
The Voluntaryist

Digital Issue 196 *"If one takes care of the means, the end will take care of itself."*

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Chapter 2: How the Free Market Works

By Carl Watner (1990)

(Continued from our previous issue)

The Free Market Maximizes Satisfaction, Causing Harm to No One

We have already discussed the law of mutual exchange. We have seen that people will not freely enter into exchanges unless they expect to benefit from the proposed exchange. This is the acid test of the market. Now we need to elaborate and develop this insight, as it is the basis for understanding how the free market operates.

As we all know, actions speak louder than words. A man's actions reveal his true preferences. It is quite possible that a person might voice one opinion and then act on a contrary one. Since we know that opinions change, all we can say is that an action, at a specific point in time, reveals or demonstrates that person's preference at that time. This observation we call the principle of Demonstrated Preference.

During the late 19th Century, an Italian economist used these observations to develop what today we know as Pareto's Unanimity Rule. Pareto said that changes in society can only increase overall social utility if there are no individuals who are worse off and at least one person who is better off after the change has been effected.

Let us see how this applies to the free market and the State.

We already know that every un-coerced exchange meets the acid test of the free market and benefits all its participants. No one is made worse off, and those involved in the exchange are better off. [1] Therefore we conclude that "the processes of the free market always lead to a gain in social utility." [2]

How do the concepts of Demonstrated Preference and the Unanimity Rule apply to government interventions in the market?

If the government prohibits two people from making an exchange (one they would have entered into except for the intervention of the government) it is clear that both have become worse off (or at least no better). Or, if the government compels two people to make an exchange in a case where an exchange would not have voluntarily taken place, it is clear that at least one of them is worse off (otherwise they would have voluntarily entered into the transaction). Thus, no amount of government interference with exchanges can ever increase the welfare of all those in society. We can go even further and prove that "no act of

government whatever can increase social utility."

Since government rests on the coercion of taxation it is apparent that whenever a person pays his taxes, there is a loss in utility (otherwise that person would have gladly and readily paid his taxes without the threat of force). The fact that coercion is used to collect taxes demonstrates that less taxes would have been contributed under a completely voluntary arrangement. Since some lose by the existence of taxes, and since all government actions rest on its taxing power, no act of government can make people better off.

How does the Unanimity Rule apply to government statistics concerning national growth and income? National income accounting treats government output exactly the same way it does private production. For example, if there were a simple farming society where total output by farmers is 1000 bushels of wheat, and the government collects 200 bushels in taxes to support government workers, then Gross National Product would be computed as 1200 bushels of wheat. It is easy to see how misleading this calculation is. The gross private product remaining in private hands is actually only 800 bushels (1000 less 200). The 200 bushels taken as taxation is clearly not an addition to the national output. In fact, it makes the farmers worse off than they would have been in the absence of taxation. Even though the government workers might benefit from the 200 bushels (it is, after all, the source of their livelihoods), we cannot say that the society as a whole is better off.

"The choices you make, not the chances you take, define your destiny."

The ever-growing Gross National Product touted by our government is really meaningless and misleading. Not only are the figures obscured by the mirage of inflation, the very concept of Gross National Product as used by our government is false. A study done by Robert Batemarco, a private economist, and published in 1987, shows that the standard of living for workers in the private sector has been at a standstill since 1964, while the Department of Commerce's per capita Gross National Product has been rising about 2 percent per year during the same time. [3] Although neither set of figures takes into account the existence of the underground economy, the Unanimity Rule and the law of mutual exchange make it plain that government can never add anything beneficial to the economy.

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Bircher Grandma to Voluntaryist Grandson

By Rick Dutkiewicz

As of this writing in 2020, I am 66 years old, living in SW Michigan. I grew up with six siblings in a two bedroom apartment above the proverbial mom & pop small-town grocery store. My upbringing gave me a deep appreciation of entrepreneurs and small-business owners. I often heard my dad grumbling about government regulators telling him how to run his business. I have always enjoyed reading and asking questions. I have memories of my mother encouraging intellectual curiosity in her small children. My mother and father were both conservative "Independents." Instead of watching TV after we kids went to bed at night, they would read aloud to each other, usually from magazines and newspapers. The only time they watched TV before bed was when they watched Buckley's "Firing Line."

