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ME AGAINST THEM: A DECISIVE SETTLING OF ACCOUNTS – THE PERILS OF OVERSIZED GOVERNMENTAL INTERFERENCE (PART ONE)

Moj obračun s njima – pošast preteranog državnog
intervencionizma (prvi deo)

Abstract

The first part of the title is borrowed from a famous book of the great (then) Yugoslav writer from Croatia Miroslav Krleža. He forcefully raised his voice against the strongly exercised so called social tendency in literature and arts, persistently having been imposed during the interwar period on the left oriented writers and energetically having been endorsed by the Communist Party. The Party was powerful on the literary left and some of the best artists found it extremely difficult to resist. The vigorous revolt against the tendency proved to be one of the spectacular fights for *freedom* of artistic creation and here it is taken much broader as a metaphor for raising freedom to the platform of the most important, unquestionably dominant social value. This so called *Struggle on the literary left* is taken as a convenient metaphor for pointing out the significance of freedom in all walks of social life, particularly in the economy.

The introductory part is devoted to clarifying the difference between the liberal thought (*L*) and the antiliberal orientation (*AL*) in contemporary economic science in Serbia. It turns out that, contrary to popular views, the *L* is not against the government and exclusively for the market and that, with obvious changes of qualifying words, the same goes for the *AL*. Being oriented towards the market as a matter of principle, the *L* is aware of the corresponding institutional support which can only be provided by an efficient government. It follows then

that the *L* is a doctrine of strong government. The *AL*, on the contrary, opting for the strong government as a matter of principle, insists on the governmental interference on a broad front, which, in view of the limited governmental capacity, implies that government is destined to be weak in performing of its proper functions. The usual view of who is determined for what type of government is turned upside down: the *L* contains the concept of strong government and the *AL* in fact opts for a weak government. Due to the vast interference in other fields, those not covered by the proper governmental functions, governments may amass huge quantities of power and be exceedingly strong in relation to the rest of the society, but that is not a desirable way of arriving at a strong government.

Another area of controversy is the (non)recognition of the institutional and political constraints on the economy and its growth. The *L* recognizes these constraints and studies them with careful scrutiny, while the *AL* believes that these constraints, to the extent that they exist at all, can be quickly and easily removed. The *L*'s accepting these constraints as a serious obstacle to economic growth and social modernization is interpreted by the *AL* as an opportunistic siding with government providing an excuse for its mistakes that could under no conditions be excused.

The next part of the study is devoted to the complex of values as a determinant of general social orientation and overall evolution. Freedom, equality, solidarity, truth and justice are analyzed and it is shown that, due to the fact that values can be not only complementary but also substitutable, that individuals and collectivities are frequently in a situation to sacrifice some values for a more complete realization of others. Two theorems, considered to be basic, are proved. The first one is about freedom as the supreme and absolutely dominant value: without freedom humans cannot make any choices and none of their values can be manifested or realized. The second theorem is about logical impossibility of equality as thought of in the general public ad as

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visualized by some adherents of the *AL*: there are multiple levels at which equality may be postulated and they are simply inconsistent – equality at one level implies inequality at another(s). The most important special case is the impossibility of having equal conditions of earning income (or achieving anything else) and obtaining equal results.

Key words: *liberalism, antiliberalism, market failures, government failures, economic policies, deregulation, overregulation, redistribution as a factor constraining growth*

Sažetak

Prvi deo naslova pozajmljen je iz jedne čuvene knjige velikog (tada) jugoslovenskog književnika iz Hrvatske, Miroslava Krležea. On je snažno digao glas protiv silno upražnjavane tzv. društvene tendencije u književnosti i umetnosti, koja je uporno bila nametana tokom međuratnog perioda levo orijentisanim piscima i energično bila podupirana od strane Komunističke partije. Partija je bila moćna na književnoj lewici i za neke od najboljih umetnika bilo je veoma teško da joj se odupiru. Snažna pobuna protiv te tendencije ispoljila se kao jedna od najspektakularnijih bitaka za *slobodu* umetničkog stvaralaštva, a ovde je uzeta kao metafora za podizanje slobode na platformu najvažnije, neupitno dominantne društvene vrednosti. Ova tzv. *borba na književnoj lewici* uzeta je daleko šire i kao prikladna metafora za isticanje važnosti slobode u svim sferama društvenog života, a posebno u privredi.

Uvodni deo je posvećen razjašnjavanju razlika između liberalne misli (*L*) i antiliberalne orijentacije (*AL*) u savremenoj ekonomskoj nauci u Srbiji. Ispostavlja se da, suprotno popularnim predstavama, *L* nije protiv države i isključivo za tržište i da, sa očiglednom promenom kvalifikativa, isto važe i za *AL*. Budući u načelu orijentisani na tržište, pripadnici *L* su svesni pripadajuće institucionalne podrške koju jedino može da pruži efikasna država. Sledi da je *L* doktrina jake države. Nasuprot tome, *AL*, opredeljujući se u principu za jaku državu, insistira na državnom uplitanju na širokom frontu, što, s obzirom na ograničen vladin administrativni kapacitet, implicira da je vlada predodređena da bude slaba u obavljanju svojih istinskih funkcija. Preokrenuto je uobičajeno gledište o tome ko je opredeljen za koju vrstu države: *L* sadrži koncept jake države, dok se *AL* faktički opredeljuje za slabu vladu. Zbog golemog uplitanja u druga područja, ona koja ne spadaju u prikladne državne funkcije, vlade mogu da nagomilaju ogromnu moć i postanu preterano jake u odnosu na ostatak društva, ali to nije poželjan način dolaska do jake države.

Dalje područje razmimoilaženja je (ne)priznavanje institucionalnih i političkih ograničenja na privredu i njen rast. *L* uvažava ta ograničenja i proučava ih sa brižljivom pažnjom, dok *AL* veruje da ova ograničenja, u meri u kojoj uopšte postoje, mogu brzo i lako da budu uklonjena. To što *L* prihvata ta ograničenja kao ozbiljnu prepreku za privredni rast i društvenu modernizaciju – u krugovima *AL* se tumači kao oportunističko priklanjanje državi i kao fabrikovanje izgovora za njene greške koje ni pod kakvim uslovima ne treba da budu opravdane.

Sledeći deo studije posvećen je kompleksu vrednosti kao determinanti opšte društvene orijentacije i sveukupne evolucije. Analizirane su sloboda, jednakost, solidarnost, istina i pravda i pokazano je da, zbog činjenice da vrednosti ne mogu da budu samo komplementarne nego i supstitutabilne, pojedinci i kolektivi često bivaju u situaciji da žrtvuju neke vrednosti za

potpunije ostvarivanje drugih. Dokazane su dve teoreme za koje se smatra da su fundamentalne. Prva se odnosi na slobodu kao vrhovnu i apsolutno dominantnu vrednost: bez slobode ljudska bića ne mogu da biraju i sve njihove vrednosti ne mogu niti da se ispolje niti da se realizuju. Druga teorema odnosi se na logičku nemogućnost jednakosti kako se prihvata u široj javnosti i kako je sagledavaju neki poklonici *AL*; postoji veći broj nivoa na kojima može da se postulira jednakost a oni su jednostavno nekonzistentni – jednakost na jednom nivou implicira nejednakost na drug(om)(ima). Najvažniji specijalni slučaj je nemogućnost održavanja jednakih uslova u zarađivanju dohotka (ili postizanja bilo čega drugoga) i dobijanja jednakih rezultata.

