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Introduction

The centrality of the idea of freedom in cultures and societies is undisputed; the meaning of freedom is essentially contested. Some scholars use this term to indicate a space where each individual may act as he likes; others refer to the exercise of autonomous judgment; others underline the development of an inner self; others equate freedom to availability of choices; and the list is not exhaustive.

Take the case of the United States. Although the idea of freedom is at the heart of the nation's creed, two different visions of individual liberty emerged in the twentieth century. The difference between them becomes most apparent when we compare their prescriptions in the touchy domain of social security. On the progressive camp, inspired by Franklin Delano Roosevelt's New Deal, the promotion of *freedom from want and fear* is not necessarily diminished by the intervention of the state; instead, it can often be advanced only through the vigorous action of government. In this perspective, economic fairness and distributive justice have been the guiding principles at the basis of the progressive conception of social security. Differently, on the conservative camp, individual liberty is affirmed in a civil society where the role of government is limited and families, neighborhoods, and faith communities sustain the moral foundations of freedom. In this view, public policies are based on three major ingredients: freedom of choice, individual responsibility, and freedom from government dependence. In the words of George W. Bush's second inaugural address, "in America's ideal of freedom the public interest depends

on private character [...] Self-government relies, in the end, on the governing of the self.”¹

These two approaches to freedom and, eventually, social security have also largely characterized the competing political stands in Western industrialized economies. In this book we are not interested in the philosophical debate on the correct interpretation that should be attached to the word “freedom”. We work in the classical liberal tradition and take the idea of negative freedom as a reference point. Following Berlin (1969), *negative freedom* is the absence of constraints, the conscious and unimpeded exercise in one’s own private sphere of an agent’s voluntariness. Negative freedom is contrasted with *positive freedom*, namely the possibility of acting so as to take control of one’s life and realize one’s fundamental purposes. We are interested in the kind of social security that our reading of negative freedom brings about. Our focus is therefore on a specific interpretation of the idea of negative freedom, on its foundations and measurement, and on its policy implications, with exclusive reference to social security and, more precisely, to the optimal size of the welfare state.

In the light of the two competing views of freedom in the domain of social security pinpointed earlier, our approach has many favorable features. First, social security is often at odds with negative freedom. Our approach allows us to reconcile the aspects of distributive justice and individual responsibility along the perspective of classical liberalism. This result should not be underestimated. We argue that individuals form their attitudes toward inequality on the basis of considerations about fairness concerned with the sources of wealth and poverty. These considerations focus on procedures and depend on the extent of freedom individuals enjoy. A wider freedom of choice and a firmer control over life outcomes associated with free choices strengthen individual responsibility and reduce the scope of state intervention to redress inequality. Nonegalitarian societies can then be as just as egalitarian societies if the process that leads to a given distribution of income is consistent with the degree of control that people perceive over the course that their lives take.

¹ A thoroughly discussion of the forms in which the idea of freedom materialized over time in the American society is offered by Foner (1998).

Second, many analyses of social security or the optimal size of the welfare state are conducted within the successful but limiting frame offered by political economy. This is unsatisfactory since people's protection through state intervention involves issues that often go beyond the structure of incentives that actors have under different characteristics and dimensions of the welfare state. An interdisciplinary approach is necessary to capture the individual motives that lead to different structures of social protection across societies and to draw precise prescriptive conclusions. Third, one has to acknowledge that, as the search for people's motives involves subjective testimony, a systematic approach is necessary to anchor the data offered by such a testimony to firm analytical foundations.

To open our journey on our interpretation of freedom and its measurement, we start with a sketch of the relationship between choice and the measurement of freedom.

1.1 CHOICE AND THE MEASUREMENT OF FREEDOM

According to Carter (1999), political philosophers have always been engaged in "an unashamedly trans-historical discussion" concerning the measurement of freedom (Hobbes, 1990; Hayek, 1960; Rawls, 1971). Even Berlin (1969), justly famous for his distinction between negative and positive freedom, could not resist, albeit in a footnote, the temptation of saying something about the measurement of freedom. Despite the interests and effort of philosophers, the most satisfactory and systematic contributions to a measure of freedom come from political scientists and economists, for a handful of reasons. First, social scientists are sensitive to governmental accountability and freedom provides an ideal variable on the basis of which to assess government performance. Of course, an assessment exercise requires a quantitative evaluation and suggests why social scientists were in a prominent position in the measurement of freedom.

