Etceteras . . .

Freedom of Movement—the Sine Qua Non of Economic Prosperity and Progress

ROBERT HIGGS

We economists often employ static models to make our points. Doing so may be fine in many cases, but we do ourselves and our students a disservice when we fall into supposing that actual economic life ever is or can be static. Movement is the very heart and soul of the economic process, as economists such as Joseph Schumpeter and Ludwig von Mises have taught us repeatedly. Not for nothing did Mises give his magnum opus the title *Human Action*. Action denotes movement, making a change, and, as Mises emphasized, it represents a person's reaction to felt unease and a desire to remove that unease by making a change for the (expected) better. Even a primitive, seemingly fixed economy, such as those at the local or manorial level in Europe during the Middle Ages, was not completely fixed—not a stationary state or an evenly rotating economy. People necessarily had to react to changes of various sorts—in the weather; from diseases, invasions, political and religious strife; and in other aspects of socio-economic life. So we would do well always to remember that change is unavoidable and to put change and movement at the heart of our understanding of economic life.

When we speak, as we often do, of the reallocation of resources—in response to changes in relative prices, for example—we are speaking of movement. Although most economic models contain no explicit locational element, such resource reallocation connotes, if it does not denote, moving resources from one place to another, even if only within the confines of a single firm or other productive unit. If we imagine a world in which such movements are impossible, we could easily see that such frozen conditions would quickly result in complete collapse of the productive apparatus as a whole. Like a biological species that cannot evolve in the face of changing natural conditions, an

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economic order that cannot adjust to changes in technology, costs, and prices cannot long survive, and even less can it prosper.

Of course, in many cases, clamping restraints on people's freedom to move resources can yield rents to certain persons, firms, and industries as a whole. So incumbents constantly seek to bring the state's coercive powers to bear on those whose changes jeopardize the incumbents' existing or prospective rents. Most taxes, including tariffs, represent levies that impede changes that free actors wish to make in their own interest. When owners and input suppliers in the U.S. steel industry induce the government to place a tariff on imported steel, for example, this import tax reduces the quantity of imported steel demanded and hence shifts demand relatively to domestically produced steel, with at least short-run gains for the suppliers of resources to the domestic steel industry and, especially, for the owners of industry-specific resources fixed there in the short run. This effect has been clearly understood by economists for more than two centuries, but the general public remains as densely ignorant of trade theory as it ever was, and politicians stand ever ready to cater to special interests who seek protectionist rents. The social losses that result are simply the result of the suppression of the freedom of movement, in this case the unmolested movement of foreign goods across the national borders.

The societal losses associated with the prohibition or hindrance of resource movement pertain not only to goods coming across national boundaries but also to any type of resources, including laborers, financial and physical capital, and technology. Whenever consumers are prevented from consummating trades that they wish to make, exchanges that are expected to be mutually beneficial fail to take place, and the result is inefficiency on an aggregate scale. Likewise for restrictions on, including taxation of, movements of labor, capital, and other inputs in the productive process. All economists understand that an efficient configuration of goods or resource usage cannot be realized until all potential gains from trade have been realized, which is to say until all movements that resource owners desire to make have been made.

Such inefficiency, however, is only the first stage of the losses occasioned by blocking movement because the reallocation of goods, services, and productive inputs has second-, third-, and higher-order consequences. Consider, for example, that most of the population of Europe in the Middle Ages was confined to their place of birth on a rural manor in a system of serfdom. When people did manage to escape to cities (where customary law held that "Stadtluft macht frei"—city air brings freedom—after a year), however, they encountered people with very different backgrounds, skills, and experiences, and they also found an opportunity to learn new skills or hone existing ones and to exchange ideas with others working along similar lines (Pirenne 1925; Hicks 1969). In this way, urbanization contributed to a hastening of the rate of technological progress. When the pace of urbanization accelerated markedly in the nineteenth and twentieth centuries, this same effect grew more significant, as studies of inventive activity have demonstrated (see, e.g., Higgs 1971, 1980). Thus, the gains from reallocating labor from the rural manors to the towns were not only enhancements of static efficiency but also dynamic forces for increasing the rate of economic growth.

