

## Has America Forgotten the Fruits of Freedom?

Putting aside religious beliefs, nothing in life has 100% upside – nothing. But the closest thing to a guaranteed better, safer, and more fulfilling life is freedom. Freedom means responsibility. It also means failure, accidents and mistakes. This, in turn, leads to learning, which is why successes outweigh the failures. However, humans must be free to understand the consequences of their actions. Without consequences, there is little learning.

When freedom prevails, the ingenuity and inventiveness of people creates incredible wealth. This is the source of the natural improvement of the human condition. Capitalism is created by free people. Socialism, on the other hand, is what happens when people trade their freedom for the perception of safety. And when people trade in their freedom, they trade it in for a less dynamic, less safe, life.

These days, more and more people seem willing to trade in their freedom. But who can blame them? Intellectuals and politicians are telling them it's the right thing to do. Ken Rogoff, professor at Harvard and former Chief Economist at the IMF, has written that, "The accelerating speed of innovation seems to be outstripping government regulators' capacity to deal with risks, much less anticipate them." In a recent [opinion piece](#) he drew parallels between the BP oil spill and the subprime financial crisis. Like a modern-day Luddite, he asks for government protection from technology.

Many political leaders, who call themselves conservative, and say they believe in freedom, have also made the same argument, albeit in a roundabout way. By supporting TARP, stress tests, bailouts, and stimulus spending, they implicitly suggest that a system of free markets cannot remain stable without government control. These "so-called conservatives" talk the talk of freedom, but do not walk the walk. George W. Bush said that he "abandoned free market principles to save the free market system." The only thing Americans who listen to that can believe is that free markets aren't trustworthy.

Don't get the wrong idea. Oil gushing from a pipe a mile deep is appalling. We wish not a drop had gurgled to the surface, ruining beachfront property and fishing habitats.

But accidents happen. The good news is that we learn from them. Between 1970 and 1979, there were an average of 25 oil spills per year of 700 tons or greater (from shipping). Between 2000 and 2009, there were just 3 per year on average. Oil companies lose money, and soil their image if oil spills. They have a huge incentive to stop spills. These incentives cause them to invest in better safety controls.

The number of plane accidents has fallen significantly. The same is true of train accidents and coal mining accidents. If the government ran all the train, plane, coal, and oil companies there would still be accidents. No one can stop them. Negative events do not mean that free markets and capitalism have failed. Freedom cannot eliminate the risk from life, but neither can government.

In fact, when government does try to eliminate risk, it often creates even more. For example, by holding interest rates at 1% back in 2003 and 2004 in order to stop deflation, the Federal Reserve created the environment necessary for the housing bubble. Fannie Mae and Freddie Mac, and other government inventions, inflated housing even more. It was these things that caused the financial panic, not freedom.

And back in the 1970s, the US government stopped the building of nuclear power plants, partially because of an accident at Three Mile Island. Today, people complain about coal and CO2 emissions – a problem made worse by the lack of nuclear power.

There is no way to take the risk out of life. When government tries, all it really does is transfer that risk elsewhere. And without the growth and advancement that freedom brings, the system breaks down and wealth creation is undermined. You can't get something from nothing. The fruits of freedom are only available to those who are willing to take the risks of freedom. Let's not forget that lesson.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-7 / 2:00 pm	Consumer Credit – Apr	-\$2.0 Bil	<b>-\$4.8 Bil</b>		\$2.0 Bil
6-10 / 7:30 am	Int'l Trade Balance – Apr	-\$41.0 Bil	<b>-\$41.2 Bil</b>		-\$40.4 Bil
7:30 am	Initial Claims - Jun 5	448K	<b>448K</b>		453K
6-11 / 7:30 am	Retail Sales – May	+0.2%	<b>+0.4%</b>		+0.4%
7:30 am	Retail Sales Ex-Autos - May	+0.1%	<b>+0.3%</b>		+0.4%
8:55 am	U. Mich. Consumer Sentiment	74.6	<b>74.5</b>		73.6
9:00 am	Business Inventories - Apr	+0.5%	<b>+0.4%</b>		+0.4%