Another reason that provided economists with a comparative advantage in the measurement of freedom is their search for wider normative foundations. Prescriptive analysis in economics is conducted exclusively in terms of a welfarist evaluative framework (e.g., Paretianism). A state of affairs is desirable to the extent that it satisfies as much as possible people's preferences. Since freedom delivers important

moral information, it should not be overlooked in the assessment and should have a direct impact (i.e., unmediated by welfare) on the goodness of a state of affairs. Once again, for information about freedom to have moral content, we need some kind of quantitative assessment of its extent.

However, the most important reason has probably to do with the role of choice in the social sciences and society. In the next chapter, We shall dwell at length upon the central role that both the idea of choice and availability of choices enjoy, respectively, in contemporary economics and in modern capitalism. Here we want to underline the intimate connection that ties choice to freedom and the importance of having information about the extent of choice for assessing individual well-being. In the light of these considerations, the economists' comparative advantage in the measurement of freedom becomes evident.

All the available measures of freedom depend, in one way or another, upon choice (Bavetta and Navarra, 2004). By and large, we may distinguish two approaches to the measurement of freedom: one based on purely deductive reasoning, which we shall call *theoretical*; the other based on hard data, mainly drawn from official statistics, which we shall call *empirical*. The former approach establishes conditions (axioms) to say when a state of affairs dominates another in terms of the extent of freedom and, ultimately, derives freedom-ranking rules for states of affairs (Sen, 1977, 1987, 1988, 1991; Pattanaik and Xu, 1990; Sugden, 1998; Bavetta and Pergine, 2006). The conditions put forward by the axiomatic measures of freedom refer, for example, to the actual number of possibilities open for choice, the importance of each possibility to the end of the chooser's life, the value of access to opportunity vis-à-vis the level of preference satisfaction, and so on. The focus is here on the joint compatibility of different freedom conditions and on the interpretation of freedom that the interplay of those conditions makes possible.

The empirical approach starts from the consideration that freedom (economic freedom, in particular) depends upon the working of specific institutions (e.g., the rule of law, the protection of the fundamental rights of individuals, the extension of the state's intervention in the economy) whose characteristics vary greatly across countries. To assess how favorable those institutions are to the affirmation of freedom, the

literature selected a set of variables that translate their characteristics in numerical values. An unweighed aggregation rule then delivers the final assessment on the degree of freedom that institutions guarantee to individuals in a given country. Since these indices target the conditions that make the affirmation of freedom in society possible, they can be used to improve upon policy and institutional design as well as to make governments accountable in terms of the enjoyment of economic freedom (Gwartney, Lawson, and Hall, 2011; Miller, Holmes, and Fuelner, 2012).

Although the difference between these two approaches looms large, ranging from their objectives to their methodology, they share a common element: Both attempt to construct a metric for measuring freedom whose foundations rest on the idea of choice. They do not endorse the same view; nonetheless, they rely on choice. The axiomatic measures of freedom move from the idea that the extent of choice signals a certain degree of freedom for the decision maker. This type of freedom grows if the extent of options expands and reduces if it contracts. In this approach, choice is important as it reflects possibility and, therefore, a space for action that is equated to freedom. On the other hand, the empirical perspective considers choice as an act resulting from the network of restrictions imposed on its accomplishment by the state. In other words, as institutions depart from what would be required by the ideal of limited government, people's choices change. The distortion imposed with respect to the counterfactual choices that would have been implemented under the ideal conditions is a measure of the economic freedom wasted by state intervention.

We take the connection between choice and freedom as the starting point of our analysis.² We think that in the analysis of this connection an important role, often overlooked in the literature, is played by the reasons for valuing choice. As our analysis endeavors to show, different reasons lead to different measures and allow a systematic comparison of the different approaches to the measurement of freedom. In particular, we suggest that choice is valuable for procedural reasons. A

² We are aware that some authors have expressed reservations on the soundness of this connection (Carter, 2004; Sugden, 2003). In the light of this book's aims and methodology, the most problematic objections are Sugden's. They are addressed at various stages, in chapters 2 and 3.

process of choice characterized by a wide array of alternatives among which to make one's choice is rich in the sense that requires, as Mill (1859) brilliantly argued more than a century ago, reference to one's own motives, values and aims and therefore contributes to developing autonomous behavior. If we are able to measure the richness of the deliberative process, we are also able to assess the extent of autonomy freedom each decision maker enjoys. As we shall argue at length across the chapters of this book, a measure of autonomy freedom is important for both theoretical and practical reasons. It provides useful, otherwise unavailable, information on the extent of individual freedom, it sheds new light on the justification of liberalism and the assessment of well-being, and it has far-reaching implications for policy and institutional design, with particular reference to social security and the size of the welfare state.