Ključne reči: *liberalizam, antiliberalizam, otkazi tržišta, propusti države, ekonomska politika, deregulacija, preterana regulacija, preraspodela kao ograničenje na privredni rast*

Introduction: The superficial view and the true picture of the differing views of the functions of government

The paper deals with a deep and seemingly irreconcilable doctrinal and pragmatic split between the two prevailing streams of professional thinking in the contemporary Serbian economic thought. In fact, the split extends into a number of other social sciences such as sociology, political science and geopolitics, as well as to philosophy and law. The book is more narrowly centered at professional disputes in economics, whereas differences in other kindred sciences are only touched upon in passing. The two streams are liberally oriented economists, on the one, and the advocates of a broader and more intense state intervention, on the other hand. The differences between the two streams are numerous and far-reaching, but all of them center on the role of the government and the extent to which the spontaneous functioning of the market(s) should be relied on in pursuing given or presumed social aims. The liberal party (henceforth *L*) is, generally speaking, in favor of a more consistent reliance on the market, while the antiliberal side (hereafter *AL*) is characterized by a stronger belief in government's efficiency and benevolence and markedly inclined to inviting the governments to interfere into a large range of economic processes.

This is a rather general and imprecise characterization of the two schools, while a more precise picture of the doctrinal and associated much subtler divergences will be made more apparent in the sequel.

The two schools do not have particularly favorable views of each other's doctrinal competence and analytical proficiency. It looks as if the *AL* believes that the *L* is seduced and blinded by the Western teachings and the associated powerful influences of the high-positioned centers of learning of the economically developed countries, accepting uncritically the concepts and interpretations coming from the West. The *AL* contends that much social harm is being produced because the *L* under Western influence imposes policy options which are inappropriate for less developed and differently structured countries like Serbia. Moreover, they believe that liberally conceived institutional solutions and policies are badly suited even for the developed countries' challenges and that they contributed greatly to the current world's economic crisis. More extreme *AL* views go much further than that and treat the liberal thought and policy concepts derived from it as the key determinant of the crisis and the basic obstacle in government led endeavors to curb it.

The *L* stream, on the contrary, sees the crisis as government induced and understand the current massive government attempts to minimize the disturbances generated by the crisis as endeavors to come to grips with problems which government itself created by its ill-conceived policies [e.g. 8, pp. 68-116].

As to professional competence, there is a marked disregard for the educational level and scientific all-round capacity of the other side. The *AL* seem to think that the *L* received the wrong kind of training, while the *L* think that their opponents are not up to date with their professional education and that they rely on obsolete skills acquired in the socialist educational system of the long gone socialist past. The fact is that the *L* publishes and, as it seems, read much more than the *AL*. In particular, they publish incomparably more abroad, travel more frequently to the West and have a much denser and more diversified network of professional contacts and working relations. Regarding the practical relevance to economic policies and the forms and directions of institutional adjustments, none of the parties can boast any particular influence on what is currently being undertaken and eventually achieved by the authorities. The government is obsessed by its politically inspired goals, economically desirable

changes can only by rare chances coincide with what is profitable from a political point of view and the policies are conducted along the lines seen as desirable by politicians. This is likely to be continued until the collapse of the system imposes itself as a near threat in which case the feasible set of available policy options will narrow down and the profession may acquire somewhat more influence on the course and modes of implementation of policies which are in fact forced upon authorities.

In the general public and even in some professional circles there is an oversimplified, false belief that *L* is exclusively pro-market and anti-government, while the opposite inclinations prevail in the *AL* doctrinal orientation. The truth is that both streams are both for the market and for a significant range of the state functions, but with extremely varied composition and in vastly different ways. The *AL* accepts the market but a significantly regulated one, taking it for granted that, whenever any market failures might be observed, the government will automatically cure the deficiencies. Heavily regulated market loses much of its driving power and allocative efficiency and, as *L* frequently notices, many government produced deficiencies are typically ascribed to the market as its inherent weaknesses. The *L*, on the contrary, recognizes the imperfections of the market but does *not* infer automatically that the state will rectify the failures for sure. *L* calls attention to the vast literature in which various forms of the *government failure* are elaborated to rather impressive and well documented detail. Based on the contemporary literature and, even more, on the local Serbian experience, it concludes that each case should be judged on its own merit and that the solution should be sought by comparing the weaknesses of both competing regulating mechanisms and choosing the lesser of the two "evils".

Diverging views on the functions of government

The *L* and *AL* have widely differing theories of the government. There are proper governmental functions (*PF*) and the highly varying other dealings taken on by the government for political reasons and detrimental to the economy (*OD*). By insisting on a wide range of *OD*

the *AL* economists argue in fact for a weak government. Due to notoriously limited capacity, an overstretched government will in fact be weak in many fields and in *PF* in particular. The *L*, on the contrary, insists on a strong government and argues that this can be only achieved by limiting its constrained capacity on executing the *PF* and pulling out of *OD* which is not its proper field of acting.

In behaving in line with the *AL* recommendations, the government can amass a large amount of power and be strong in a wrong and counterindicative way: strong with respect to the rest of the society and able to oppress it without any agency to control its potentially arbitrary and coercive dealings; at the same time it turns out weak in performing functions which no other agency can perform and which are absolutely indispensable for normal functioning of a market economy. The *L*, on the contrary, believes that the government can only be strong by concentrating its activities on true social priorities: developing a strong and stable legal order, seeing to it that it be applied equally to all agents within the system, protecting and transparently registering the property rights, guaranteeing the fulfillment of promises and honoring of contracts and providing for public goods which no one else could offer.

Many adherents of *L* would readily confess that there has not been in modern times any in some measure significant success in economic growth without reliance on an efficient, tolerably honest and enlightened government. The *L* would then sum up the stands of the two competing doctrines on the role and functions of government as follows: the *AL*, by insisting on an excessively broad front of the state interference ends up with a weak government in areas where its strength and efficiency are indispensable; the *L*, on the contrary, by insisting on eliminating the governmental interventions from areas where they don't belong anyway, ends up with a strong government in the fields in which it is socially the most productive.

