion

There is much to celebrate as a liberal or libertarian, as evidenced by the emancipation sequence of emergently, open-access economic, political and social environments in evermore parts of the world.

Our structured living-together has slowly, gradually, perhaps surprisingly, but most surely, become conducive to living relatively more freely. In this context, take the assessment by the American journalist Fareed Zakaria:

Consider what classical liberalism stood for in the beginning of the nineteenth century. It was against the power of the church and for the power of the market; it was against the privileges of kings and aristocracies and for dignity of the middle class; it was against a society dominated by status and land and in favour of one based on markets and merit; it was opposed to religion and custom and in favour of science and secularism; it was for national self-determination and against empires; it was for freedom of speech and against censorship; it was for free trade and against mercantilism. Above all, it was for the rights of the individual and against the power of the church and the state.

Classical liberalism, we are told, has passed from the scene. If so, its epitaph will read as does Sir Christopher Wren's, engraved on his tombstone at St. Paul's Cathedral: '*Si monumentum requires, circumspice.*' If you are searching for a monument, look around. Consider the world we live in – secular, scientific, democratic, middle class. Whether you like it or not, it is a world made by liberalism.

Even so, liberals and libertarians share with the remainder of humanity an innate predisposition to search for, and counter, problems.

Our predecessors secured much of the gains of freedom that we enjoy today, but to seek and destroy problems is what we innately do, and entangled political economy is as legitimate a contemporary problem as we are likely to conceive.

A pervasive modern role for the political in determining the quantum and distribution of material advantages not only risks sowing the seeds of contorting the market order, beyond all recognition, in the long term.

An entangled political economy, with political actors as the central players in the comedic drama of society, threatens to psychologically gear people to mentally normalise large government.

In the increasingly dense global network that is classical liberal and libertarian activism, we share the objective to promote not only the economic arguments for freedom, but the cultural and sociological arguments, too.