We argue in this paper that the last best hope for economic prosperity is a system based on private property rights, capitalism and limited government. One of the reasons for this claim is that, in such a system, in contrast to one in which the state plays a large role, when mistakes are made, those responsible for them automatically tend to go bankrupt; those who remain in operation at any given time have thus passed a stringent market test. The same cannot be said for government bureaucracies, FEMA being only one recent example. We apply this insight to examples ranging widely over the economy, and including money, infrastructure, welfare and poverty, crimes, labour relations and the environment, where we consider air pollution, forests, sanitation, species extinction and renewable and non-renewable resources.
Basic philosophy

Our goal is to bring about a more free and ipso facto a more just, peaceful and prosperous society. In order to achieve these ends we rely on private property rights, the rule of law, and individual and co-operative group effort.

If the demise of the economic systems of the USSR and Eastern Europe has taught us anything, it is that government is best which governs least. The implication is that it is best to leave to civil society—the market, the church, voluntary associations, businesses—all or virtually all tasks. It is imperative that the laws apply equally to all, and that the rule of law (Hayek 1960)¹ be relied on to promote the commonweal. Although coercion is occasionally necessary, force must be kept to an absolute minimum; its utilisation has great power, but it always threatens to rend the social fabric.

A properly limited government is at most the referee of the economy, not an actual player. Can you imagine what chaos would ensue in a soccer match if the referee started to kick the ball into one of the nets, all the while blowing the whistle at athletes who were trying to defend against him? (This is a rough but reasonable depiction of the late and non-lamented Soviet economy.) (See on this Mises 1981; Conway 1987; Keizer 1987; Hoppe 1989, 1991, 1996; Gordon 1990; Boettke 1991; Ebeling 1993; Maltsev 1993; Foss 1995; Klein 1996.) That, roughly, is what ensues when government takes on the entrepreneurial role.

There is a similar case to be made with regard to production. A properly constituted government² does not itself create any economic goods. It does produce domestic and foreign defence, and dispute resolution services. What it does not do is manufacture guns, planes, court buildings, etc. Instead, it purchases those things from the private-sector firm that offers them for the lowest price. Rather, it sets up the rules and regulations, and then defends them against law-breakers, so that businessmen can produce the goods and services needed by the economy. A limited government operates as does a catalyst in a chemical experiment. It enables the other chemicals to interact with each other to achieve synergistic effects, yet itself comes out of the process unchanged.

Nor is there is any need for a governmental role in mediating between members of the private sector.³ The fact that one is thought to be required is evidence of the chaos now operating. An analogous situation occurs with regard to rent controls. Before their advent, there was never any need for a separate landlord–tenant court. But rent control has so exacerbated relations between owners and renters (Baird 1980; Salins 1980; Block and Olsen 1981; Johnson 1982; Grant 1989; Block 1993) that the sheer enormity of the caseload overwhelms ordinary courts. The solution, however, is not to create special and additional judicial bodies but to eliminate the mischievous law that called them into being in the first place.

³ Apart from upholding a proper criminal code (limited to quelling physical invasions) and defending contract and property rights.
The economic programme

Money

First, let us be clear that the reason that the monetary system is an issue is because of inflation in general (see on this Mises 1912; Rothbard 1990a), and the particular challenges in this regard now being faced in the world. Second, let us also understand that as long as there are governments in charge of this sector of the economy, no monetary system, regardless of its nature, is a guarantee against inflation, for the government can always use its coercive power to change/revise/override/replace the extant system. Third, let us also acknowledge that the fundamental problem is that politicians always want to spend more money; they are voracious; they are never satisfied. No amount of expenditures, no matter how great, can satisfy them for more than a short while. However, their ability to raise revenues is limited. They can acquire the wherewithal from taxation, but there is a limit to what the people in a more or less free society will pay in taxes; they can acquire the funds through borrowing, but there is an upper bound to what people will lend them; or they can inflate the money supply. The latter is vastly preferable to the bureaucrats in that the average man knows full well the source of taxation and government borrowing; in contrast, the source of inflation—the creation of fiat currency—is far better hidden from his scrutiny. Thus inflation is by far the preferred method of raising funds for these purposes.