In views of the *L*, an overstretched government can produce social harm in disturbingly large quantities and in several distinct ways. *Firstly*, an excessively large government has disproportionately large opportunity costs: massive resources appropriated by it can produce a much higher income and a larger quantity of other

social desiderata in other parts of the system. *Secondly*, a significant part of coercively appropriated income and wealth is used in redistributive ways, i.e. for "correcting" the market generated distribution of income; in that way the state greatly demotivates economic actors in persecuting their development related activities (work, learning, saving, investing, innovating, entrepreneurship) at both expropriating and receiving end of this redistributive link. *Thirdly*, by massive redistribution of income and wealth the government becomes overly strong because the number of those indebted through redistribution is much bigger than the number of the expropriated. A society with overgrown government loses much of its ability to control the power holders with prerogatives of coercing and constraining; that is tantamount to the loss of democratic potential and the unsought consequences for limitation of freedom. *Fourthly*, by performing the redistribution and taking upon itself many other, economically damaging functions, the government becomes too big and comes to employ ever larger number of people; that is the way in which the society becomes burdened with a numerous and powerful social stratum which easily becomes a true menace to both democracy and civic liberties. Disintegration of a healthy social structure is a predictable consequence of the uncontrolled growth of the governmental machinery and the associated bureaucracy. There is also a *fifth* unexpected and certainly undesirable consequence: an overly big government, with a large mass of accumulated resources becomes a power base of the incumbent party or the coalition; such power holders become almost impossible to replace, the opposition turns out too weak to challenge the existing government effectively and the political system, having become monopolized, becomes rigid and unaffected by any type of social pressure. This variety of "democratically begotten" authoritarianism is a permanent danger in the societies in which governments are allowed to grow excessively big and strong.

A parallel with a case of imposition of constraints on artistic creation

As will be elaborated to some detail in the sequel, freedom is supreme value in any society. It opens wide spaces of human creativity and makes it possible to achieve results

which are beyond any comparison with what may be achieved in a collectivity deprived of freedom or even with a number of dysfunctional constraints imposed upon it. Freedom has inherent and pragmatic, instrumental dimensions. Both are important but the first one is basic and absolutely determining in the normatively desirable set-up of social organization. A sane, and even healthy in the general sense, society cannot be conceived without the freedom permeating all its segments and being the basis of all of its major institutional arrangements.

To illustrate the importance and determinative role of freedom in all human pursuits, even those which are functionally at a huge distance from the economy, a poignant example from the history of the Yugoslav literature is described to some detail. The case to be described was produced by an unusual coincidence of circumstances in which strong social forces combined to streamline the literary (and even more broadly defined) creation – poetry, prose, drama, essay – so as to make it instrumental to cultivating a preassigned *social tendency* in all of literature and more broadly than that. The social tendency was the subject matter and the trigger of the so called *conflict on the literary left* (*sukob na književnoj l/j/evici*). It openly occurred in 1939 and extended partly into 1940. This conflict was so significant and with such wide ramifications that it was researched into and analyzed by many authors, with all of that activity culminating into something resembling a new branch of literary science. Many works on the subject have been assembled and a number of them, including *Lasić* [4] and *Črnja* [2], are cited in this work.

The central figure in the conflict was the great and already at that time famous Croat and Yugoslav writer – novelist, dramatist, essayist, literary historian and poet – *Miroslav Krleža*. Beside being a largely popular writer, *Krleža* had and visibly displayed his left linings – the fight for the interests and improvement of the position of the “working class”, the open dislike for the major inequalities in the distribution of income, the venous distaste for the remnants of the medieval aristocratic privileges and the hope for the comprehensive, possibly bloody, revolution which would even out social differences and, being the dawn of the civilization, open the way for unprecedented social progress. As a famous writer and left oriented

intellectual, *Krleža* had close ties with the well organized and then truly powerful – at least among the circles of the left leaned intellectuals – Communist Party of Yugoslavia.

The Party was able to impose the above mentioned *social tendency* upon the majority of writers associated to the political left. That meant that the writers had to incorporate the “progressive spirit” in all of their writings, which in turn meant the extolling of the working class, praising its social virtues, predicting its revolutionary victory for the benefit of the entire society and upholding all social forces which sided with the working class in the noble struggle for the liberation of the society from the class shackles. All of this sounded magnificently, but there was a big obstacle: there surfaced an untoward trade-off between the *social tendency* and the esthetic value of the work of arts. Much of the *social tendency* turned out to be achieved at the expense of the beauty and the artistic effect of the literary work. Moreover, many untalented writers smuggled into the what should have been serious literature by developing *social tendency* as an impermissible substitute for the true esthetic value. That came down to degrading the literature and making it, quite instrumentally, the servant of politics, including the profane daily politics.

For some time and to some extent *Krleža* abided by the instructions and orders of the Party, but relatively soon discovered that – to put it into economic jargon – opportunity cost in terms of sacrificed artistic effects was too big to continue in the commanded fashion. He disobeyed by, among other, writing a number of highly influential programmatic texts and *the conflict on the literary left* broke out. The best known and most influential was his collection *My Settling Accounts with Them* (*Moj obračun s njima*), an effective title which served as an inspiration for the title of this book. *Krleža*’s book of polemics turned out a big event in the cultural life of Yugoslavia of that time and general assessment seems to have been that the book had been extraordinary; *Črnja* [2, p. 89, p. 100] expresses the view that this book produced a lasting trace influencing heavily future artistic production and that the level of the book remained high above the level of the writings of the intellectuals who remained loyal to the Party and attacked it uncompromisingly from many

sides (Party periodicals, newspapers, separate publications including the entire books...).

Later on it became apparent that *Krleža's* problem consisted not only in his unwillingness to compromise with the Party line but also in his information on what was really happening in the Soviet Union of that time: he was among the few, if not the only one outside the narrowest party leadership, who were well informed about the so called *csistkas* with some 50 highest level Yugoslav Party functionaries having lost their lives in the process. The rank and file among the Party members were not aware of the fact that the issue raised by *Krleža* had not been just an esthetic one but, perhaps much more importantly, an ethical one. The upshot of this great controversy is that limiting freedom, typically by imposing requirements and constraints not associated with the nature and purpose of the relevant activity, unavoidably reduces its productivity in the widest sense of the word and, quite frequently and not accidentally, defeats its purpose.

Systemic implications of the individual decisions and the associated constraints

Preferences, constraints and the alternatives are probably the basic categories with which economists deal on a daily basis and which can be neglected under no circumstances. Thus, generally speaking, economists are not oblivious of the constraining factors in analyzing or proposing decisions to be taken under many varied circumstances. Yet, a certain class of constraints is not easily visible and even is not subject to systematic attention of the analysts producing recommendations to the policy makers. Institutional constraints are most frequently among those not receiving sufficient attention of the professionals and thus being bypassed in working out the best solutions for various policy problems. It happens quite frequently that economists recommend actions which, true, don't run up against technological and resource constraints but which are not feasible in view of what appears to be politically and socially (un)acceptable. Many constraints derive directly from the structure of the government: for lots of reasons the governmental machinery cannot simply grind out the decisions which are so ardently recommended by the

professionals. One of the clearly visible differences between the *AL* and the *L* party in the economic guild is that the *L* has much more understanding than the *AL* for the political and administrative constraints in the functioning of the governmental machinery. The *L* is therefore subject to considerable unjustified criticism from those who side with the *AL*. In fact, a part of controversies turn around the recognition of institutional and administrative constraints which cannot be rapidly – if at all – removed despite their being man-made.

