

Why Do We Measure Freedom?

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“Freedom is so valuable that we must be prepared to sacrifice everything for it; even prosperity and opulence when economic freedom constrains us do so. To our great and undeserved fortune, however, a freedom-based economic order which general freedom cannot do without, has an incomparable material superiority over an economic order based on force,” the German liberal economist Wilhelm Röpke wrote in 1959 (S. 286).

Indeed, it is perfectly legitimate and appropriate to define freedom in moral terms as a purpose in itself and to disregard any “consequentialist” argument in its favour (that is, that the consequences of freedom are the ultimate basis by which to judge its rightness). But to explain the causes behind the emergence of free societies (and why they have often remained quite stable), does call for empirical and, therefore, necessarily consequentialist arguments. A whole school of classical liberal thought, ranging from Hume to Hayek, has maintained that a spontaneous free order evolved only because it was more successful than any planned order that consciously used centralized coercive power to achieve its various goals.

But how do we know? We all somehow (and probably rightly) think that free South Korea does much better than unfree North Korea in almost every respect, just as West Germany did better than communist East Germany during the Cold War. Even China’s partial and incomplete

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freedom now seems to be a very significant advancement compared to the Stone Age Communism in place during Mao's "Great Leap Forward" of the late '50s and early '60s, which cost tens of millions lives. However, it is more difficult to distinguish between less striking examples. For example, the distinction is less clear to most people whether today's US or Sweden, Portugal or Greece, or Singapore or Taiwan enjoy more freedom or do better or worse than each other. To settle these questions we need more than just a rough intuitional guess; we need more precise measurement.

The economic aspects of freedom,¹ which Röpke mentioned, have already been dealt with quite intensely. Specifically, since the mid-1990s, *Economic Freedom of the World* has been published annually. It has equipped us with strong, long-term evidence that free-market-oriented economic policy leads to an overall better economic performance (as measured by growth rates, income, etc.) and also improves non-economic aspects of life (such as life expectancy, health, literacy, etc.).

But is what has been measured in *Economic Freedom of the World* also related to freedom beyond the pure economic sphere? Opponents of liberalism like to claim that economic freedom can also flourish in otherwise objectionable regimes including Singapore or Chile in the time of the Pinochet dictatorship. Sometimes they give the argument a positive spin: successful economic transformation can best be accomplished under authoritarian control. The success of authoritarian China as opposed to the negative outcomes from Russia during the democratic reform period of the Yeltsin era seem to demonstrate that political liberalization can be harmful to successful economic transformation. One hears this view more and more.

Much of the "evidence" that economic freedom flourishes well or even better under dictatorships does not stand the empirical test. All statistical evidence shows quite clearly that economically free dictatorships are the exception rather than the rule. Correlations between *Economic Freedom of the World* and human rights indices, such as *The Freedom House Report*, suggest a very strong link between economic freedom on the one hand, and democracy and human rights on the other.

Nevertheless, in order to produce any clear statements about the effects of an overall free society, more than its economic aspect must be measured. The assumption that other freedoms, such as the freedom of science, or artistic creativity, contribute a lot to human well-being borders on common-sense. Other freedoms (such as the right to use or abuse

1 Freedom here is defined as the absence of constraint. Nobody should be subjected to the will and coercive power of other individuals. Freedom is, therefore, not a matter of lone individuals acting in isolation, but rather pertains to the relationship that individuals have to one another. That is, it concerns the demarcation of individual rights so that freedom does not endanger similar freedoms for others.

