



The Effect of Free Speech on Economic Freedom

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## The effect of free speech on economic freedom

It is a well-known fact that the engagement of people in the battlefield of ideas is important for the proper functioning of the democracy, however, what one does not realize is that it is also very critical for the functioning of the economy. Innovation and new ideas are critical for sustainable economic growth, and there is evidence which shows that the exchange of ideas tends to be one significantly important part of a growing economy. The example of the United States is evident which has been quite successful in fostering growth and innovation in its technology sector. The market capitalization of Facebook alone is greater than the tech giants of Europe combined. It can be seen that the economic prosperity of the United States is because of its non-moving commitment to the free exchange of ideas<sup>1</sup>.

The theory behind this perception that innovation and ideas are important for economic growth is not a new one. The creative destruction theory by Joseph Schumpeter is the widely known one for this concept. It explained that in any industry competition forces innovation among companies. The ones who lag are destroyed by the innovative new ideas. Thus the creative destruction at micro level aids in the economic growth at a macro level. However, all economies need not be an innovator for their economic growth. The Solow growth model is one of the economic tools studied by economists who believe that the developing countries would catch up and converge with the rich countries<sup>2</sup>.

The reasoning behind the concept was that developing countries could imitate the innovations of the rich countries; the example is evident in the form of China and India who just has to start using the innovative ideas of the west to grow their economy. However, this cannot

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<sup>1</sup> Dreher, Axel, Martin Gassebner, and Lars-H. R. Siemers. "Globalization, Economic Freedom, and Human Rights." *The Journal of Conflict Resolution* 56, no. 3 (2012): 516-546.

<sup>2</sup> Posner, Richard A. "Free Speech in an Economic Perspective." *Suffolk University Law Review* 20, no. 1 (1986): 1-54.

lead the countries to grow further as after reaching a certain level of the economic frontier the economy can only grow through innovation and progress in technology. The United States has been on the economic front for over a century and is growing at the base of the technology and innovative growth<sup>3</sup>.

It is important to know where this innovation occurs; innovation does not happen at the country's level, it happens at the individual level where scientists and engineers are working in their labs, companies, universities. People who are tinkering in their basements, garages, and sheds are the driver of innovation, and this innovation is mostly derived in cities.

It is a known fact that most of the innovation occurs in cities. These are the center for the rapid dissemination of the information. The success of the city is dependent on the ability of its residents to generate new ideas and share them with others with freedom. The lack of ability of the individuals of the city to innovate would cause decay of the city and consequently the decay at the national level as well. The analysts have pointed out that the proximity of the people in the cities is one factor which causes the innovation to occur. The assumption implies that staking bunch of people together in one block will induce innovation.

Economists like Clark Nardinelli have shown that the communication process for the generation of innovation is important to be analyzed. The market economy and its economy arise from the phenomenon when people with knowledge get together and have conversations. The conversation among these individuals is necessary for converting information into productive knowledge. It implies that the spreading of information needs communication among the people of any sorts. It can be in the form of watching videos, attending lectures, and delivering speeches

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<sup>3</sup> Steffensen, Filip. "Free Speech Decreases Bigotry and Creates Economic Progress." *Foundation for Economic Education*. June 6, 2018. Accessed March 27, 2019. <https://fee.org/articles/free-speech-decreases-bigotry-and-creates-economic-progress/>.

or presentations. The limiting speech informally and formally has pernicious effects on economic growth and innovation in the United States<sup>4</sup>.

The long history of the Americans in exercising their free speech rights and with the robust protection provided by the First Amendment, there is evidence of concerns over the extended use of this right by one segment of the society. Students in colleges of the United States are increasingly calling for limits on speech. There are many who have canceled the use of speakers because of the opposition of faculty and students causing the administrations to favor inclusivity and safety of the free exchange of ideas<sup>5</sup>

The events show that the next generation of the governmental administration, politicians, and business people are favoring towards repressing the speech which they do not prefer. Social media sites are also struggling with the concept of free speech and are still figuring out how to handle the online hate speech. Americans tend to be more supportive of free speech, however events have shown new opinions building against it as well. 77% of the US citizens believe that others have the right to make statements which are offensive to their religion. Citizens of US are not more in favor of the offensive speech, but more in favor of not outlawing it<sup>6</sup>. The index built on the support for free expression shows the US on top, followed by Poland, Spain, and Mexico while the lowest support is shown by Senegal followed by Jordan and Pakistan<sup>7</sup>.