It is argued in this study that all major social phenomena and significant events have – in addition to contributions made by authorized individuals, who as a rule are high-placed politicians – their objective, not controlled and uncontrollable components which to a large extent determine the rhythm and directions of development in the principal segments of the economy and the economy as a whole. Along with many exogenous determinants of the trends and dynamics of grand macroeconomic aggregates, even the system of screening the political directoria is a given, objective element of the overall institutional order; the composition of the dignitaries taking or framing the strategic and other predetermining decisions is by itself being objectively produced. What we observe as strictly individual has thus its objective roots in the wider system of selecting and moreover educating, indoctrinating and motivating such individuals.

The implications of decisions are much more numerous, more versatile and much further reaching than thought of most of the time. Major decisions frequently create regulative systems with further powerful influences on future decisions and their likely effects. They thus have determinative influences on hosts of future decisions by generating systemic constraints and motivations for considerable numbers of future decision makers. When generic, decisions also give rise to the entire clusters of future decisions. If not resulting in the creation of the entire new systems, some decisions may create a number of system-like features or attributes on the existing system(s). All this amounts to asserting that major social changes cannot be either explained by or attributed to the current acts and decisions of the existing authorities. In their doings and omissions there is much to be found that can

be reduced to the heritage of the past, the legacy which inspires, constrains and motivates the present agents on the policy scene, both political and economic. Recognizing such objective components of the present and likely or expected future unfoldings is the best way of warding off fallacies which *Popper* generically formalized with his theory of conspiracy [5, p. 195, p. 484].

There are at least two important lessons to be derived from recognizing objective determinants of the observed dynamic tendencies of economic processes and the resulting aggregates. *Firstly*, by separating what is objective and exogenous from what is ascribable to the individuals and bodies taking various sorts of decisions one can more reliably weigh the individual responsibility, more effectively influence the behavior of the important decision makers and ultimately be more successful in steering flows of events and goods in (for whomever) desirable directions. Ignoring the uncontrollable factors and recommending actions independent of them makes for no satisfactory set of advices and cannot contribute to successful implementation of whatever task could be given. *Secondly*, by producing future systemic constellations or system-like attributes of the existing systems, as well as by having the role of a generic basis for future decisions, the current decisions do not play themselves out in the current period; on the contrary, they are often loaded with significant and far-reaching future implications which have to be carefully taken into account if the present decisions are to be rationally taken. The present discretionary decisions turn into objective drivers or inhibitors of the entire clusters of future decisions. One aspect of these interdependencies is the fact that even those actions which are unequivocally assignable to concrete, unambiguously identifiable individuals may *in ultima linea* have their *objective causae causans* because of the *given* institutional arrangements which have *motivated* and possibly *made feasible* behavior(s) leading to such actions.

The temporary interdependence of the decisions, the fact that many decisions create systemic configurations which induce or constrain the future decision making, as well as other forms of conversion of the present discretionary decisions into future *objective* causal contributors of future decisions and resulting changes – all of these generate

objective and uncontrollable tendencies even in the processes of institutional adjustment and building new institutions from scratch: when it comes down to creating and modifying institutional framework, the actual turns out widely different from the planned, the unexpected outcomes are an unavoidable part of life of individuals, organizations and the society as a whole. It is argued in the study that such a more sober view of institutional and social engineering is germane to the *L* camp of economic profession and very much removed from the thinking of the *AL* party. That, too, is a matter of pitched controversy. If one is determined to identify the responsibility for the stagnant or declining trends in economic development, that is usually discovered not to be an easy matter. One could speak of immediate responsibility – what could have been done better taking carefully account of the objective constraints and even motivating factors – and what imposes itself at the present as a set of insurmountable constraints which are the consequences of the decisions taken in the, perhaps far removed, past.

Much attention is devoted in this study to the nexus of uncontrollable forces which may or may not be the result of the past decisions but which, taken as a whole, give an autonomous, unmanageable component in the directions and the tempo of institutional development. Thus, the naive notion of adjusting institutions instantly as to secure immediate economic gains has, among other, two sets of obstacles which make it unrealistic and unachievable: (1) conceptualizing and then constructing, testing, implementing and correcting institutional solutions requires enormous quantities of time and any idea of shortening this processes – which, on top of all of that, is resource intensive and costly – is far beyond the limits of the achievable, and (2) once started, the process of institutional development is far from being fully controllable and its tempo and direction, because of turning out vastly different from what was envisaged, make for a wide divergence of actual trends from planned path of systemic development. There is much room for differences in acknowledging these objective constraints and exogenous tendencies in institutional development: the *AL* participants of the debate demonstrate a salient lack of recognition of these exogenously given uncontrollables,

whereas much of what is argued in this study is along the lines of skepticism regarding the potential for producing the systemic change considered as desirable and beneficial.

It was gratifying to find out that a recent study [1, pp. 110-38] finds systemic (institutional) development completely out of control of any state or social agency. Observing systemic transformations over centuries and even millennia, one could say *sub specie saeculis nisi aeternitatis*, they find that the truly significant, epoch making changes occurred as random mutations, as completely stochastic phenomena, without anybody influencing them in the conscious way and with all of concerned not even being able to understand them while happening. To contribute to observing more fully the complexity of the interactions, the behaviors partly constrained and motivated by the present system are the initiating factors and the vastly contributing ingredients of the future institutional configurations which are likely to induce widely differing, at present unpredictable future behaviors. Participants of the *L* school cannot help much – nobody can – in overcoming these complexities, but they at least recognize them and thus help concocting more realistic policy recommendations. This, of course, happens within extremely narrow limits of what remains eventually controllable in the presence of such a large number so powerful unmanageable forces at work.

The system of values as a social given and an unfolding substance

The source of all values are people taken as individuals. That should be a logical derivative of the fact, so frequently emphasized by Buchanan, that the individual is a unit of consciousness, that awareness of anything can only reside in individuals. On the other hand, individuals are to a large extent defined and made recognizable by values. It is almost impossible to imagine a human being without values and preferences defined on grand axiological orientations belonging to the determining features of humanity as such. Despite strictly individual ultimate origin of values, one can meaningfully speak of collective values such as patriotism, clan alliance, nationalism or even chauvinism. Collective values are more than just

a mechanical sum of the individual values; through interactions and synergic effects, collective valuations take on new qualities and acquire attributes which cannot be generated at the strictly individual level.

The liberally oriented social scientists (*L*) acknowledge the existence and importance of social, collective values but don't lose sight of the fact that they ultimately emanate from the individual(s). The antileberal thinkers (*AL*) are prone to hypostatize social values as independent entities having a genuine logic of their own, not necessarily reducible to the individual valuations of facts and features of social life and human destiny. Much of the basic difference in the value orientations of the two camps can be summarized through significantly varying weights assigned to the two value nexus: the *L* turn more attention and give larger weights to individual values while the case with the *AL* is approximately the opposite. This is the basis on which the *L* would claim, and the *AL* energetically deny, that the *L* world outlook is closer to the man as a bearer of awareness and more human. The differences in value orientations are among the major sources of conspicuous differences in interpreting economic phenomena as well as wider social interdependencies.

