

THE FREEMAN

IDEAS ON LIBERTY

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Perspective

Bad Is Not Good

Youthful exponents of the freedom philosophy sometimes believe that things will get better politically only if they first get worse. As statism brings its inevitable hardships, people will correctly identify the causes of their adversity and demand a rollback of government power.

The Russian Revolution, which grew out of a miserable war, seems to support the theory that bad can lead to revolutionary change. But there's one hitch. The Bolsheviks sought an increase in state power. Libertarians seek a vast reduction. That a crisis can lead to socialism—indeed, totalitarianism—is no evidence that it can lead to capitalism.

We're reminded of this by an economist at George Mason University, and an old friend, Bryan Caplan. In his article "The Idea Trap" (www.econlib.org/library/Columns/y2004/Caplanidea.html), Caplan writes, "A society can get stuck in an 'idea trap,' where bad ideas lead to bad policy, bad policy leads to bad growth, and bad growth cements bad ideas. Once you fall into this trap, all it often takes is common sense to get out. But when people are desperate, common sense gets even less common than usual."

For Caplan, this explains why many countries never shed their growth-inhibiting policies for privatization and deregulation: "The connection between growth and ideas is not so much logical as *psychological*. It is not logical for people to embrace counter-productive ideas just because conditions are getting worse, but they seem to do it anyway. Perhaps the best explanation is that the public relies on a military metaphor: You should avoid aggressive government intervention in good times, but during a crisis, you need to teach your enemies a lesson, not waste time soul-searching about how you provoked them."

Ludwig von Mises and Joseph Schumpeter, Caplan notes, were skeptical that bad will lead to good. As Mises wrote, "Popular opinion ascribes all these evils to the capitalistic system. As a remedy for the undesirable effects of interventionism they ask for still more interventionism." Mises offered further support for the "idea trap" in his book *A Critique of Interventionism*, in which he showed how the harms

from government control of the economy could lead to further controls rather than economic freedom.

Freeman columnist Roberts Higgs has added to our theoretical and empirical knowledge of such things in his classic work, *Crisis and Leviathan*. In that book he showed that the crises born of war and depression tend to lead to more intrusive government, not demands for liberal reform.

Alexis de Tocqueville is famously associated with a logical corollary of the “idea trap,” the theory of the revolution of rising expectations, namely, that improvement begets improvement. In *The Old Regime and the Revolution*, Tocqueville wrote: “Generally speaking, the most perilous moment for a bad government is one when it seeks to mend its ways. Patiently endured so long as it seemed beyond redress, a grievance comes to appear intolerable once the possibility of removing it crosses men’s minds. For the mere fact that certain abuses have been remedied draws attention to the others and they now appear more galling; people may suffer less, but their sensibility is exacerbated.”

But that prompts this question: what brings the initial improvement? Caplan responds: “The answer, in my model, is *luck*. An economy in the idea trap usually stays in the idea trap. But once in a while, it wins a little lottery. Maybe the president of the country happens to read Bastiat during his last term, and decides to try a more free-market approach. This increases growth, which in turn improves the climate of public opinion.”

From all this, Caplan concludes, “[A]dvocates of free-market reforms should always root for good times and marginal improvements.”

But marginal improvements within a rich but interventionist culture may merely instill an “if it ain’t broke, don’t fix it” mentality. Good times may be necessary for increasing freedom and prosperity, but they may not be sufficient. Economic and an even broader philosophical understanding appear necessary too. Luck isn’t enough.

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The opponents of unfettered world trade routinely pose as champions of the poor in the less-developed parts

of the world. The irony, Steven Horwitz shows, is that free trade is indispensable to the escape from poverty.

Whatever happened to the Great Outsourcing Scare of 2004? It disappeared as quickly as it emerged. Jude Blanchette explains that there was never anything to fear.

For the critics of capitalism, almost anything qualifies as proof that the system is morally flawed. The recent corporate scandals thus created a feeding frenzy for those who would give the government more supervision over peaceful commerce. But Norman Barry demonstrates that, if anything, those scandals indicate the need for deregulation of the marketplace.

The great Austrian economist Ludwig von Mises came of age in a remarkable place during a remarkable time. In the first of a two-part article, Richard Ebeling paints a portrait of late-nineteenth-century Vienna.

All you have to do is read the newspapers to see that government is running amok with the power of eminent domain. Steven Greenhut presents a revealing case study.

The modern social sciences are enamored with theoretical models, those elegant abstract edifices that our untidy real world never manages to equal. Do those models help us understand social and economic processes? Or are they traps to justify government intervention? Gene Callahan and Robert Murphy answer these questions.

Here’s what our columnists’ labor has yielded for this issue: Richard Ebeling examines the proposed European Union constitution. Lawrence Reed relates a near-horror story from Detroit. Thomas Szasz unmasks Benjamin Rush. Robert Higgs reports on how cattlemen generated property rights. Charles Baird continues his discussion of Henry Hazlitt’s views on labor unions. And your editor, reading a prominent columnist’s case for government funding of science, remonstrates, “It Just Ain’t So!”

Our book reviewers take on volumes about the yearning for freedom, Franklin Roosevelt, the climate in academia, and education historian E. G. West.

— Sheldon Richman
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