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<sup>4</sup> Posner, Richard A. "Free Speech in an Economic Perspective." *Suffolk University Law Review* 20, no. 1 (1986): 1-54.

<sup>5</sup> Millsap, Adam. "Free Speech Is Good for the Economy." *US News*. May 23, 2016. Accessed March 27, 2019. <https://www.usnews.com/opinion/articles/2016-05-23/free-speech-is-good-for-the-economy>.

<sup>6</sup> Wike, Richard. "Americans more tolerant of offensive speech than others in the world." *PEW Research*. October 12, 2016. Accessed March 27, 2019. <http://www.pewresearch.org/fact-tank/2016/10/12/americans-more-tolerant-of-offensive-speech-than-others-in-the-world/>.

<sup>7</sup> Wike, Richard. "Americans more tolerant of offensive speech than others in the world." *PEW Research*. October 12, 2016. Accessed March 27, 2019. <http://www.pewresearch.org/fact-tank/2016/10/12/americans-more-tolerant-of-offensive-speech-than-others-in-the-world/>.

Even though it is true that offending speech for a larger segment of the population is unlikely to lead to innovation and economic growth, however, criticism misses the point. The important point here is that whether the hate speech restrictions would reduce the likelihood of the people engaging in the conversations. It is difficult to predict that conversation would entirely end up. The penalty for saying the wrong thing is large enough causing the probability of having a conversation to decline considerably.

The United States is one of the most economically competitive countries in the world which is also one of the supporters of free speech and expression. It does not seem to be a coincidence. The commitment of the United States to free expression of speech and exchange of ideas is one of the reasons which have provided the entrepreneurs of the country with a competitive advantage. It is a known fact that the free exchange of information and ideas is one important factor in which proper economies countries are reliant and this is the reason which has increased their standard of living. It is also the reason which shows that the long-term costs of restricting speech are larger than it is generally perceived.

It is important to note that if the free expression of undesired opinions is considered as fallible, inferior or immoral, then it can cause the loss of prospect of new ideas, inventions, and breakthroughs. Freedom of speech is important to the flourishing of the human race, and as new ideas are generated, economic growth is affected. Freedom of expression positively correlates with the growth of the economy as it allows the ideas to exchange freely. The ideas which are disruptive have always been silenced in the past. On the contrary, the interactions of people make ideas to breed freely<sup>8</sup>.

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<sup>8</sup> Steffensen, Filip. "Free Speech Decreases Bigotry and Creates Economic Progress." *Foundation for Economic Education*. June 6, 2018. Accessed March 27, 2019. <https://fee.org/articles/free-speech-decreases-bigotry-and-creates-economic-progress/>.

Proponents of the freedom of speech have argued that minorities should not be threatened with offensive speech. The proponents argue that minorities can become the target of hatred and free expression can incite hostility towards them. Several schools of thoughts are advocating the censorship of different forms as they think that free speech can make the vulnerable more vulnerable and encourage intolerance. However, it does not imply that free speech encourages tolerance. European countries provide weaker protection for the freedom of expression while American provides strong protection via First Amendment<sup>9</sup>. Countries in Europe have also implemented hate speech laws which implies that it would cause them to be more tolerant. However, data show that US citizens are more tolerant towards diversity than European and also more in favor of free speech. Thus, by silencing dissent, not only conformity is encouraged, but also the future generations are deprived of the ideas and innovation which are determinant of the economic progress<sup>10</sup>.

The use of the KOF Index of Globalization and the economic freedom indices showed in a study for analysis of the economic liberalization effect on the respect of human rights by governments in 106 countries for the period of 1981-2004 has revealed that physical integrity rights increase economic freedom and globalization while the empowerment rights are not that much affected. It is one of the many studies which have shown a positive relationship between the economic freedom and freedom of speech<sup>11</sup>.

