

When We Respect Our Rights as Equals ... The Pure Free Market

By Fred E. Foldvary

What exactly is a pure free market? Here is the explanation.

Freedom is an absence of restrictions, and in the context of society and economics, the relevant restrictions would be based on ethics. Economics requires a meaning for the concept of a pure market, which has to be universal, hence the meaning of the market requires a universal ethic as an expression of natural moral law.

The universal ethic is derived from two premises, the biological independence of a person's thinking and feeling, and the equal moral standing of persons, due to absence of inherent master-slave relationships. Independence implies subjective values, that values originate in the minds of persons. Thus there is a moral distinction between acts that coercively harm others as invasions into their domains, and acts that merely offend others due to their particular subjective values and beliefs.

The universal ethic has the following basic rules:

1. Acts which are welcomed benefits to others are good.
2. All acts, and only those acts, which coercively harm others are evil.
3. All other acts are neutral.

A market has pure freedom, and a society has pure liberty, if and only if the laws implement the universal ethic. This implies that all acts and only those acts which are evil are prohibited or penalized. All other acts, comprising peaceful and honest action, are not restricted, nor is any cost imposed on such acts.

Costs imposed by government include taxes and regulations, so the absence of such imposed costs implies that there be no tax on peaceful and honest human action or on personhood: no tax on labor, capital goods, or exchange. There is no head or poll tax on persons. There is also no regulation or restriction of acts that do not coercively harm others.

The universal ethic prescribes proper law, which can be implemented either by voluntary governance or by an imposed government. The expenses of governance would be provided from voluntary user fees, penalties for committing coercive harm, and rental payments for resources held by the governing authority.

The universal ethic recognizes the equal self-ownership of all persons. Each person thus fully owns and has a natural right to his labor, wages, and products of labor. But self-ownership does

not apply to land, which is a creation of nature.

Equality implies the equal ownership of the benefits of natural resources. Land itself may be under individual title and possession, which promotes efficient markets, but the rent, reflecting the benefits, belong to humanity in equal shares. Government may act as the agent of the people to collect the rent and distribute the shares.

Pollution is a trespass and invasion into others' property, obliging the polluter to compensate the victims. On-going pollution and other environmental destruction beyond those that can be remedied by negotiation can be remedied with a periodic charge equal to the social cost.

A pure free market is an economy in which all activity is voluntary for all persons. That includes money and banking. There would be no legal tender laws, and the money would be whatever people choose to use. Government would accept the major prevailing currencies as payment for services. There would be no governmental insurance or guarantees or subsidies.

Cities would have no zoning or building codes. There could be governmental schooling, but they would be paid for by tuition. Medical services would also be provided privately. Government would be confined to the military, courts of law, legislatures, and the governing chiefs.

The infrastructure would be provided bottom up from contractual communities. There would be civic associations, such as condominiums, land trusts, cooperatives, and homeowners' associations. These would provide the neighborhood civic goods such as streets and parks.

A group of neighborhood associations would create a level-2 association to handle public goods that are economical in a greater area, such as highways and transit systems. These level-2 associations would create a level-3 association for wider-area issues such as pollution prevention, and so on up to the highest level, which could represent a continent or the whole planet. Various aspects of security and conflict resolution could be provided at each level.

There would be a bottom-up multi-level system of contractual governance that would integrate natural monopolies, provide public goods, and prevent negative externalities. Founded on voluntary contractual clubs and associations, this structure would be voluntary. Individuals who choose not to join would be denied a package of services, including protection from harm, and so most folks would choose to belong to the network.

The financing of the public goods at all these levels would be based partly on individual fees, but mostly on the rentals generated by the capital goods and services. Capital goods such as streets, security, transit and parks make sites more productive and attractive, and the generated rentals and site values can be tapped to pay for these goods.

The government as well as the various levels of community associations would appoint members of land-value assessment boards. They would collect data of market rentals and purchases and

set land-value assessments that would be paid by the tenants or title holders. The community rentals would be distributed to the various association levels based on the public goods they provide.

The universal ethic provides the meaning of both justice and the market, and therefore a pure free market is inherently just. There is also harmony between ethics and economics, as the pure free market generates the greatest possible prosperity, there being no costs imposed on honest and peaceful human action. The pure free market is also sustainable, since pollution is treated as a violation of others' property and the compensation for the social cost would prevent the massive plundering of the planet now taking place.

If people understood the ethics, governance, and economics of the pure free market, they would be strongly in favor of it, so it is only ignorance that prevents humanity from achieving universal bliss.

This article first appeared in the Progress Report, www.progress.org. Reprinted with permission.

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Comments

A Free Market must also include no monopoly or monopolistic power, perfect information and no barriers to entry. No one seller may control the price. In some markets, of course, this is impossible, like medicine.

The lack of a free market for goods means a free market for labor is impossible, meaning employers can set wages and workers are idle, which is a dead weight loss to the economy. This happens because workers are not free to do business themselves and compete with those who will not pay them adequately for hire. While government restrictions are a part of what keeps the market unfree, it is certainly not the only thing that does this. Irregardless, as long as employers can set prices and have a superior and unfree bargaining position, wages do not fully reward workers for their productivity and employers are able to charge economic rent - rent which must be tapped with a progressive income tax.

Posted by: Michael Bindner | October 14, 2009 10:23 AM