The next issue is how to prevent the government from inflating a domestic currency. The best option, albeit the most unlikely to be realised, is to freeze absolutely the supply of domestic currency at its then current level. In this case, the nation’s currency value would necessarily be determined in the market, free from any intervention by the government.

Infrastructure and social amenities

It is a shibboleth in some quarters that all economic, social and cultural infrastructure must be provided by government. Ultimately, our goal is to place as much of such infrastructure into private hands as possible. In the short run, the following can be done:

Privatisation of public conveyances

Privatise subways, trolleys, streetcars, ferries and other such projects and allow the new owners to charge the customers that use it the full amount necessary to keep these conveyances in operation. That is, these transportation vehicles should be run by private enterprise, without benefit of government subsidies. The same will be done with bridges, highways, railroads, airports, docks and wharves, etc., electric and other utilities. To the extent that these amenities are already ‘private, but regulated’, it will be to the betterment of the economy that they be deregulated and competition encouraged.

Privatisation of social amenities

Privatise museums, libraries, art galleries, symphonies, opera houses, etc. For all too long these amenities have served as the playgrounds for the upper middle classes and the rich. When the poor seek entertainment, they disproportionately patronise amusement parks, bowling alleys and pool halls, bars and saloons where they pay, out of their own pockets, the full amount necessary to fund them. This is exactly as it should be. But why should the rich be subsidised in their diversions?

One advantage of privatisation is that competition will be allowed to play its usual salutary role. We have reasonably good pizza, Popsicles and porcelain owing to the
market’s automatic weeding-out process. Those entrepreneurs who do not do a good job supplying us with such amenities tend to suffer losses. If they do not change the error of their ways, bankruptcy is the inevitable result. In contrast, those firms that do satisfy customers earn profits, with which to expand the base of their operations. With this automatic feedback mechanism, it is no wonder that the private sector is a bastion of efficiency and consumer sovereignty. In very sharp contrast, none of this operates in the government sector of the economy. When government roads, ferries or the post office do not provide a good-quality service, they may suffer losses, but they cannot go bankrupt, and leave room for better alternatives. Ditto for museums and opera houses. They, too, are ‘above’ the market.

It is for this reason that the post office urges that we not mail packages during the Christmas season. In contrast, FedEx makes no such demands. It is for this reason that it is far safer in Six Flags or Disneyland than in New York City’s Central Park or New Orleans’ Audubon Park; in private malls rather than on the public streets.

Another advantage of privatisation is that with people buying and selling private property, market prices can emerge. Without prices based on supply and demand, the economy flies blind. In the USSR and other communist countries, there were no capital markets. Thus, allocating goods in this sector was a hit or miss affair; there could be no rational economic planning. Communism was able to last as long as it did only because of the ‘Sears & Roebuck’ phenomenon: they had access to Western prices.

Welfare and poverty

The principle of ‘first, do no harm’, commonly attributable to the medical profession, is a valuable one in the present context. It is particularly important as it relates to the lives of the poor, as they have the least margin for survival. Accordingly, this principle informs our policy with regard to the poor: first, do not further impoverish them; their plight is already serious enough, thanks, in large part, to past governmental mismanagement. To this end, we must undertake to eliminate a whole host of programmes that have the effect of worsening the position of the poverty-stricken: rent controls (which reduce available housing) (Baird 1980; Salins 1980; Block and Olsen 1981; Johnson 1982; Grant 1989; Block 1993); minimum wages (which lead to unemployment for the unskilled); agricultural subsidies (which raise food prices for all, but have a particularly pernicious and insidious impact on the poor, as they spend a disproportionate percentage of their very limited income on these items); welfare programmes themselves (which tend to undermine the family, the last best hope for alleviating poverty); social security (another weakening of intergenerational family bonds) (see Ferrara 1982); etc.