Today a similar process may be seen in the agglomeration of specialists in computer science and information technology in places such as Silicon Valley, where the most skillful and innovative workers and entrepreneurs have gathered, cross-fertilizing one another's efforts. Just as the medieval fairs brought merchants from different countries together not only to make trades of goods but also to exchange information and share expertise (North and Thomas 1973), so the movement to hotbeds of technological development in today's world contributes to the speeding up of technological progress on a global scale. To consider how many of the leading figures in Silicon Valley hail from such places as India, China, Russia, eastern Europe, and other distant lands (Saxenian 1999; Lee 2017) is to appreciate the importance of freedom of movement in the overall process of technological improvement and in consequence the more rapid accumulation of wealth on a global scale.

So today, as always before, a contest continues between the rent seekers and the movers, between those who wish to suppress resource movements and those who seek to carry out such movements in a quest to realize the gains from trade and to acquire new knowledge that will help them to create wealth in novel ways. Very often, as we know, incumbent producers are especially well placed to purchase the coercive power of government in order to block movements to reallocate resources in mutually beneficial ways. And, again as always, the general public tends to swallow bogus arguments to the effect that blocking resource movements and trade in goods and services makes society better off. Such eagerness to embrace fallacious arguments played an important role in Donald Trump's election in 2016, and in the wake of his inauguration we are witnessing a continuation of such bamboozlement under the Trump administration's protectionist policies.

So our work as economists remains cut out for us, and we must recognize that we need better ways to get the message across that freedom of movement tends in general not only to speed the rate of economic progress but also to prevent the society's overall economic well-being from regressing—as it has, for example, in Venezuela in recent years and has done in many other countries at various times in history.

Perhaps one way to awaken the general public to the counterproductive effect of movement-blocking government policies is to go beyond our role as mere economists to show people the essential immorality of impeding the peaceful movement of goods and resources, whether it be the movement of people's bodies across national borders, the movement of goods across national borders, or the movement of people's financial and physical capital across national borders. (Of course, the same arguments can be advanced against coercive impediments of free movement at subnational levels—for example, between the states of a national union such as the United States of America.) We might well point out that by bringing the government's coercive force to bear against people who wish nothing more than the peaceful movement of their goods and resources, the coercers and those who support their actions are essentially laying claim to a right to pick other people's pockets, essentially saying that some people must be treated as means to other people's unjustifiable ends. I do not believe, of course, that everyone will accept this moral argument, but some people may do so, and the more who do, the better the ultimate outcome will be not only for economic well-being but also for the attainment of justice. I do not suppose that economists will want in general to hoist banners for a moral crusade, but at the same time our silence in this regard may tend to solidify the existing arguments for what in essence boils down to policies of robbery by means of unjust blockages of movement. Economists often express support for one government policy or another despite the implicit moral assumptions that underlie such policy proposals. Why not, in this case, express support for simple justice of a critical kind by calling attention to the moral as well as the economic justification for building a world of free movements across the board—for goods, for people, for capital, and for technology? As we say in the place where I now reside, "Vamos adelante!" Let us go forward in a noble cause.

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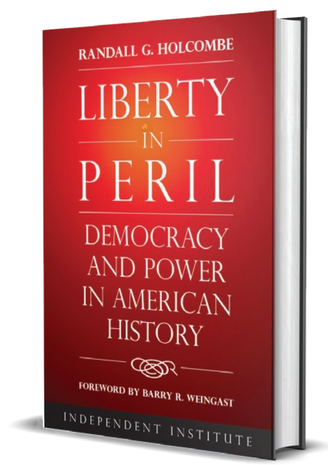

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