1.2 UNRESOLVED QUESTIONS AND THE BOOK'S AIMS

Once a brief outline of our project is delineated, we want to be more precise about the main contributions that our analysis may deliver, its novelty and consequences. A useful tool is offered by Table 1.1 where we place the two lines of research on the measurement of freedom, theoretical or empirical, in rows and the nature of the information used to measure the extent of freedom, objective or subjective, in columns. Four instances may then be distinguished.

Let us start by looking at the two cells located in the upper row. They both refer to the theoretical line of research and differ as far as the nature of the information about freedom is concerned. In the theoretical/objective cell, the use of objective information leads to measures where the extent of freedom depends upon the mere availability of opportunities. The larger the set of options a person may choose from, the wider his freedom since the extent of available opportunities signals a certain degree of freedom for the decision maker. Under these circumstances, the most well-known approaches to measure the extent of freedom are the simple cardinality ordering (SCO) proposed by Pattanaik and Xu (1990) and the preference ordering (PO) suggested by Sen (1988, 1993). With differences in emphasis and content, these two approaches share the view that the set of opportunities is an appropriate measure of freedom.

Table 1.1. *The State of the Art on the Measurement of Freedom*

		Nature of Information about Freedom	
		Objective	Subjective
Lines of Research	Theoretical	SCO & PO	AF
	Empirical	↓ Freedom indices	↓ Subjective freedom

At the theoretical level, objective information to assess the extent of freedom is important, but it might not be satisfactory. This is especially the case if the measure of freedom should capture the procedural value of having choice, which is connected with the deliberative process that leads people to select a particular opportunity. Suppose we are interested in the effects of having choice upon the personal and moral development of an individual. Information about the available choices does not shed light upon the personal circumstances in which the chooser makes his or her own choices. We need, then, what we call *subjective information*.

Within the theoretical literature such information has been expressed in terms of the decision maker’s preference rankings over the available opportunities. If we know what he might choose, depending on the preference ranking he selects, we may judge whether access to opportunity sets the conditions for his personal development. To the extent that such a process is germane to the construction of autonomy (individuality, as John Stuart Mill would say), subjective information delivers freedom orderings of states of affairs that assess the degree of autonomy freedom the decision maker enjoys. These measures are mainly due to the efforts of Sugden (1998, 2003), Bavetta and Guala (2003), and Bavetta and Peragine (2006). This branch of the literature originates a theoretical metric of subjective freedom, which is based on the Millian concept of autonomy (AF). In Table 1.1 the subjective/theoretical cell indicates this approach to the measurement of freedom.

The first goal of the book is to provide an account of how we ought to move from the left to the right column of the upper row. This implies a defense of the autonomy freedom measure as compared to other measurements of freedom existing in the literature.

Let us now move on to the empirical line of research by looking at the lower row in Table 1.1. The objective information about freedom informs the variety of indices that capture “distortion”, that is, how much the working of specific institutions that affect choice (e.g., the rule of law, the tax system, financial regulations) distort it with respect to the baseline offered by the minimal state. Of course, the greater the distortion, the lower the degree of (economic) freedom. These measures – described in the empirical/objective cell – have been constructed by a number of organizations such as the United Nations, the Heritage Foundation, and the Fraser Institute. They assess the degree of negative freedom enjoyed in the economic domain around the world.

It is important to note that although the theoretical and empirical lines of research located in the column on the left-hand side of the table are both based upon choice and objective information, yet they do not cross-fertilize each other. The short circuit, denoted in the table by the dashed arrow crossing the two cells in the left column, makes it hard to ground the empirical measures – and, in turn, the results about the effect of (economic) freedom on institutional and economic performance – on a corresponding theoretical measure.