Second, rely on private charity (Olasky 1992; Hughes 1988). This institution has several very important advantages over governmental programmes. For one thing, the

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4 It cannot be denied that there is a pale carbon copy of a weeding-out process that operates in the statist sector of the economy. The ballot box vote plays something of the same role as does the dollar vote in the economy. But the former takes place only every four years; the latter, dozens of times per day. In the ballot box, apart from referenda or plebiscites, one must vote for one candidate or the other. But suppose you like policies 1, 3, 5, 9, etc., of candidate A, and 2, 4, 6, 8, etc., of B. You have no way to make such distinctions. You are forced into a package deal. In contrast, in the market, you can highly focus your dollar vote: for a blue tie, or red suspenders with polka dots, for example.


6 For support of this claim, see Hazlitt 1979; Rothbard 1988; Becker 1995; Sowell 1995.

7 Although contentious in some intellectual arenas, for example sociology, there is strong evidence available in its support: Anderson 1978; Tucker 1984; Anderson 1987; Brown 1987; Rothbard 1996.
recipients are made to realise that individual people, on a voluntary basis, gave of their own funds so that the recipient could have a better life. Charity is incompatible with the ‘welfare rights’ doctrine, so inimical to self-improvement. For another, recipients are typically asked, as a condition of receiving charity, that they write to donors and thank them for their contribution. This buttresses the fact, all the more, that sacrifices have been made on his or her behalf; it is the rare recipient who, under these conditions, is not inspired to try harder. Then there is the fact that charity is often intermediated by a religious organisation, and comes coupled with prayer, expert advice, and/or spiritual training. This, too, tends to be beneficial, in that the recipients, perhaps for the first time in their lives, come into contact with a philosophy that has been of tremendous importance to many people. Finally, private charity is free to distinguish between the deserving poor—that is, those who are impoverished through no fault of their own—and those who are themselves responsible for their own poverty. The appropriate assistance can then be rendered to those in the former category, while those in the latter can be denied help unless they undertake to change their lives in such ways as to work their way out of poverty.

Third, and most important, society can cure poverty, to the extent, given human nature, that it is humanly possible, by promoting the free-enterprise system. It is surely no accident that in countries that rely heavily on markets and property rights, the ‘poor’ own colour television sets, telephones, cars, refrigerators and air conditioners.¹

### Crime and security

#### Victimless ‘crimes’

It is not enough to have a well-motivated and well-paid police force. Their job must be strictly limited to preventing real crimes, with unwilling victims, such as murder, rape and theft, and punishing the perpetrators when these heinous acts do occur. The men in blue must not be called on to arrest anyone for doing anything that does not constitute a physical invasion (or fraud) against people or their property. There will be no laws against ‘crimes’ that have willing ‘victims’ for the police to enforce. This means that there will be no laws prohibiting voluntary acts between consenting adults such as prostitution, pornography, gambling, the sale, purchase and use of addictive drugs, etc. Law enforcement manpower, as with other resources, is far too scarce to be squandered trying to protect ‘willing victims’ when it is needed to protect real sufferers from true criminals. Society must distinguish between the criminal and the immoral. It is not the job of the police to save people’s souls; it is their job to protect people’s lives, liberties and property.

#### Freedom of association

We stand foursquare behind the rights of free association. This means that all interaction between people (e.g. adults) shall be on a completely voluntary basis. No one shall be forced to associate with anyone else, nor prevented from so doing.

The total denial of freedom of association is outright slavery. Fortunately, modern society is not faced with such a threat. But, if slavery is the complete abnegation of free

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¹ For the relationship between poverty and economic freedom in an international context, see Gwartney et al. 1996.
association, then partial denials of this right amount to no less than partial slavery. And here there are dozens of cases, all of which we must pledge to fight.

Whenever workers are prohibited from organising together, to urge better wages or working conditions, this is a denial of their basic right of freedom of association.9 (Of course, when unions attempt to violate the freedom of association of employers and ‘scabs’ to associate with each other, or to force workers to join, then they violate this liberty.)

But what is sauce for the goose is also sauce for the gander: if employees may freely associate with each other for commercial purposes, then so may employers. They may do so in the labour market (to face unions with a united front), in the factor market (to bargain collectively with suppliers) or in the consumer or final goods market (to fix prices). This means that cartels are every bit as much an instance of freedom of association as are labour organisations. This means, also, that antitrust or anti-combines legislation must be totally eliminated.10 For what are trusts and ‘monopolies’, other than the amalgamation, on a voluntary basis, of a number of entrepreneurs? (These kinds of contract should be called ‘single sellers’ or voluntary cartels; the word ‘monopoly’ should be reserved for exclusive grants of privilege by government to operate a business denied to other potential competitors, for example the post office, or in some other way to restrict competition.)

