

July, the Month of Revolutions

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This article is the twentieth in a year-long series about economics and holidays.

It must be the heat, or the humidity. July may not be the only month in which revolutions take place, but three of the most famous ones claim that month—the American Revolution (July 4th), the French Revolution (July 14th), and the Cuban revolution (July 28th). While some revolutions spark counter-revolutions, all three of these revolutions had lasting and dramatic impact on the form of government and the future direction of their respective countries. For the thirteen colonies that became the United States, it was a rare but dramatically successful overthrow of a distant colonial power to take charge of their own destiny. For the French, the revolution ended an abusive and repressive monarchy but also initiated decades of upheaval, including the Reign of Terror and the rise of Napoleon, before finally settling into a modern democratic state. For Cuba, likewise, the revolution overthrew a repressive dictator, Fulgencio Batista, before evolving into the only long-term communist state in the Western hemisphere. This revolution was named for and is celebrated on its starting date of July 26, 1953, although it took until January 1st, 1959 to actually take over the government.

Many nations have undergone revolutions—the October Revolution in Russia (1917), the Glorious Revolution in England (1688), the Mexican Revolution that lasted from 1910 until 1920. A revolution is generally a tactic of last resort after other methods of resolving differences and addressing grievances have failed, because revolutions are both risky and costly in terms of lives lost and damage done. From George III in 1776 to Louis XVI and Czar Nicholas III to Porfirio Diaz in early 20th century Mexico, the refusal to listen and respond to genuine problems has been costly to those who thought they held absolute power.

The goal of revolutions is almost always a transfer of power, usually at least claimed from the autocrat of the day to the people in some form. The French Revolution probably wins the prize for the most succinct and appealing slogan—Liberté, Egalité, Fraternité (freedom, equality, brotherhood). That's a lot catchier than "taxation without representation is tyranny."

Freedom was paramount on the minds of the American revolutionaries, and remains so to this day, often at the expense of equality and/or brotherhood (or its 20th century Polish equivalent, solidarity or community). For Cubans, equality was the primary goal, in the form of a Communist government supported by the Soviet Union until the fall of communism. The French Revolution never had quite such a clear sense of direction, but came closest to brotherhood, or community, in eventually creating a democratic welfare state that attempted to honor both freedom and equality.

The freedom-equality debate is very old and very central to political economy. If we maximize freedom, which includes the freedom to keep the fruits of one's efforts and the freedom to fail, a free economy will also be one of great inequality. If we maximize equality, we lose some of those incentives to work

hard, to innovate, to invest that increases the size of the economic pie we all share. In a society that has neither freedom nor equality, like Batista's Cuba or France under Louis XVI, this conflict may not appear to be as critical, because the revolutionaries would like both, or at least one, of these goals to be realized. But in a society that has been democratic for some time, the conflict is very real and not easily resolved. Instead we vacillate from pole to pole, focusing on freedom when the economy is strong and turning toward equality during hard times.

Where does that third goal fit into the picture—community, solidarity, brotherhood? Perhaps it is the tie that binds the other two together. If we as a nation are a community, then we have not only freedom but also responsibility to one another. Freedom exercised responsibly by people with a sense of community will ensure that we collectively provide for the less fortunate, create opportunities, and give back to the society that enabled us to thrive and prosper.

Economics is not about absolutes, but about tradeoffs. A little less freedom in exchange for a stronger sense of community, a little less equality to permit greater freedom. It's not the stuff of revolutions, but rather of evolution, of tinkering, experimenting, responding to situations with a rebalancing of these three revolutionary values. A nation that finds a way to honor all three values and to adapt to changing circumstances by rebalancing among those three values is less likely to experience another violent revolution. So on Independence Day, Bastille Day, and 26 Julio, we celebrate not only the success of our respective revolutions but the aftermath that keeps us from having to have another revolution to get it right.

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