It is through alternative value orientations, exemplified mostly by collective values, that coexisting and successive civilizations can be distinguished. The values belong to the most basic determinants of behavior providing the general backdrop for evaluating the human action and the widest framework within which social processes unfold. Much of success and failure in economic and various aspects of social development can be explained through the differences in value orientations and their – as a rule very slow – evolving through epochs of human history. The *L* would occasionally insist on an empirically recognizable and even predictable secular trend in the changes of values, with individual component of such valuations systematically increasing weight. This evolutionary trend can be explained by observable changes in the social organization and the mode of life. In the early stages of human development much of what was needed for sustaining life was achievable only through collective action: killing a mammoth called for sharing meat with the members of the tribe as there had been no way of preserving it for any longer time period...

Technological progress and development of the economy and the society at large made it increasingly possible to individualize distribution and consumption and to free the individual from bonds of strong collective interdependencies. One of the possible ways of interpreting economic and social development is to view it as a continuing process of augmenting the realm of individual freedom and emancipating the individual from the ties to the collectivity. As a grand value and as a quality of life, freedom is fundamentally individual; secular development of the economy and the society at large has been followed by and even exemplified through expanding spheres of freedom accompanied by ever more individualized, and thereby automatically freer, forms and patterns of human action and life in general. The history of human development is, among other, a history of permanently increasing autonomy of individual action and, thereby and therefore, of predictably expanding human freedom. In such an objectively existing set of dynamic tendencies in comprehensively conceived social development the *L* sees an empirical vindication of its views, whereas the *AL* would in many points disagree with such interpretation of the history of mankind.

Morals and law are derivatives of the valuation nexus of the society and more concrete ways in which such valuations are expressed. Morals could be seen as a set of operative instructions and rules of human behavior which streamline the patterns of acting of individuals and their manifold organizations and generate the *spontaneous order* [3, *passim*, pp. 133-137, pp. 142-144] in the economy and the society as a whole. A basic tenet in the liberal thinking is that the human capacities in *direct (through orders and immediate actions)* coordinating and steering social processes are extremely limited and that effective coordination in very large systems can only be achieved through rules and their operationalization by means of morals and the law.

Direct endeavors to order and direct a prohibitive multitude of dynamic processes, as through overextended state interventionism, are futile and ineffective; they can only produce chaos over and above the disorder which would prevail without any governmental interference. But creating the rules and building institutions, while

erecting and strengthening the legal, order is the right governmental approach to coordinating and streamlining the economic activities as well as a much wider set of social processes. A metaphoric way of expressing this idea is by reference to a gardener: even if equipped with the strongest imaginable microscope and accompanying most precise tools, he will never be able to construct a leaf by collecting and duly placing the individual molecules; however, by providing the *general conditions* in the form of the right temperature, light, humidity...he will without difficulties be able to produce lush plants with rich leafage, not having to enter into the molecular structure of the things.

This is the point of wide divergence of the *L* and the *AL* thinking on the proper role of governments and the effective *ways* of their getting involved into the control of the economy. The *AL* believe in both the government's benevolence and ability to order activities in the direct way; the *L* evaluate governmental efficiency and integrity in about the opposite way; by pooling out of the direct interference, the government frees its precious limited capacity for creating new laws and improving the existing ones, which is also a field with much lesser space for bureaucratic abuse. As operationalization of the essentially needed rules both morals and laws play a crucial role in coordinating and steering social processes, with laws being accompanied with legitimized use of coercive means exercised by the state machinery. Morals also have a set of effective imperatives behind them, but the pressures are of an informal nature and produced by socially confirmed judgments of what is good and desirable. Morals and laws have a much larger weight in the normatively pictured machinery of coordination and steering as conceived by *L* than in the blueprints of a healthy and efficient society launched by *AL*. That difference is likely to persist and to provide a clear separating line between the two paradigmatically opposed schools of social thought.

Being the consistent advocates of freedom, the *L* envisage a much wider differentiation of values, and within them, adhered to by individuals; the limits of this variations are set by the imperative to allow for the same kind of freedom *of others* and not to interfere unduly with the ways and means of its exercise. The *AL*, on the contrary, prefers a more homogenous society and a convergence of individual

values to patterns which will have recognizable common features. Rather than having the state to make for the above mentioned convergence of values, the *L* would orient the government to build and continually develop the “right” – meaning neutral, unbiased and equally applied to *all* – institutional framework within which every member of the society will be able to behave in accordance with his own mix of values and thereby coexist peacefully with all others members of the community.

Among the institutional prerequisites of such exercising of freely selected values are (1) *minimal* (in scope, i.e. centered at its proper functions) and *strong* (i.e. in exercising such functions, primarily developing the rules of just and socially sanctified behavior) government, (2) the rule of law, meaning the existence of consistent, transparent and equally applied laws, and (3) free entry and operating in a competitive market without bureaucratic obstructions, where, as a matter of deeply seated principle, everyone will be awarded according to his contribution to the society as determined and measured by the readiness of *others* to spend their income on what the given agent offers in the very same market.

Selective remarks on some particular values and their analogues

Different writers come up with widely differing lists of values and with varying orders arranged so as to reflect their relative importance. Listing different assortments of values will not be undertaken in this overview; much more on this subject is exposed in the main text. Before going into elaborating some important individual elements appearing in more or less all value systems, a few general remarks are in order. *Firstly*, the lists of values are expectedly different. *Next*, these differences reflect at least two things: the degree of detail to which the values are being described and, quite predictably, the value judgments of the exposing writers. *Thirdly*, whatever the list and sequence of particular items, the values themselves are in all instances taken quite seriously. And, *fourthly*, the naming of values, their layout and sequencing together with the accompanying descriptions clearly suggest that they are not taken to be equally significant; there is an implied and occasionally

explicit hierarchy unequivocally suggesting that some values are more important than the others.

It should come as no surprise that the lists of values are widely varied both in terms of length indicating comprehensiveness and in terms of composition. Thus one frequently comes across the lists containing such values as *liberty (freedom), equality, solidarity (brotherhood), welfare, justice and truth*. These could be termed *inherent values* or *values in themselves*, not having to be justified by any other values occupying higher ranks in the axiological hierarchy. In addition to these primary values, which appear to be logically independent of any other elements of axiological scale and equally independent among themselves, it appears apposite to adduce a set of instrumental values, significant in that they are needed for realization of the above indicated primary values. In the first order of significance of so conceived instrumentality the already mentioned three values are regularly cited: *The rule of law, the freedom of acting in a competitive market and minimal government* [6, p. 129].

