We Are the Economy They Want to Regulate

Critics of the libertarian philosophy think they can score points by calling libertarians "market fundamentalists." It's supposed to conjure images of dogmatic religious fundamentalists, just like the term *global warming denier* is supposed to conjure images of Holocaust deniers. It's a smear, of course, and if you think the tactic discredits those who employ it, I agree.

The fact is that libertarians cannot be market fundamentalists. Why not? Because in the libertarian worldview, the market is not fundamental. What's fundamental is every person's right to be free from aggressive force. Strictly speaking, it's not markets that can and should be free — it's people. The term *free market* merely describes one political-legal context in which people conduct themselves. It's shorthand for a subset of human action — the exchange of goods and services, usually for money. (The logic of human action, the study of which Ludwig von Mises called *praxeology*, applies to all purposeful conduct, not just market exchange.)

It follows, then, that when politicians and activists call on the government to regulate the economy, they mean to regulate us. There's no *economy* to regulate. It's not a machine or a vehicle. It's an unending series of purposeful activities the logic of which gives rise to a process characterized by *regularities*. Hence, for example, the *law* of supply and demand. We can talk about this orderly process — the market — as though it were a thing, but we have to keep its metaphorical nature in mind. It's still only people cooperating with each other.

When market critics demand government regulation, they imply that markets are by nature unregulated. But we've just seen that this is nonsense. An unregulated market is a logical contradiction. That we call it a *market* indicates the regularities, or laws, just mentioned. No regularity — no market. There could no more be an unregulated market than there could be a grammarless language or a perpetually disorderly society. We would not call a population a society if it did not display a general order expressed by rules (written and unwritten), customs, and mores. Without such things, a population would be not a society but a Hobbesian state of nature.

So the question is not whether the market should be regulated, but *who* should regulate it. And the only two choices are: 1) market participants through the exercise of their free and peaceful choices or 2) politicians and bureaucrats relying on the threat of violence to impose their will.

Easy choice, I'd say.

Those who doubt the market is intrinsically regulated when people are completely free need only ask themselves what would happen if someone charged $100 for an apple or offered to pay workers $1 an hour (assuming no legislation forbidding this). The answer is simple: others would offer lower prices for apples and higher wages to workers. No need for government regulation. In other words, competition would discipline the would-be gouger and miser. *Competition* simply means the freedom to offer better terms to consumers and workers. As I say, free markets are nothing but free persons.

Those who think cooperation is preferable to competition should realize they are two sides of the same coin. Competition is what happens when we're free to choose with whom we wish to cooperate. Two shoe stores compete, each hoping to be the one that cooperates with me in my quest for new shoes.

Critics really must stop reifying the market because markets don't do things or have purposes. Only people do things and have purposes. You often hear it said (unfortunately, by some economists) that markets ration goods and services. This is often the retort when critics of national health insurance warn that rationing would eventually be necessary to sustain the system. When a government bureaucracy allocates medical services, that is indeed rationing. Think of food rationing during World War II, when you could buy no more eggs than your government-issued stamps allowed.

Nothing like that happens when people cooperate in the marketplace. Buyers decide how to spend their money, and sellers decide how many goods they wish to sell. There is no central plan according to which an authority allocates resources. Thus, there is no rationing in the market. There are just people exchanging goods, services, and money in order to mutually improve their situations.

Finally, the great free-market economist Frédéric Bastiat taught us long ago that a key blessing of freedom is all the free stuff it bestows on society. You read that right: free stuff. As he wrote in his unfinished magnum opus, *Economic Harmonies* (Chapter 8, "Private Property and Common Wealth"):

> *That … veil which is spread before the eyes of the ordinary man, which even the attentive observer does not always succeed in casting aside, prevents us from seeing the most marvelous of all social phenomena: real wealth constantly passing from the domain of private property into the communal domain. [Emphasis added.]*

Bastiat anticipated that such talk would brand him as a communist, but he meant every word — namely, that as technology (as Bastiat described it, the turning of production "over to Nature”) and competition reduce the toil required to obtain goods, more and more of the services rendered by those goods (“real wealth”) become free. That is, consumers acquire those services without the expenditure of effort. As I wrote some years ago in “Bastiat on the Socialization of Wealth”:

> *If the average worker had to work two hours, 40 minutes, to buy a chicken in 1900, but only 14 minutes as the 21st century approached (actual statistics), Bastiat would say the chicken “is obtained for less expenditure of human effort; less service is performed as it passes from hand to hand; … in a word, it has become gratis, [though] not completely.” In other words, most of the utility that had to be paid for with painful effort in 1900 was free by 2000.*

Since technology substitutes the free services of nature for the exertions of human beings, they cannot command a price in the market — as long as everyone is free to compete. If someone tried to charge for what nature supplies gratis, competition (assuming no IP barriers) would drive down the price, eliminating the remuneration for nature’s contribution. Our enjoyment of the free benefits bestowed by nature is what Bastiat meant when he wrote of the “communal domain”: that is, “those things that we enjoy in common, by the design of Providence [nature], without the need of any effort to apply them to our use. They can, therefore, give rise to no service, no transaction, no property.”

I am drawn to Bastiat’s innovative explanation because it’s potentially useful for grabbing the attention of people who today don’t like the market. What if they could see it as an arena for social cooperation and, à la Bastiat, the true socialization of wealth? So you can imagine my excitement when I read this lecture, “The Case for Free-Market Anticapitalism,” by one of my favorite writers, Matt Ridley. Here’s what struck me:

> *I want to argue that the champions of markets and enterprise need to recapture their radicalism, to reassert the right to be a disruptive, even subversive, not a reactionary, force in the world.…*
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> *The truly radical idea was and is the one in which we say, hang on a minute, maybe society does not need to be told what to do. Maybe the economy should be bottom-up, not top-down.…You can see where I am going here, can you not? That true communism, true collectivism, is created by the market, not the state. That the deepest*

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To be a follower of Adam Smith was to be radical left-winger, against imperialism, militarism, slavery, autocracy, the established church, corruption and the patriarchy.

Precisely. As we've come to expect, Ridley shatters old categories to present great truths in fresh ways to new audiences. So should we all.