My maternal grandmother, who babysat us a lot, was a John Bircher. She worked at the Birch Society's "American Opinion Library & Book Store" in Grand Rapids, Michigan. My grandma was also a bit of a doomsday prepper, way before it was fashionable to be a doomsday prepper. She kept a shed full of powdered milk, canned goods, water, dried fruit, etc. When I was about 10, she would take me and my younger siblings to her weekly Tuesday night Bircher meeting. We had playing cards and tinker toys to keep us quiet, but I absorbed a lot of the anti-UN talk, anti-communist talk, and the general distrust of politicians left and right.

Spending my teen years playing in bands and listening to rock and folk music in the 60s and 70s, I was influenced by all the talk of "freedom" in popular music of the Woodstock generation. I noticed that "freedom" meant different things to different people. I saw lots of anti-war and anti-political posters in the local head shop which my friends and I frequented. Being a book lover, I visited the local library regularly, searching for various viewpoints on freedom and what it meant on both the personal and

the cultural level. As the John Birch literature from my grandma pulled me to the conspiratorial flag-waving right, the anti-war rock music culture pulled me to the hippy-dippy flag-burning left.

Soon after graduating high school in 1971 I found THE MAINSPRING OF HUMAN PROGRESS by Henry Grady Weaver in my mom's bookcase. Reading that book is what started me on the anarchist path at age 17. I had no idea how society could work without government, and I didn't know how we would get there. I just knew that all forms of top-down government were at best counter-productive and at worst immoral. Weaver taught me that the human race has made many of its biggest leaps forward in times and places with very weak or non-existent government.

It wasn't until 1979 that I found out that there was a libertarian movement. I often arrived home very late after my rock band gigs. Imagine my delight when I stumbled on to late-night TV infomercials by this guy named Ed Clark. He went over each issue point-by-point, and I cheered every criticism and condemnation that he laid in the lap of government, with scant mention of "left-wing" or "right-wing." I found Clark's book A NEW BEGINNING in my local library, and it had a sticker inside the back cover that gave subscription info for THE DANDELION, an anarchist newsletter by Michael Coughlin that finally gave me a good principled overview of anti-state ideas. THE DANDELION introduced me to the works of Murray Rothbard, Lysander Spooner, Albert J. Nock, and many other anti-state authors. I still enjoy re-reading Coughlin's very best article from THE DANDELION. Actually, it was an ongoing series, brought together online: "Objections to Anarchism" at <https://theanarchistlibrary.org/library/michael-e-coughlin-objections-to-anarchism.html>.

I joined the Libertarian Party in the 80s, after seeing a bumper sticker on a car and scribbling down the phone number. The LP made me feel a lot less alone in fighting the good fight against the state. I was active in the LP until just after Harry Browne's 2000 campaign, when the LP was full of bickering and back-biting. I had only been in the LP because I thought it was a good way to educate people. I never thought we could bring an end to politics by using politics. The surge in self-identified "libertarians" calling for war after the 911 attacks was the exclamation point on the end of my politicking.

I became a small "I" libertarian from 2001 onward. I couldn't feel right campaigning or voting. I finally admitted that I was wrong about using using a political party to educate the masses. It's more of a personal inner journey that doesn't translate well to waving anti-tax signs in front of the post office on tax day. Even though some people come to the libertarian

movement through the LP, too many single-issue converts call themselves “libertarian” and simply sound like “centrists” or “populists.” As far as my own label of choice, the only label that doesn’t have tons of baggage is “voluntaryist.” Even that isn’t perfect, but it’s by far the most positive label for my political attitude. Too bad so many labels have been ruined over time: “anarchist,” “liberal,” “capitalist,” and so on.

I resolved to take all the time, money, reading, and energy that I had been dumping into LP work, and instead put it towards self-education. I’ve always been a voracious reader, since about 7th grade. I’ve always thought that “truth is stranger (and more entertaining) than fiction,” so I read precious little fiction, although I’m often tempted to read a good thick novel. I read a lot of books and articles on history, economics, philosophy, and science.