So, in the most varied contexts one runs up against such elements which can be considered values or possess some attributes of values as: *utility, efficiency, quality of life, loyalty to the elders or to some equivalent authority, patriotism, devotion to the divinity, various collective goods...* Some of the values are further subdivided into more narrowly defined categories. Thus, equality is typically subdivided into *equality in opportunity* and *equality in sharing results of economic activity*. Liberty is also subdivided into *freedom to choose the style of life, freedom of religious expression, freedom to possess property, freedom to trade and freedom from arbitrary prosecution*. Very frequently and devotedly *the freedom of speech, the freedom of political organization (including the freedom of organizing for the purposes of taking over the control of the government) and the freedom to pursue freely one's personal interests* (with undeniable understanding that this realization of self-interest is always within the limits of law) are cited in addition to the values enumerated above. Quite close to the notion of values is the category of virtues upheld by a society. Prior to that a list of *civic virtues* as a more proximate indication of values could be given; Boaz [2, p. 147] enumerates the following *virtues*

which could be taken as socially accepted since long ago: *work, thriftiness, soberness, frugality, self-reliance and the caring about self-esteem and reputation.*

An important category of analytically used and socially sanctioned elements of institutional framework regulating broad relations within the society is *the set of rights*. The purpose of rights is to protect the features of individual existence and social relations involving the individuals; the catalogue of rights is therefore a vivid reflection and a reliable indication of values held up by a society. The lists are again numerous and versatile and a few among them can be cited. *Boaz* [2, p. 104] speaks of three basic rights: *possessing property, political participation and the right to concluding contracts*. The “hexagon of rights” of the well known Serbian Kopaonik School of Natural Rights (2003) contains the following items: *the right to...life, freedom, property, intellectual creation, justice and a state ruled by law*. The first item in the list could be modified to the **right of life and limb**. One of the most comprehensive list of rights is found in *Svensen* [7, pp. 107-108]; these are the rights to *security, the status of the legal subject implying protection by law against arbitrary prosecution and arrest, privacy and protection of personal data, freedom of expression, freedom of thought and religious expression, protection of property and security against arbitrary expropriation, political participation, political organization, education and development of natural talents, independent deciding on the style of life and choices giving it meaning and substance and even adequate nutrition, accommodation and health*. This last “right” is no-right or quasi-right at best: who is to be taken to the court if somebody’s “right” to adequate nutrition is violated? Coming back to the deep conceptual rupture between the *AL* and *L* paradigmatic divisions within economic profession, one can discern their *very different stands with respect to rights*. The *AL* believes that they will demonstrate an outstanding feel for generosity and humanity if they lavishly *postulate and enumerate* a large number of “rights” for fulfillment of which nobody appears responsible. Such rights abound in the UN Declaration on Human Rights, criticized heavily on several occasions by Hayek, such as right to satisfactory pay and decent standard of life and full development of personality. Nobody can determine in advance what the

satisfactory level of these welfare indicators should/could be. Whatever that level, no one can be certain that the material conditions and development of the economy will be sufficient to meet the declared rights. On the other hand, barring severe market failures and excessively skewed distributive relations, such “rights” will be automatically satisfied if the improving economic conditions become ripe for that. Moreover, since these social desiderata do not possess the defining qualities of rights, no judicial procedures can be developed for handling the cases in which such “rights” are violated. These arguments should be sufficient to prove that the oboe described *AL* inspired collection of “rights” is futile and *irrelevant*; it is contrary to the inner, structurally conditioned logic of economic process and legally misconstrued as not to be conducive to meaningful judicial operationalization. The *L* is quite far from this ludicrous set of notions and judicially unrealizable “legal” artifacts. The *L* take rights seriously and as a minimum require unequivocal identification of the subjects at both ends of the presumed legal relationship and the administrative machinery combined with the judicial procedure needed to secure their predictable implementation.

Not all of the enumerated values and quasi-values will be dealt with in the sequel. A narrow selection will be made on that large and not quite coherent collection. The criterion of choice is straightforward: instrumental values are skipped because they are elaborated to the necessary detail in the main text, while among the primary, independent values those will be selected which are truly determinative and on which the difference between the *AL* and *L* conceptual approaches comes to the sharpest relief. In view of the proposed criterion the following values will be the subject of further discussion: *liberty, equality and solidarity*. The values *truth* and *welfare* will be mentioned in passing.

Hierarchical and functional relations among the values

Multiplicity of values and their indisputable legitimacy are a fact of life, but their equivalence and equal significance does not follow from their unquestionable relevance. There

is a hierarchy of values which can be demonstrated and substantiated in several ways. Let it immediately be stated that *liberty* is the supreme value, the one ruling above all. It is supreme both axiologically and logically. These two lines of supremacy can be taken to show its top-flight place in the constellation of values. Before proceeding to demonstration of this statement, let it be conveyed that there is a third way, the approach based on a definition. Prokopijević [6, p. 128] takes the dominant place of liberty among all other conceivable values as a determining thread in the definition of liberalism. He rightly points out that liberalism is a paradigmatic construction and an institutional order based on *liberty* as a determining, uncompromisingly held value, unwaveringly held above all other axiological elements. He even enumerates a long list of various values or their analogues and explicitly states for all of them that they yield in significance and semantic content to liberty as the overriding and ruling above all of them. This proof is clearly conditional: it applies only to those who for one reason or the other accept *liberalism* as the optimal order and the institutional system of the future.

This certainly is a cognitively productive way of both providing the definition of liberalism and pointing out liberty as ruling supreme. The other side of such an approach, however, is the limiting the dominant position of liberty exclusively to liberalism as a major option in social thinking and institutional development. One would wish to extend the supremacy of liberty to all other social environments, to make it universally dominant in all value systems experienced and erected on all of mankind. That takes us to the above mentioned axiological and logical demonstration of the supremacy of freedom.

Axiologically, one can refer to various segments of most broadly defined culture and find out that liberty is extolled above all other imaginable values. All of literature, both written and verbally transmitted through uncountable generations, speaks about freedom incomparably more than about equality, brotherhood, welfare...or any other evaluative category of distinguishable axiological concepts. It is easy to cite examples confirming the observation of liberty having been given by far the highest place in the human axiological universe. At the see entrance to New York there is the famous statue of liberty and not, for instance,

of equality or even justice. All of us remember with love the Gundulić's verse "O lijepa, o draga, o slatka slobodo, dar u kom *sva* blaga višnji nam Bog je d'o..." (bolded by Lj.M.). The well known also is the glorious inscription on the fortress of Lovrijenac in Dubrovnik: *Non bene pro toto libertas venditur auro*. Let the given account be extended by two more admirable Latin sentences: (1) *Estimatio libertatis ad infinitum extenditur*, (2) *Amor libertatis omnibus hominibus insitus est*. Whoever ventured challenging the statement that liberty is the most frequently mentioned in works of arts and similar fruits of human creativity would have to find equally frequent citation of other values in human artistic and intellectual heritage, which would clearly be impossible. Another undeniable fact is that artistic and other spiritual heritage is – at least in the here analyzed dimension – a reliable reflection of values heeded by the mankind over centuries and millennia. Granting this, the supremacy of liberty among all other values inevitably follows.

