The Economics of Freedom

What is freedom? Can we measure it? Does it affect policy? This book develops an original measure of freedom called *autonomy freedom*, consistent with J. S. Mill's view of autonomy, and applies it to issues in policy and political design. The work pursues three aims. First, it extends classical liberalism beyond exclusive reliance on negative freedom so as to take autonomous behavior explicitly into account. Second, it develops firm conceptual foundations for a new standard in the measurement of freedom that can be fruitfully coupled with existing gauges. Third, it shows empirically that individual preferences for redistribution and cross-country differences in welfare spending in Organisation for Economic Cooperation and Development (OECD) countries are driven by the degree of autonomy freedom that individuals enjoy. By means of an interdisciplinary approach and a sophisticated econometric methodology, the book takes an explicit stand in defense of freedom and sets the basis for a liberalism based upon people, actions, and institutions.

Sebastiano Bavetta is professor of economics at the University of Palermo, Italy, and visiting professor of Economics and Philosophy at the University of Pennsylvania, USA. He is a research associate at the Centre for Philosophy of Natural and Social Science (CPNSS) at the London School of Economics (UK), where he obtained his Ph.D. in Philosophy of Economics. He has published in various international journals and has coauthored a book in Italian (*Liberalism in the Age of Conflict*, 2008). His research interests focus on policy and institutional design and on the measurement of freedom and its policy and political implications. He has extensive political and administrative experience in Italian local governmental agencies.

Pietro Navarra is professor of public economics at the University of Messina, Italy, where he is also Deputy Vice-Chancellor in charge of the budget. He is also visiting professor at the University of Pennsylvania, USA, and a research associate at the Centre for Philosophy of Natural and Social Science (CPNSS) at the London School of Economics (UK). He holds a Ph.D. in economics from the University of Buckingham, UK. Professor Navarra coedited with Ram Mudambi and Giuseppe Sobbrio *Rules and Reason: Perspectives on Constitutional Political Economy* (Cambridge University Press, 2001) and coauthored with them *Rules, Choice, and Strategy: The Political Economy of Italian Electoral Reform* (2001). He has published more than 50 articles in journals such as the *Journal of International Business Studies, Public Choice, European Journal of Political Economy, Oxford Bulletin of Economics and Statistics, Economics of Governance*, and *Applied Economics*. His research interests embrace the measurement of freedom, the relation between political institutions and economic reform, and the interplay between individual empowerment, entrepreneurship and economic growth.

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Theory, Measurement, and Policy Implications

SEBASTIANO BAVETTA
Università di Palermo, Italy, and London School of Economics and Political Science, UK

PIETRO NAVARRA
Università di Messina, Italy, and London School of Economics and Political Science, UK

CAMBRIDGE UNIVERSITY PRESS

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To our parents

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Preface

This book was conceived in London and traveled across four different continents before completion. It is therefore quintessentially about freedom since, beside being its subject matter, freedom figures prominently among its productive factors. Which freedom? Undoubtedly, the negative freedoms offered by the political and civil institutions developed by the Western civilization: freedom of movements, freedom of research, freedom of association in the pursuit of a common end – a scientific endeavor, in this case. None of the traveling and discussions that led to the ideas unfolded in these pages would have been possible without these freedoms.

Yet, freedom is as much about economic, political, and civil institutions as it is about finding a unique way to design, interpret, and implement one's own course in life. In *Capitalism and Freedom*, Milton Friedman said that "no frontiers of human knowledge and understanding, in literature, in technical possibilities, or in the relief of human misery, [have been achieved] in response to governmental directives. Their achievements were the product of individual genius, of strongly held minority views, of a social climate permitting variety and diversity." If institutions matter to the shape of freedom, more so does self-mastery, the affirmation of each person's unique identity and view of the good, the perception that we have to steer our way among the innumerable accidents and circumstances that characterize our days in this world. This latter kind of freedom, rooted in the idea of autonomy brilliantly crafted by the gifted pen of John Stuart Mill, constitutes an input of this book in a more pregnant sense than institutional freedom.

The reason is twofold. First, it is with a fully fulfilled sense of self-mastery that we shaped the particular discussion of freedom that the reader will find in these pages. Such a discussion is the outcome of an intellectual endeavor undertaken by two economists with solid interdisciplinary interests. Both of us developed our view of freedom in an unorthodox academic environment, the Centre for Philosophy of the Natural and Social Science at the London School of Economics, where philosophers, economists, and political scientists have the almost unique opportunity to reflect together, as if unconstrained by the artificial boundaries that limit the domain of their respective disciplines, upon questions that concern our social life. In this intellectual environment, fecund and open to cross-fertilization, we could develop – and personify, in this book – a unique view to approach the measurement of freedom and a singular, multidisciplinary approach to discuss freedom. We leave to the readers to decide whether our view is convincing beside being "eccentric."

