

8 LAISSEZ-FAIRE CAPITALISM: A GAME WITHOUT REFS

To Govern or not to Govern, that is the question! Whether 'tis nobler in the mind to suffer the slings and arrows in the ravenous pit of the “Free” Market, or to take arms against the sea of troubles brought on by Big Brother’s outrageous oversight. Damned if ye do, and damned if ye don’t, ‘tis my answer.

To have Government, or not to have Government; that is the question Americans have squabbled over for years. And in this chapter, my primary focus will be on one side of this contentious dilemma – *not* to have Government. That is, I will attempt to explore the philosophies of Free Market or Laissez-Faire Capitalism, the idea of completely removing or significantly reducing the role of government within a pure Capitalist system, and why such a setup would be calamitous for civilization. On a secondary level, I will also attempt to address the idea that relying on Government institutions to oversee the inner workings of society and enforce its rules is not a recipe for success, either. For the sake of simplicity and much to the chagrin of many, I’m sure, there are a number of terms and groups I am going to lump together and use interchangeably throughout this section. When I use terms such as Libertarianism, Anarcho-Capitalism, Free Market Capitalism, Neoliberalism, or Laissez-Faire Capitalism, I will simply be referring to the idea or the desire for a system where government involvement is eliminated or reduced in the marketplace, with the hope of allowing trade to flow more organically. I know definitions within each of these subgroups vary to a degree or two,

but it seems the desire for no or reduced government is the unifying principle of them all. Lastly, I understand that Libertarianism is more of a movement than an actual system, and I know that it can lean left or right in its ideologies, but since Libertarianism is commonly associated with Laissez-Faire Capitalism in our country, that is how I will address it.

Now, I want to do my best in this chapter not to antagonize, insult, or demean, because at the end of the day, I believe we are all essentially seeking the same ends. We all want to live in a social setup where violence and suffering are eliminated. And we all want to live as freely and peacefully as possible. But, the trillion-dollar question has always been – how? How do we achieve such lofty goals? How do we eliminate the negative externalities plaguing our society? What system is the best system to maximize freedom and productivity while minimizing oppression? From my research, I believe those in Libertarian factions or those supporting Free Market Capitalism have the best interest of the public in mind (even if self-interest is the common theme). And though I might disagree with the feasibility of the Laissez-Faire concepts, I admire the effort, passion, and intent behind its supporters. And, just because I disagree with the workability of its concepts doesn't mean I am necessarily right. Sure I've researched and lost many nights of sleep ruminating over why I disagree with it, but like every human being, my opinions and conclusions are naturally loaded with bias and a set of values unique to me. All that being said, making statements that some might take offense to appears unavoidable when attempting to be critical of certain ideas.

Nevertheless, because the idea of Laissez-Faire Capitalism has drawn such a large number of supporters as a solution to the country's and the world's woes, I feel compelled to address this topic and do my best to show why I think it could not work. None of my gripes are anything new to the Libertarian movement; most have been addressed to some extent. However, many of the explanations and proposed solutions in regards to privatizing military, police, schools, laws, and the court system leave me unsatisfied, unconvinced, and doubtful. For instance, in talking about how military and national defense would be funded without Government financing, Murray Rothbard, one of the more highly regarded Libertarians, suggests there won't be war since citizens in an Anarcho-Capitalist society would agree to “no aggression” towards others.¹ In his book *For a New Liberty: The Libertarian Manifesto*, he also adds that it would be

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disadvantageous and a headache for a foreign country to attack a stateless society, so they either wouldn't attack at all or they would attack and then give up or fail.² Just based on the history of human civilizations across the world, I can't imagine territorial fighting would cease just because government is disbanded, especially if one territory has something the other territory wants and finds value in. Others suggest that military could be paid through private insurance. One of the problems (among many) with that proposal is that people could choose not to pay for military insurance, yet they would still receive the benefits since the military, in defending the entire country, would be defending that person who hasn't paid, too. To build and maintain an effective military, substantial investment is required, and if enough people elect not to pay, either because they can't afford it or don't want to, then pooling together enough financial resources may prove difficult. Nevertheless, when it comes to military and national defense, many Libertarians concede, including the much-respected David Friedman,³ that government is probably needed for such an institution to work effectively. So, even though I understand that most of my objections have been addressed to some extent by very smart people within the Libertarian community, I still want to lay them out in this text because there are a number of readers who don't know much about it.