Logical demonstration of the supremacy of liberty – and, indeed in all societal environments and institutional setups – is more straightforward and more rigorous. One starts with stating that all values are products of human thought and spiritual capacity and that they can be expressed only by free men. Even if men are not free in some dimensions of their existence, they can demonstrate and confirm the relevant values only if they remain free in the dimensions to which the manifested values belong. In other words, in order to be able to effectively value anything a man has to be free. Turning the proposition the other way around, if man is not free, he is incapable of valuing; in dimensions in which his freedom is denied, the corresponding values cannot be generated and, in particular, revealed. For any (other) values to show up, liberty is necessary (in the logical sense of the word) condition. It is certainly not sufficient – liberty does *not* imply solidarity, equality or any other values. But *necessary* it certainly remains under all of circumstances. This appears to be so important that it deserves to be formulated in the form of a theorem:

Theorem 1 on the relation of liberty to other values: Given the fact that only a free person can undertake acts of his own choosing and that, if deprived of freedom he loses his creative identity, in order to exercise and reveal any values, he

must be free; it follows that freedom is a necessary condition for all values that a person may develop and manifest.

Doctrinal systems and constitutional arrangements are deeply affected and in fact characterized and determined by the values they embody. Unlike other social systems and doctrinal structures, *liberalism is based on liberty as a determining and logically defining value.* Is it far-fetched to conclude that the supremacy of liberty among (all) human values implies the superiority of liberalism over other institutional structures and other analogous modes of social organization?

Until eventually refuted, Theorem 1 is considered to be of fundamental significance. It points to the universality of freedom as a social value: no other values are imaginable in the absence of freedom; an enslaved society is a valueless society. To put this basic value into sharper relief, a result on equality, which could be considered its axiological antipode, will be demonstrated. The two values show a wide range of mutual interrelationships, including both substitutability and complementarity, but the former prevails in the vast majority of the possible interdependencies. Providing freedom to a set of agents in any environment of interactive behaviors means putting them into the same position, i.e. offering them a level playing field. As agents are different in many dimensions, and indeed for a boundless number of reasons, when performing under the same conditions, they will produce widely differing results and thus, to the extent that what they are after depends on their performance, they will command equally differing utility. Equality of conditions implies inequality of performance and utility, and equality in this latter sense would require general differentiation of conditions so that agents of unequal strength would realize the same results. As it appears to be absolutely impossible to differentiate the conditions in the way that is exactly needed for reaching the same performance, it directly follows that the inequality of results, with all other inequalities logically following from it, has to be accepted as a fact of life, a feature of the world in which we are destined to live. The two levels of “equality” are frequently confused. Any intention to have them realized at the same time necessarily results in the frustrating realization that none of them is achieved. The lack of

achievement of the two aspects of equality is simply due to their impossibility to be realized simultaneously.

Svensen [7, pp. 154-155] formulates the same insight by stating that it is simply impossible to have the same conditions in the given interactive environment and the same results deriving therefrom. He illustrates this impossibility in the most illuminating way. He takes the example of securing by some social policies the *same* sanitary conditions to men and women; with such conditions exactly secured, biology teaches us that women will have a longer life expectancy, will simply outlive men. That is a case of certain equality leading to inequality at a different level within the set of interdependent quantities. An attempt to differentiate the sanitary protection in such a way as to secure equal life expectancies – a cognitive and operational impossibility – would imply unequal sanitary protection. Equality at both levels is impossible because leveling outcomes at one level implies differentiation at the other. There is also a third factor – the industriousness or diligence. Suppose the impossible were possible and the conditions be so adjusted as to make it possible for all to achieve the same results. But people have different preferences for leisure and have the right – perhaps within certain, but certainly broad enough, limits – to enjoy as much leisure as they find convenient. Who is, and how, to take account of differences appearing on that score? Is the difference in income due to varying propensity to work, save, learn, take risks ever going to be measurable? Not to speak about the administrative, political and even ethical problems of putting people under different conditions so as to make them produce the same results.

The Sven’s example can be generalized and thereby enriched. One could introduce the third level of equality in providing the sanitary protection to men and women – *per capita* spending. With equal amount of money spent per human being, it should be apparent that the level of sanitary protection will be differentiated between men and women. It goes without saying that the life expectancy will be varied between the two sexes on that account. Thus one arrives to the conclusion that arranging for equality at any of the just introduced three levels implies inequality at the other two. It is easy to imagine sets of interrelated elements with 4, 5...*n* dimensions with equality secured

in one of these dimensions implying the inequality in the remaining $n-1$ dimensions. In a multidimensional evaluative universe total equality, prevailing in *all* dimensions is a logical impossibility. Thus, one can formulate the following

Theorem 2 on the impossibility of overall equality: In a multidimensional universe in which equality can be defined in all or just several dimensions the universalized equality, prevailing simultaneously in all or several (more than 1) dimensions is logically impossible.

The two theorems point to the superiority of liberal, as opposed to the antiliberal, understanding of the world. The superiority is the strongest imaginable: it asserts itself and is rigorously demonstrable at the elementary *logical* level. Freedom is a necessary condition for realization of all other values, including equality. But this latter implication requires a major qualification regarding the type of equality included into the corresponding relation. As one of the several types of equality, corresponding to a particular dimension, can be obtained, the above formulation could be duly rephrased by saying that freedom is a necessary condition for any type of equality that can be thought of in a multidimensional universe. In any way, this points to a sort of universality of freedom, to its, as it were, cardinality in the *universe of values*. The *L* insists on liberty as the determining value, underlying in the logical sense all other values; that fact alone should give *L* a particular significance, its superiority over doctrinal systems and social orders based on some other, evidently less crucial considerations or evaluation standards.

The freedom as a value permeating liberal thinking seems to be fundamental not only to liberals but also to the affiliates of many other paradigmatic orientations, including perhaps even the adherents of the antiliberal school(s). On the other hand, the equality as the centerpiece of the antiliberal system of valuation, not only does *not* figure as a necessary condition for other values but even seems logically impossible, at least as an ordering relation referring to several (more than one!) axiological dimensions of the universe being evaluated. To the extent that even the academically placed *AL*, not being careful in their reasoning, insist on several mutually incompatible types of inequality, they can be criticized at the most elementary level of logical (in)consistency.

Relations among the values: Supplementary considerations

As a generic term equality has no definite meaning because it intrinsically depends on the dimension along which it is being considered. When proceeding to analyzing anything about equality one has to make up his mind as to which type of the several distinct varieties of equality one will have in mind. It turns out that many theoretically conceived types of equality are beyond the reach of practical dealing. The inaccessibility of many sorts of equality is due to the impossibility to practically secure the conditions under which they would eventually materialize. Such are all types of equality conceived as evenness or even similarity of outcomes/results. The reason is the practical impossibility to measure the needed differences in conditions and, even more, the inability of any agency to manipulate with conditions so as to arrive at the needed configuration of results. It turns out that the only practically realizable sort of equality is the equality of the position(s) under the rules, i.e. the equality of legal status in the sense that the same legal acts and the provisions are applied to all agents, and indeed consistently, indiscriminately and in the same way. This is a very basic type of equality. It comes out quite clearly, but probably to the surprise of many adherents of the *AL*, that liberalism is, among other, an egalitarian system. Egalitarian, as it seems, in the only way that is practically feasible.