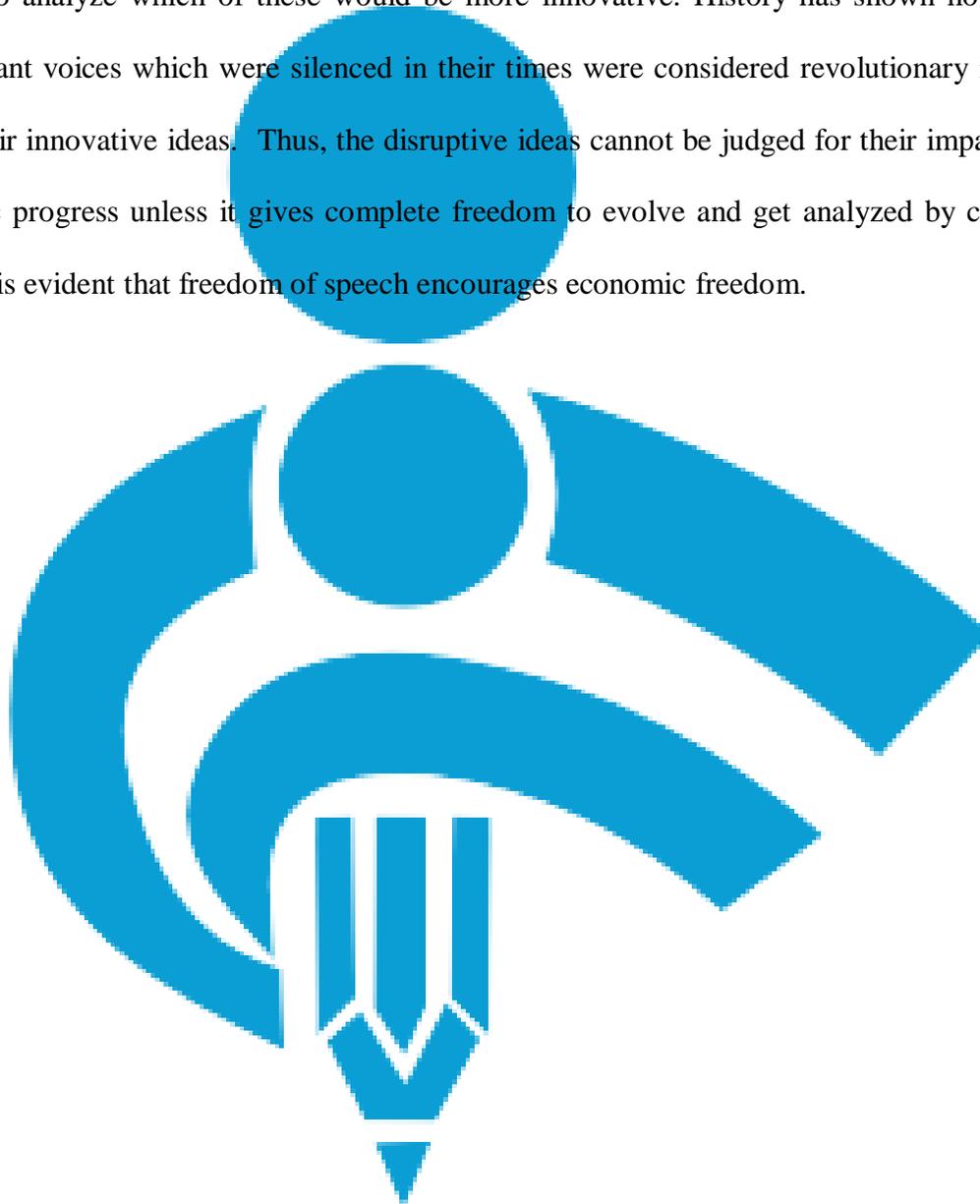
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<sup>9</sup> Posner, Richard A. "Free Speech in an Economic Perspective." *Suffolk University Law Review* 20, no. 1 (1986): 1-54.

<sup>10</sup> Wike, Richard. "Americans more tolerant of offensive speech than others in the world." *PEW Research*. October 12, 2016. Accessed March 27, 2019. <http://www.pewresearch.org/fact-tank/2016/10/12/americans-more-tolerant-of-offensive-speech-than-others-in-the-world/>.

<sup>11</sup> Dreher, Axel, Martin Gassebner, and Lars-H. R. Siemers. "Globalization, Economic Freedom, and Human Rights." *The Journal of Conflict Resolution* 56, no. 3 (2012): 516-546.

Concluding, it can be said that with economic growth depend on innovative ideas and the constantly increasing globalization, communication has become a prime aspect of survival. The communication of ideas, thoughts, opinions, information, and knowledge cannot be restricted and judged to analyze which of these would be more innovative. History has shown how the many important voices which were silenced in their times were considered revolutionary in the future for their innovative ideas. Thus, the disruptive ideas cannot be judged for their impact on the economic progress unless it gives complete freedom to evolve and get analyzed by critics. Therefore, it is evident that freedom of speech encourages economic freedom.



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