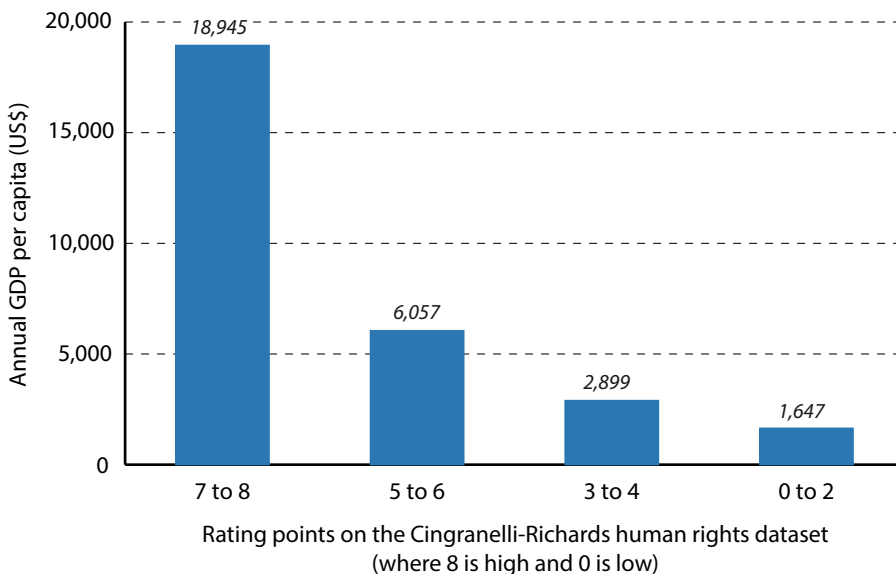
drugs, etc.) are, however, often seen as harmful—though the hypothesis of harm is often supported with disputable empirical evidence. But are they really that harmful? And how do those freedoms relate to economic freedom? What do they contribute to society? We can only know the answers if we have empirical evidence.

There is one problem here and it is also the basis for our attempt to develop a genuine freedom index: a comprehensive freedom index does not yet exist. What can we expect from such an effort? We cannot yet know, but at least there are individual indices that already allow a certain rough overview.

A better insight is supplied by the Cingranelli-Richards Human Rights Dataset (CIRI) from the American Binghamton University. This index lists the various official human rights acknowledged by the international community and has a rating scale. The rights are broken up into various categories (fairness in judicial systems, democratic rights, etc.). For our purposes, the “Physical Integrity Index” is of particular interest as it comprises only human rights abuses that violate the most basic liberties, e.g., torture, detention as a political prisoner, arrest without legal process, or the “disappearing” of individuals.

Figure 1 shows the CIRI-Dataset on “physical integrity” (7 to 8 in the rating points equals a good human rights situation, 0-2 points equals a bad situation correlated with GDP per capita. The findings are clear: Once the most basic freedoms are realized, people also derive an economic advantage. Even beyond the fact that freedom is also an insuperable blessing, free human beings are better off!

Figure 1: Human rights and economic performance



There might be an argument to be made that the measurement of freedom goes beyond academic discourse to the political arena. At a time when freedom in the world is receding rather than advancing (due to the financial crisis and other events), the forces of freedom should not be divided, but united between economic liberals and human rights activists.

People often treat the market economy with suspicion. It appears to represent an aspect of freedom with which not everyone feels secure. In political discussion, we often hear the claim that there is a contradiction between political freedoms or civil rights on the one hand, and market freedom on the other. This distinction seems to be becoming more and more pronounced and should be considered both factually wrong and politically harmful for the cause of freedom. Many civil rights liberals see market economics as a non-essential (if not harmful) part of personal freedom; some market economists in turn believe that civil rights are a luxury of limited relevance. Civil rights are often considered to be a concern of the “left,” whilst market freedom is seen as “right wing.” More and more, freedom is being divided into “good” and “bad” freedoms. The number of individuals who unreservedly embrace freedom does not seem to be particularly large.

An index that could provide us with sound empirical evidence about the state of freedom and its beneficial consequences could do a lot to bridge the gap that has divided the friends of freedom for long time. Or, as was established as early as 1896 by Eugen Richter, a leading liberal in the years before World War I: “Economic freedom is not safe without political freedom and political freedom finds its safety only in economic freedom” (1896, Vol. II: 114).

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