Freedom under the law appears as an essential prerequisite for the type of equality described in the preceding paragraph. The rule of law implies equal treatment of all actors under and by the same set of rules. Thus freedom surfaces as a necessary for equality, in fact for the only practically realizable type of equality. The *AL*, being so bent towards equality may not be aware of the fact that a very fundamental liberal value – liberty – figures in the very foundations of their normatively conceived system. That freedom is fundamental to equality can best be seen by taking into account that the only way of annulling freedom is to place humans into utterly unequal position. One should remember that freedom is defined as a purely social category, as the absence of man-made obstacles to unhampered human behavior, including the absence of

institutional impediments to free choice of actions within the set of options having the property of not interfering with equal freedom of others. Inequality in the sense of violating the principle of equal status can only occur in the case of some agents being excessively privileged and having incomparably more power than the others. Therefore the lack of freedom defined as an element of social set-up implies an extreme violation of equality, which is logically the same as saying that freedom in relation to equality has the status of a necessary condition. One should take into account that the relation of implication does *not* run the opposite way: equality is *not* a necessary condition for freedom. In pure logic, people may be arbitrarily unequal and yet free even though in practical interactions inequality, particularly when excessive, is not conducive to freedom. The so revealed relational asymmetry should also indicate quite clearly the logical and axiological superiority of liberty over other values, particularly over ill-defined equality.

To translate the above finding into a quite common mode of expression, it could be noticed that the logical necessity of freedom for existence and exercising of all other values means that without freedom one can have *nothing* in the world of values, while obtaining any value presupposes having liberty to begin with. Particularly significant is juxtaposition of freedom and equality as the latter is most frequently and often aggressively posted against liberty and hailed as an axiological basis of a markedly improved society. However, as freedom is defined as a social category and its absence means that one human being is completely constrained by the action of other human being(s), it comes out clearly that *the elimination of liberty is the utmost degree of inequality*. Just as any other value, equality is conditioned by freedom, while the opposite implication does not hold: one can have unequally placed individuals without curtailment of freedom whatsoever. True, inequality of individuals is not conducive to freedom, but it does *not* amount to logical necessity of equality for this supreme value.

It should particularly be stressed that freedom appears to be a necessity even for the values which are usually not being associated to it. It's coming out as a necessity for wellbeing is the corollary of the fact that

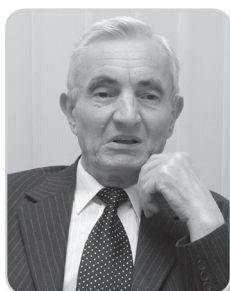
it could easily be conceived as figuring as an argument in the individual utility functions and that it is basic to unleashing the irreplaceable forces of entrepreneurship and the impulses of technical progress, and thereby of the only sustainable component(s) of economic development generally. Many analysts take truth as one of the key values. Clearly, truth can successively be sought only by uninhibited research and unfettered discussion; it is hard to imagine how the enslaved people could effectively pursue search approximating the truth, while freedom without truth is easy to imagine. In fact, as *Popper* has repeatedly emphasized, we are not in the possession of truth and whatever we know is just a temporary insight valid only until proven otherwise. The Latin expression for this could be *praesumptio ignorantiae*. Throughout history, many relatively and even significantly free societies have lived and functioned with grand illusions about the set-up of the world, such as a long lasting belief in the geocentric system. As a matter of fact, the *AL* live with grossly mistaken notion that markets without (*private*) property are a possibility, but this illusion in itself does *not* prevent them from living as free men.

Solidarity or brotherhood is often set up against liberty as an alternative and, to some extent at least, competing value. However, it retains its pure, genuine nature only if voluntary, i.e. in the form of charity; as soon as a collective body, such as the state, starts intervening, the risk arises for it to be transformed into coercion, an attack on freedom of individuals to dispose off freely income which they have created under socially legitimized set of rules. "Socially" imposed solidarity also implies forceful redistribution of income, demotivating both those who are expropriated and those who are privileged through this violent interference into the autonomy of the market subjects and social agents in general.

Much has been thought and concluded about relation between freedom and justice. Justice is a notoriously difficult notion to define: each mature and sane individual has his particular notion of justice and these notions obviously don't coincide. A unique, socially accepted and approved notion of justice is impossible to come by. However, there may be plenty of interactions and phenomena on whose *injustice* a vast majority of people will easily and

unequivocally agree. This could prove to be an operational way of – certainly quite partial and vastly incomplete – approximating some widely agreed notion of justice. If one accepts the judgment that depriving people of freedom is unjust, one could then readily arrive at an, admittedly rough and only approximate, relation between the freedom and justice: freedom is needed for justice, while justice turns out being important and helpful for freedom but not amounting to its necessary condition in the logical sense.

Values matter in any society. This is where the liberal thought points again to the state and government as important social institutions. Values have to be endorsed, upheld and promoted. They cannot promote and preserve themselves *by themselves*. The values define a context in which *the ideology* imposes itself as an important social phenomenon. Ideology is a value orientation on the social scale. It informs the individual about the values of *the others* and helps coordinating the values maintained by the individuals. In many of his value choices the individual is related to others and shown the lead by them. To be effective and genuine, the individual values have to be coordinated; the socially accepted values, embodied in ideologies, are in this respect of enormous assistance. Only (relatively, as usual) free societies provide possibilities and frameworks for convergence of values, thereby contributing to forging social consensus on various issues. Yet, not every such consensus carries positive connotations nor can it be judged as desirable. The totalitarian, aggressive and intolerant ideologies are well known; consensus therefore could be considered *necessary* for desirable humanistically refined strategic lines along which the individual values might converge, but by far *not sufficient*.



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Graduated at the Faculty of Economics, University of Belgrade in 1961, became MA in 1964 at Williams College Mass., USA, and PhD at the Faculty of Economics, University of Belgrade in 1968. His basic orientation refers to the field of economic growth, institutional aspects of development and the problems of governance, macroeconomics and stabilization, etc. He has published ten books and over 400 articles in professional journals. He dealt with the privatization and formation of permanent institutions based on market economy. He was member of the Council of Economic Advisers in the Government of A. Marković, the Chief Editor of "Economic Thought" 1987-11, and a member of the Government of M. Panić 1992-93. He was full professor at the Faculty of Economics University of Belgrade since 1982, then rector and professor of the University "Braca Karic" – today "Alpha University", where he is still engaged.

Broader public is not quite proficient in judging the ideologies. Certain totalitarian ideologies like National Socialism and Communism are considered as opposite to each other by the majority of the uninformed observers, including quite a few sympathizers and professional contributors of the *AL*. However, despite many differences, the two have an important, one could say defining, common feature: they push the individual to the most distant, least significant margins of the society, while putting the collective and the commanding elite, ruling on its behalf, at the center of the entire social life. Communism and Socialism, as its diluted variety, National Socialism and Fascism belong in fact to the same *genus proximum* and the real opposites are all these, on the one hand, and Liberalism, as a society having the free individual in its very center, on the other.

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