Self-mastery is an input in another sense, too. For the last few years scholars have been engaged in the search for new foundations for national accounts. The physical measure offered by the GDP has plenty of merits, but it is unsatisfactory in a world informed by the competition of values where what we want to assess is well-being and where well-being is intrinsically pluralist. We believe that freedom must play a central role in this debate and, eventually, in the calculation of how people feel about their life. Yet, it can hardly enjoy such a centrality if its measurement goes no further than an assessment of institutional quality and overlooks each person's feeling to be in control of her own fate. So, whereas a measure of autonomy freedom is the output of this work, it is altogether an input for it informs the motivations of the authors and touches upon some relevant and unresolved questions in the social sciences.

Our central concern in this book is to answer three fundamental questions: What is freedom? Can we measure it? Does freedom affect policy choices? To respond to these questions, we develop an original measure of freedom consistent with the Millian view of autonomy and apply it to issues in policy and political design. In a nutshell, the book pursues three aims. First, it extends classical liberalism beyond exclusive reliance on the "voluntariness" aspect of negative freedom so as to take autonomous behavior explicitly into account. Second, it grounds

on firm conceptual foundations a new standard in freedom measurement that can be fruitfully coupled with the existing rods of economic freedom. Third, it shows empirically that individual preferences for redistribution and cross-country differences in welfare spending in Organization for Economic Coordination and Development (OECD) countries are driven by the degree of autonomy freedom people enjoy. By means of an interdisciplinary approach, we take an explicit stand in defense of freedom and set the basis for a new perspective of liberalism based upon the centrality of the person *and* institutions.

The book was written with an interdisciplinary audience in mind: We hope that economists, political scientists, and philosophers are interested in its contents and in the debate we contribute to. Although the book can be used as supplementary reading in specially designed courses, it is particularly suited for programs in philosophy, politics, and economics at the graduate and upper undergraduate level.

The writing of this book spanned a long time, adding substantially to our intellectual obligations. We express our gratitude to the various academic institutions that hosted us during the various stages of the manuscript: the Centre for Philosophy of Natural and Social Science at the London School of Economics has already been mentioned. A fundamental contribution has been given by the two wonderful months we spent in the summer of 2008 at the Research School of Social Sciences at the Australian National University (ANU), in Canberra. Keith Dowding, a great host and a fierce debater, deserves our deepest appreciation for his patience and insights like all the people we talked to, in person or in seminars, at ANU. The Department of Economics at Fudan University, Shanghai, which we visited at the end of 2004, gave us the opportunity to present our measure of freedom to Chinese students. We are still fascinated by their enthusiastic response, unmatched anywhere else we brought discourses on freedom and its measurement. A particular mention is merited by the Philosophy, Politics, and Economics (PPE) program at the University of Pennsylvania. Colleagues, staff, and students in Locust Walk make up a congenial and intellectually stimulating environment where ideas and opinions are passionately and rigorously discussed. We taught the content of this book in the PPE's Capstone seminars and enjoyed the benefit of highly attentive, motivated, and intelligent students that contributed to make these pages better. We are also grateful to the students who

attended our classes at the London School of Economics, at the University of Konstanz, at the University of Messina, and at the University of Bayreuth, who helped us to clarify our claims and to change convoluted arguments into straightforward ones.

Our deepest gratitude goes to our own institutions: the Universities of Palermo and Messina. Both of them provided encouragement and financial support for our research activity in a period in which neither encouragement nor support can be taken for granted.

The ideas contained in this book have been presented at many conferences, workshops, and seminars. While we bear full responsibility for any shortcoming, we have also benefited from discussions with friends and colleagues. Their number has grown too large for a complete listing, but we would like to name Pierluigi Barrotta, Luc Bovens, Ian Carter, Wulf Gaertner, Robert Goodin, Bernie Grofman, Russell Hardin, Martin van Hees, Chandran Kukathas, Ned McClennen, Terry Miller, William Niskanen, Emilio Pacheco, Prasanta Pattanaik, Vito Peragine, and Giuseppe Sobbrio for their thought-provoking criticisms in the various stages of the manuscript. With a deep sense of gratitude we thank Cristina Bicchieri and Nancy Cartwright for providing us with inspiring guidance and continuous encouragement to pursue our research agenda. We are especially indebted to Geoffrey Brennan, Francesco Guala, Ram Mudambi, Maurice Salles, and three anonymous referees for their insightful suggestions and extensive discussion of the book's content, which helped to strengthen our arguments and refine our ideas. We would also like to express our appreciation to Margherita Bottero and Dario Maimone Ansaldo Patti for their research assistance and their collaboration on two chapters of this book.

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Finally, no project of this magnitude can be accomplished without a substantial personal cost. Our families had to endure long and frequent absences while this project was under way, and we express our heartfelt thanks to them for bearing with us.