The same cannot be said if we consider the column on the right-hand side of the table. In this case, the theoretical measure of autonomy freedom is translated empirically in a subjective measure. Being subjective, such a measure can only be developed through surveys. We argue that the axiomatic measure of autonomy freedom proposed by Sugden (1998), Bavetta and Guala (2003), and Bavetta and Peragine (2006) finds an empirical counterpart in a particular question posed by the World Value Survey, an international database on norms and values collected at the individual level. Such an empirical measure constitutes our cornerstone in the assessment of the impact of autonomy freedom on social security and the optimal size of the welfare state.

Note that in Table 1.1 the arrow that connects the theoretical with the empirical line of research when the information about freedom is subjective is a continuous line (i.e., we hold and defend a theory that accounts for our empirical measure, which is grounded upon firm conceptual foundations). This is the second contribution of our book. It is important to stress that such a contribution is also of interest within

the context of the expanding literature in economics on subjective testimony (e.g., on happiness and satisfaction) (Barrota, 2008).

An empirical measure of freedom theoretically grounded on the well-established philosophical concept of individuality calls for a wide range of applications. In this book we focus on the effect that different degrees of autonomy freedom might have on both the individuals' preferences for redistribution and the size of the welfare state. This is the third contribution of this book. We start by the observation that people consider some sources of inequality justifiable and others unfair. Why does this happen? We find that one way of answering this question is autonomy freedom in decision making. We show that the higher the extent of autonomy freedom perceived by an individual, the larger her control over her choices and actions, the greater the probability that she supports the view that larger income differences are needed as incentives for individual effort. Conversely, the lower the extent of autonomy freedom perceived by an individual, the smaller her degree of control over her choices and actions, the higher the probability of supporting the view that incomes should be made more equal. If individual preferences for redistribution are significantly determined by the level of autonomy freedom, does this relationship affect the size of the welfare state? We examine this question by analyzing the determinants of social expenditure in OECD countries. We find that autonomy freedom shapes not only the individuals' preferences for redistribution but also the extent of welfare spending.

Another contribution is worth stressing. The measure of freedom that we construct is complementary, at the empirical level, to the measure of negative freedom. Complementarity derives from two sources. In the domain of empirical assessments, it springs from the different nature of the information used in the construction of the freedom metrics. In the domain of the theory of freedom, it derives from a more comprehensive understanding of negative freedom. In the standard view of classical liberalism, negative freedom is voluntary action, and it is sufficient to entail diversity. We do not hold such a statement as true. In fact, not all authors who believe in and have contributed to classical liberalism would subscribe to such a view. The complexity, illustrated by Milton Friedman (1962), of the relationship between economic (voluntary action) and political (diversity) freedom lends credibility to our skepticism. Under one circumstance, though, the claim that voluntary

action entails diversity is strengthened. This is the case in which voluntary action is guided by autonomous behavior. The “operational enrichment” of the idea of negative freedom is the fourth contribution of this book. As we show in this book, the information that it delivers benefits both the positive and the normative side of issues in political economy.

Indeed, we go beyond mere complementarity and connect the basis of our empirical measure to a view of liberalism. This is the final contribution of this book. Though we do not press its consequences and envoy to further studies, we suggest that the concept of freedom captured by Millian autonomy seems particularly appropriate to solve some of the difficulties encountered by the classical – voluntary-action-based – version of liberalism without relinquishing its two most desirable features: protection of liberty and the minimal state. These difficulties are related to the fact that mere absence of impediments to the expression of one’s will cannot guarantee the affirmation of freedom unless it is coupled with autonomous behavior. Consider, for example, social conflict. It would be too naive to think that its solution could be guaranteed by negative freedom since the rules of a free society might not be able by themselves to deliver the adjustments necessary to solve the conflict. We need something more than institutions: We need autonomous persons. They are likely to be able to come to terms with their fellow citizens; they are likely to be able to find arrangements that compose and harmonize divergent interests. In the absence of autonomy freedom, conflict might not be solved, at least at the private level. That would leave a space, a vacuum, that could, quite dangerously, be occupied by state intervention. Autonomy freedom makes more likely that, under the rules established by free institutions, people would look for private solutions to their conflicts. In this sense, autonomy freedom contributes to the affirmation of a well-ordered, open and free society, in association with nonintrusive rules and institutions. There is no analytical gain to extract from not considering the Millian concept of autonomy (and its extent) as a component of negative freedom, independent of voluntary action or noncoercive institutions.

1.3 AN OUTLINE OF THE STUDY

The book is structured in two parts. In the first we provide the theoretical and empirical tools necessary to develop the analysis deployed