And finally, though I might be critical of Laissez-Faire ideals, I am not championing more government. The downfall of critiquing a certain philosophy or group is that it is often construed as support for its opposition. In this instance, I feel like I'm comparing Mao's reign to Hitler's (a poor analogy and a bit extreme, I know, but it gets my point across). If someone said Mao's leadership was better in every way than Hitler's leadership, I could probably find areas where I thought they were wrong, but in doing so, I might actually have to defend Hitler, which would make it seem like I supported him. I don't want to do that. I don't support Hitler, and I don't necessarily support Government. Both situations suck! Both Mao's and Hitler's regimes led to the suffering of millions. The same can be said whether we have a monetary system run by a central, governing body, or if every institution was completely privatized – millions would suffer hardships and death either way. So, just because I try to disprove certain Laissez-Faire ideas, doesn't mean I support state control, even if certain topics require me to defend the state – like with the military. In many regards I agree with a number of Libertarian philosophies and

critiques, and I believe they are right when it comes to the inefficiencies and control of public institutions. However, although various institutions and consumers, speaking solely within the current monetary paradigm, would benefit from being privatized and having to face competition, abolishing government would not solve the most detrimental problems we face. On the contrary, doing so would likely exacerbate such problems.

Alright, moving on from this overly verbose exordium.

Advocates of pure Free Market Capitalism – not to be confused with the current form of Capitalism applied in the US today, which is more of a mixed economy, a hybrid of “-isms” – want government intervention removed from the marketplace to allow for the forces of competition and consumer demand to set prices and regulate the actions of business. By removing trade restrictions often imposed through government action – taxes, tariffs, legislation – it is believed that prices of products and services would naturally fall into equilibrium, and the value of a product or service would be more accurately reflected in its price. Many proponents of a Free Market system promote the idea of Voluntarism and the Non-Aggression Principle, and they view actions taken by government as being inherently coercive and forceful. For instance, taxes. For the most part, we don’t have a choice of whether or not we want to pay taxes. Every week or two when we receive a paycheck, the government confiscates a portion of our income without our consent. Additionally, through pricing mechanisms and competition, Free Market Capitalists believe the market is naturally self-regulating; and to an extent, this is true. If Lights ‘R Us makes a deficient light bulb, consumers will choose to buy from a competing business, signaling to Lights ‘R Us that they ought to improve upon the quality of their bulbs or risk bankruptcy. Naturally, because the company wants to stay in business, it is in their best interest to make a better light bulb. Conversely, when it comes to the federal government, there are no competing governments within the country to uphold standards and keep them in check, and they don’t have to worry about going bankrupt in the same way private ventures do. Because the government is essentially a monopoly, there is a natural lack of accountability and a lack of incentive, in theory, to provide goods or services of the highest quality. In a truly Free Market, where every industry is privately owned and operated – including armies, police forces, schools, and food production – the idea is that the

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market would hold them accountable, that the natural laws of the open market would theoretically regulate their actions, and unrestricted competition along with consumer demand would ensure high standards and incentivize proper behavior. Thus, all transactions between individuals would result in a voluntary exchange where both parties are equally benefitted. If I want a banana and George wants to sell a banana, then our exchange would be voluntary and each of us would have theoretically gotten what we wanted without force or coercion.

And the final element I want to mention within the Free Market ideology is one predicated around the idea that humans are inherently selfish, and within the market economy they will seek to appease their own self-interests. However, according to the philosophies of economists like the great Adam Smith, this is a good thing.⁴ He, as well as many others after him, theorizes that when individuals strive to satisfy their own self-interests (while respecting property rights of others), that they will, perhaps unintentionally, end up making economic decisions that not only benefit themselves, but the entire economy. In a nutshell, this is part of the doctrine of the Invisible Hand.

So far, the logic and moral code of the Libertarian movement sound pretty reasonable on paper. Heck, from a moral standpoint, I think I could classify myself as Libertarian. Not only do I believe people should be free to do as they please, so long as they don't harm others, but I also believe it is immoral to initiate force onto anyone else. And that is the central principle among Libertarians. However, it is from an economic standpoint where my logic starts to diverge.