Another implication of the freedom to associate is the right to engage in discrimination on the basis of race, sex, sexual preference, ethnicity, intelligence, sense of humour, musical or athletic ability, hair or eye colour or, indeed, anything else under the sun. Civilised societies pretty much already enjoy all these rights, in the present day, at least as far as personal relations are concerned. That is, the government has not (yet) prohibited discrimination on any of these grounds in friendship patterns, dating, marriage, etc. But these rights must be extended to include commercial interactions.

That is, it should be legal for retail shops to pick and choose their range of customers. No longer will they be forced to open their doors to the entire public. This right is presently enjoyed by customers, who are free to avoid stores on the basis of race or ethnicity, etc., and patronise others, also on this basis; we must even up the playing field in this regard, and thus treat all people equally, whether they are buyers or sellers.

No longer will firms be forced to hire any specific type of employee; there will be no quotas for hiring females, or members of any particular racial or ethnic group. This right is presently enjoyed only by employees, who are now free to discriminate against employers for any reason they choose. We must also even up the playing field in this regard, and thus treat all people equally, whether they are seeking a job or offering one. Similarly, landlords will not have to rent to people against their will, nor sell their homes or businesses on an ‘affirmative action’ basis. Tenants and homebuyers already have the right to boycott landlords and homeowners, motivated by racial, ethnic or sexual preference considerations. Our policy would do no more than even the balance, giving the same rights to all participants in commercial interactions.

It should not be thought that these rules will unduly create poverty for the downtrodden minority groups who are discriminated against by the majority, nor that past discrimination is responsible for the present plight of these groups. If this were so, then Jews and Orientals would be among the poorest members of society; instead, they are among the richest (Sowell 1975, 1981, 1983, 1994).

9 For the case on behalf of labour organisations along libertarian lines, see Block 1991a.
Why is it that discrimination is all but impotent to impoverish the poor? This is because whenever a group is ‘victimised’ by a commercial boycott, either their wages fall, or the prices they must pay for goods rises. But this sets up profit opportunities for entrepreneurs to ‘exploit’ the downtrodden, by either hiring them at these new lower wages, or selling to them at these now higher prices. This, in turn, tends to undermine the initial deleterious wage and price changes. As more and more opportunistic profit seekers hire more minority group members, to ‘take advantage’ of their plight, wages rise again, up towards pre-discrimination levels. And, as more and more ‘greedy’ merchants sell to the discriminated-against groups, the prices they must pay tend to fall, again obviating the economic effects of the original discrimination.

No. The reason people are poor is because: their God-given mental and/or physical capabilities are low; they are indolent; they are imprudent, and do not invest in their own human capital; and/or, the government short-circuits the market which, as we have seen, is their benefactor, their only real hope for help in improving their condition, save for private charity, itself working where possible to assist them to function in the market. It has little or nothing to do with whether they are minority-group members.

Environmental issues

Our environmental policy will be based on ‘free-market environmentalism’. This is the doctrine that states that ecological problems are the result not of private property rights being upheld and respected, but of the absence of such a legal regime; that the solution for these challenges is not increased governmental ownership of environmental amenities, nor, yet, greater control over such private holdings by governments, but rather enhancement of private property rights, pre-eminently including punishment for trespass.

Air pollution

Air pollution is nothing more than a name for property rights violations: to wit, trespassing smoke particles. The law is clear if Jones dumps his garbage onto the property of Smith: Jones is clearly guilty of trespass. But, if Jones first incinerates his garbage, and then sends it wafting, through the air, onto Smith’s property, lungs, laundry, the law has all too often ignored this violation of property rights (Anderson 1989). (But suppose Jones had been operating a factory, feedlot or airport long before Smith arrived on the scene with his property purchase, and had been polluting the air with dust particles, smells and noise, respectively. Would Smith have a case in law against Jones? Not at all. This is called ‘coming to the nuisance’, and should be thrown out of court on the ground that Jones had first homesteaded the property rights to ‘pollute’ the air around him. In contrast, if Smith purchased a home in a dangerous neighbourhood where Jones’s gang engaged in mass robbery, then Smith would have a case at law against Jones, since the latter has no right to steal the property of others, but he does have a right to homestead unowned property by ‘polluting’ it.)

