

Free Markets

**from the meaning of money
to the ideas of Bastiat and Hayek**

Leadership School

Yerevan, Armenia

March 2013

Glenn Cripe



Free Markets

- **Voluntary transactions**
- **Mutual benefit (“win-win”)**
- **Sum of all transactions**
- **Free-market capitalism vs. crony capitalism (crapitalism?)**

Free Markets

- **Meaning of Money**
- **What is Seen vs. What is Not Seen**
- **Central Planning and Order**

Free Markets

- **Meaning of Money**
--- **AYN RAND (philosopher, novelist)**
- **What is Seen vs. What is Not Seen**
-- **FRÉDÉRIC BASTIAT (journalist)**
- **Central Planning and Order**
-- **FRIEDRICH HAYEK (economist)**



The Meaning of Money



Ayn Rand

**Russian-American
Philosopher, Writer,
Novelist**

Major Works:

The Fountainhead
Atlas Shrugged
We the Living

Founder of Objectivism



Signature



Born: 2 February 1905
St Petersburg, Russia
Died: 6 March 1982
New York City, USA

Name at Birth:
Alisa Rosenbaum

Emigrated to US: 1926

“If one recognizes the
supremacy of Reason
and applies it consistently,
all the rest follows”

Major Contributions

Rejected 2 basic ideas of western philosophy:

- **the nobility of self-sacrifice**
- **the division of the world into abstract vs. mundane (ideal vs. daily life)**

Provided the moral basis of capitalism.

Capitalism, Morality, Govt

Our nature as rational, free individuals.

Complete separation of state and economics, in the same way and for the same reasons as the separation of state and church.

Proper Role of Government

- to protect man's rights by protecting him from physical violence
- servant, not ruler

Proper Role of Government

- **Civilized society**
 - (initiation of) physical force is banned from human relationships
 - government = policeman, may use force only in retaliation, only against initiator

Proper Role of Government

Government

- Recognizes and protects individual rights
- Provides organized protection against force
POLICE, MILITARY
- Establishes objective rules of evidence, enforcement procedures, punishment
("due process") **COURTS**



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What is Seen, Not Seen

The Broken Window



Frédéric Bastiat

Political Journalist
Economist
French Assembly

Major Works:

Influence of English &
French Tariffs (1844)
Economic Sophisms (1845)
Capital & Interest (1849)
Economic Harmonies (1850)
The Law (1850)



Born: 30 June 1801
Bayonne, France
Died: 24 Dec 1850
Rome, Italy



Tombstone in Church of
San Paolo dei Francesi
in Rome

Frédéric Bastiat

- **Good economists vs. bad**
- **Negative effects of tariffs & price controls**
- **Government should protect property, lives, & liberty**
- **Nature of “law”**

Frédéric Bastiat

In “The Law”

- **Warned against “legalized plunder” (crony capitalism)**
 - **encourages everyone to seek special privileges from govt**
 - **weakens & perverts law; turns it against what it’s supposed to defend**

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Central Planning and Order

- Is central (govt) planning a good idea? Should we seek it? Why do so many people like the idea?

NO!

- Information is decentralized
- Leads to totalitarianism

(“The Road to Serfdom”, 1944)



Central Planning and Order

- Why is govt action so often in conflict with how people actually behave, and what they want?

ORDER

- planned vs. spontaneous



Friedrich Hayek

Economist
Defended classical liberalism and free-market capitalism against collectivist thought

Major Works:

The Road to Serfdom (1944)
The Use of Knowledge
in Society (1945)
The Fatal Conceit (1988)



Born: Vienna, 1899
Died: USA, 1992

Won Nobel prize in 1974
for theory of money and
economic fluctuations

Friedrich Hayek

- **What is the role of intellectuals?**
- **What difference can I make?**
- **Should I even bother?**

Friedrich Hayek

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- **What difference can I make?**
- **Should I even bother?**

Society's course will be changed only by a change in ideas. First you must reach the intellectuals [opinion leaders] ... the politicians will follow.

Friedrich Hayek

- What is the role of intellectuals?
- **What difference can I make?**
- **Should I even bother?**

We must make the building of a free society once more an intellectual adventure, a deed of courage.

Reading

RAND

- Meaning of Money
- Origin of Rights; Proper Role of Govt

BASTIAT

- What is Seen and What is Not Seen
- The Law

HAYEK

- The Road to Serfdom