The monetary systems we have constructed to facilitate the production and distribution of resources – all shades of Capitalism and Socialism – operate as a game. At the start of this game, a pile of money is dumped onto the board. And the objective of each player within the game is to collect as much money as he can, because the stakes are life and death. The more money a man can collect, the more secure his position of survival will be. Should a player fail to collect money, he will not be able to obtain the necessities of life, like food, meaning he won't be able to eat, meaning he will suffer and potentially die. With this type of economic design, where the tool that grants us access to survival is limited amongst the game's participants, it is not difficult to see how ruthlessness can emerge. And as I

have already stated, the primary difference in the Socialist rulebook compared to the Capitalist rulebook is that when one or a small handful of players obtain a vast majority of the game's money, leaving the rest of the players scrounging for what little remains, the "winning" players must give some back to the game. Nevertheless, both economic designs suffer from the same monetary constraints; both are trying to operate with the finite amount of money in this zero-sum predicament.

So, our financial system is akin to a game, and games typically need rules (laws) to maintain a semblance of order and to prevent it from getting out of hand. As culture has continued to evolve and unique situations arise that were not foreseen during the game's conception, rules are constantly updated and created as needed – like with child labor or chattel slavery. In the absence of such rules, as history has shown, there are a number of players willing to act in a way that might give them a competitive advantage in the marketplace, but that most of society deems socially unacceptable or unethical; for instance, companies have and continue to exploit children for labor because it often reduces financial costs and better helps certain individuals collect more money in their quest to win the game, but most people think this practice is reprehensible. Unfortunately, rules aren't the *end all-be all* for preventing unwanted behavior – even though labor laws exist within America, companies across the country still employ illegal workers, pay them below minimum wage, and they do it outside of the purview of the rule keepers; or, even though laundering illegal drug money is against the rules, commercial banks have been caught doing just that,^{5,6} again, because the allure of collecting more money is so powerful. The competitive nature of the game and the incredible stakes are conducive to immoral behavior.

Not all games need officials to oversee its players and ensure they are following the rules. In many games, usually small-scale ones, like Pictionary or Scattergories, players do a pretty good job of regulating themselves, though it is not uncommon for bickering or cheating to occur. However, our most competitive games in society, the ones with the highest stakes, employ a neutral body of officials to uphold and enforce the rules. And when it comes to the monetary game we've developed to organize society, there is no other game in the world that is more competitive or has higher stakes. Thus, within our monetary game, like other competitive games within society, individuals (officials) are installed to uphold and

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enforce its rules – a governing body. The institution responsible for overseeing and maintaining this game’s rules, the referees in charge of making sure participants play fairly and aren’t changing the face of the dice when no one’s looking, we have taken to calling it the Government.

Rather than being an entirely separate entity as many perceive it be, the governing body is simply a part of the market; it is a natural outgrowth – like an arm or a leg – of a competitive game that needs rules to make sure it’s not tipped too far out of balance. The reality of it is, the more inadequacies, the more inequities discovered throughout the game’s progression, the more rules are added; hence, bigger government. In a pure Free Market economy, there theoretically are no rules. There are no restrictions in competition. There are simply guidelines, principles with which we would like people to follow. But, “The growth of a large business is merely survival of the fittest,” according to John D. Rockefeller.⁷ Though many Laissez-Faire proponents believe “some” government is needed, the spirit of a true Free Market system is the right for players to compete unimpeded by state-imposed restrictions. Enlisting the services of a governing body to oversee some rules and mitigate some inadequacies of the game becomes a slippery slope to bigger government as more citizens fall victim and suffer due to other inadequacies within the game. Friedman and Rothbard concur that *some* or *limited* government typically leads to more government.