11 Of course, if there are higher crime rates in poorer areas, and, typically, there are (see Levin 1997), these additional costs will tend to be reflected in prices higher than they otherwise would be.
The solution to the problem of pollution consists not of government edicts concerning CAFE (corporate average fuel economy) mileage standards for automobiles, nor subsidies for alternative energy sources (e.g. windmills), but rather of environmental forensics: chemically analysing dust particles, determining their source, and then imposing heavy penalties on the perpetrators.

Forests

No private owner of a forest, who hopes to earn a profit and survive in business, will engage in clear-cutting without replanting. When, and to the extent that these ravages of the environment have occurred, those responsible have been either public authorities, or private concerns operating on governmentally owned land (where the commercial incentives towards stewardship operate in the very opposite manner). Our policy for managing the forests thus consists of privatising them, and allowing the ‘magic of the market’ to protect these treasured resources.

Sanitation

All solid waste management facilities will be privatised. Socialised garbage dumps do not generate market prices, and without them it is impossible to rationalise this sector of the economy. Consider the issue of whether plastic or paper bags are more environmentally friendly, and suppose that the latter is the case, as has been argued by the ‘greens’. If so, then the combination of the price of paper bags, based on free-market trees, and the disposal cost, based on private disposal, will be lower than the combined price of plastic bags, based on petroleum prices, and presumably higher, burial cost for plastic than for paper bags, that would be charged a private disposal company. This, in turn, will lead people, as if by Adam Smith’s (1776) ‘invisible hand’, to prefer more paper, and less plastic. Nor will the economic effects stop here. Packagers, too, will find they can enhance profits by saving their customers disposal fees. It is in this way that the entire problem will tend to disappear, but only when and if markets are allowed to fully operate.

Species extinction

The reason cows, chickens, dogs, cats and pigs have not come within a million miles of risking extinction is because they are all privately owned. Their owners have an economic incentive to protect them, even to see to it that their numbers are increased, for that is the way they can best maximise profits. In sharp contrast, the elephant, the rhino, the deer, the buffalo have all in recent years been endangered, save for those the rights to which have been privatised. This is not due to the fact that profits cannot be made by exploiting these animal resources. Very much to the contrary, the latter animals are also very valuable to humans; in fact, in those cases where the rights have been privatised, these animals have generated incomes for their owners. The real explanation is that laws have, almost always, prevented private property ownership of them. Thus, our policy will be to rescind all legislation prohibiting the ownership of any non-human species. This is our last best hope for protecting them from extinction.

13 They should be called the ‘watermelons’: green on the outside, red on the inside.
Mineral and other non-renewable resources

The critical economic issue with respect to non-renewable resources is the optimum rate of extraction/depletion/use. Because their tenures in office are uncertain, politicians in republics/representative democracies have the incentive to exploit such resources at an uneconomically rapid rate in order to acquire and use the revenues therefrom while they are in office rather than leaving such revenues for their successors. That is, the present discounted value of such resources, given the social rate of time preference, is not maximised. This has had serious consequences. For example, over-rapid recovery from an oil reservoir can result in reducing the pressure therein to such an extent that oil that could have been recovered economically had not depletion been so fast becomes uneconomical to recover and therefore remains in the ground, unexploited and unable to serve humans. A private owner of mineral resources, on the other hand, has precisely the incentive to maximise the present value thereof. Moreover, if, as with the politicians, the owner’s personal rate of time preference is less than the social rate as manifested by market rates of interest, he or she will have every incentive to sell the resources to someone who values them more highly and will exploit them more rapidly. Therefore, our policy consists of privatising natural resources and, as with forests, allowing the ‘magic of the market’ to protect these treasured resources.

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