The great paradox, however, that separates the monetary game from other competitive games within our culture is that the officials within other games (basketball, football, etc.) are neutral; on a fundamental level, they don’t have a vested interest in the players or the outcomes of the games. They are paid merely to officiate. But, in our monetary game, the referees also happen to be the players. Those individuals comprising our governing body are also competing in the game; they too are trying to collect as much money as they can to secure their comfort and survival – to win. Due to this unavoidable predicament since no one really has a choice of whether or not they want to participate in the game, our officials become susceptible to unethical behavior such as bribery. It is not uncommon for our referees to accept money from wealthy bidders in exchange for creating or adjusting rules that benefit those bidders and help them gain an advantage over other players within the game. And even though the practice of selling legislation to the highest bidder sounds unfair and

unethical, and even though it used to be viewed as corrupt and was sometimes treated as criminal activity, and even though paying the refs to bend the rules is considered cheating in every other game, it just so happens to be a legal part of the game nowadays – lobbying. So now, by using their substantial wealth, those currently winning the game have the unique ability to have rules created in their favor, which helps alleviate any worry that they could ever be knocked out of their winning positions. They are able to widen the goal posts only for themselves, essentially rigging the game and making it incredibly difficult for those losing the game to ever unseat the winning few. And the referees (Congressmen, government officials, etc.) who have accepted bribes throughout history don't do it because they are inherently bad or unethical, they do it because, well, they do it now because it's legal, but also they are simply trying to win the game for the sake of survival and the wellbeing of their families. If selling legislation helps maintain a winning position, I'd be hard-pressed to find an individual who wouldn't be tempted by that, even in the past when it was against the rules.

Because the referees double as players within the game, they are also susceptible to favoritism. Whereas referees in other games must act impartially toward other players, the referees in our monetary game often tend to give preferential treatment toward the winners while discriminating against the losers. After all, they aren't going to incriminate an individual or organization that donates to their campaigns and helps bolster their positions within the game. And they aren't about to incriminate the friends or family of such an individual either; it's in their best interest not to. Doing so would put their high positions and life security at risk.

So, the great paradox is that rules are required within this highly competitive game of survival in order to reduce suffering and minimize repulsive behavior, but the men we assign to oversee those rules also happen to be playing the game, which naturally creates a conflict of interest and opens the game up to other forms of deplorable behavior. Because our governing body is also playing the game, it is exposed to corruption. Corporations – comprised of individuals – leverage these circumstances to their advantage, and since they have the most money, are able to offer the highest bids to the game's officials. The highest bidders, historically speaking – the Lockheed Martins, the Monsantos, and the Johnson & Johnsons – typically get their way, which means it is corporate interests largely writing the rules and hiring their own referees within our monetary

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game, within society. And if an individual or organization wants a rule created, it is often for the purpose of gaining or maintaining a competitive advantage within the game, which means he is going to want a rule that ideally benefits him and hinders everyone else – a situation often attributed to “Crony Capitalism.”

When corporations use Government institutions to manipulate legislation and tilt the game in their favor, Libertarian supporters perceive this as Crony Capitalism, or a metamorphic abomination of Capitalism, an exception within the system derived solely from the existence of Government. And it is the assumption of Free Market advocates that if government were removed or significantly reduced from the game, that Crony Capitalism would cease to exist. But I say “nay.” The natural progression of our monetary game naturally ends at Crony Capitalism, as it goes from (1) a “Free” Market system, (2) to a system with some government oversight after the realization that a governing body is needed to enforce some rules to mitigate suffering, (3) to bigger government after inadequacies continue to be discovered within the game and more rules are added, (4) to individuals and corporations using that big government to their financial advantage, (5) to corporations essentially becoming government as they place their people, their puppets, into influential government positions. Whether one calls it a Government or High Council, a governing body ends up being a natural outgrowth of the game. Crony Capitalism is simply the end game of a Free Market system – the logical progression. That’s why I say it is damned if you do, damned if you don’t when it comes to the debate of whether or not to employ Government and how much.

Like I stated earlier, the greatest misconception is that Government and the Private Market are separate. They are not. The market is the locus, the central body of our economy, and Government is merely a branch grown from it. It is sprouted from the seeds of Free Market inadequacies. And because the Free Market is constantly confronted with problems that private industry is not equipped or incentivized to solve, the Government branch naturally grows bigger and bigger, until it gets to the point where Government is so big that private industry and the Government feed into and off of each other. It is a cycle that repeats itself over and over again; the pendulum swings back and forth between regulation and deregulation. Throughout history, whenever government eases off the brakes or takes

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deregulatory measures within the market, though some private businesses do quite well in creating efficient products or services, the overall market becomes unstable, as inequities quickly arise amongst the population, wealth disparity increases, agitation and injustices grow within the greater community, and government then steps back in to try to strike a balance. For instance...