I’m only marginally interested in current affairs and the political theater that dominates the cable news shows. I’m certainly interested, but all these characters and events on the world stage are driven by ideas that have been debated for hundreds of years. THE IDEAS are what I care about. I care about deciding which of them are moral and which are immoral; which are practical or impractical; where did these ideas come from; and what have been the core debating points for those who support or fight them?

I avoid watching news as much as possible. Getting angry and sad over local and national tragedies is stressful and UNHEALTHY. Like I said, I’m more interested in ideas. I think the world will be better once religion and politics lose their grip on people’s minds. Think of the enormous waste of human time, energy, and money spent on religious and political arguing, campaigning, and proselytizing. Think of all the amazing art, music, technology, and everything else that could be created with all that time, energy, and money. That said, I’m not holding my breath waiting for “liberty in our lifetime.”

Even in good times, a squirrel will hide his nuts because wintertime is coming.

I have no desire to confront police or bureaucrats head-on. I cheer for those who do, but I’m not surprised when things turn out badly for confrontational libertarians. I don’t wear my politics on my sleeve, unless I feel like I’ve found someone who dislikes the entire idea of the state, not just the party in charge. My Republican friends spouted libertarian ideas when Obama was in power, and now my Democrat friends are spouting anti-government ideas with Trump in power. I often bite my lip because it’s worthless to throw pearls before swine, but I have to speak out when a friend tries to school me with the simple-minded statist claptrap that we were spoon-fed back in grade school. I support what is intelligent and moral, not

what is the lesser evil. Therefore, I am a voluntaryist. V

How the Free Market Works

(Continued from page 1)

How the Free Market Protects Us From Monopoly Price and Monopoly Service

Critics of the free market often predict that one or several large firms will tend to dominate the market. They will eventually drive out the competition and “prey” on the consumer by setting unreasonably high prices and providing low quality services. For example, Aluminum Company of America (Alcoa) and its predecessor company, The Pittsburgh Reduction Company, were the primary suppliers of aluminum products in this country from the late 1880s until the 1940s.

Were its charges and services monopolistic?

No - because Alcoa had no legal monopoly by which it could protect its market position. [4] It is true that it had sole access to the major supplies of aluminum ore, but it still could not legally prevent its competitors from searching for new sources of ore and bringing them into production. Anyone possessing the intelligence, industry, courage, and money could go into the production of virgin aluminum. Several people tried to compete with them, but none successfully. No one was ever forced to deal with them. Their product, aluminum, simply met the acid test of the market. People were willing to trade with them because they offered a positive value. Anyone who found their product a disvalue could simply choose to avoid doing business with them by exercising their right to refuse to deal with them.

Although Alcoa was the primary supplier of aluminum for over 50 years, it had to meet four types of competition, just as do all other suppliers on the market.

Direct competition exists whenever two or more firms supply identical products. This is also referred to as “product” competition because the competing firms are providing essentially the same product or service. For all practical purposes, Alcoa had no “direct” domestic competition, but it could not ignore the “market signals” because it was still subject to international competition from aluminum companies in other countries. Other examples of direct competition are Ford Motor Company, General Motors, and Chrysler, which are all three in direct competition with one another, as well as in direct competition with Toyota and Nissan.

Indirect or parallel competition exists whenever two or more firms are engaged in businesses providing the same service but by offering a different type of product. Steel, aluminum, concrete, and lumber all compete against one another as building materials. Although it had no direct domestic competition, Alcoa had plenty of indirect competitors,

such as the makers of copper, brass, and steel. Ford Motors, Delta Airlines, and Trailways Bus Company all provide different, yet competing, transportation services. Parallel competition actually offers a broader range of opportunities for true competition than does direct competition. The ability to shift from one product to another (product substitution) multiplies the number of potential suppliers for a given market demand.

Dollar competition is actually the broadest category of competition because it operates on the principle that every businessman is in competition with every other businessman for the same consumer dollar. There are only a limited number of dollars and once spent in one direction, the same dollars cannot be spent by the same person again. Concerns like Alcoa must compete against other industrial giants, like Ford Motor Company. But Ford not only competes against General Motors and Delta Airlines in providing transportation, it also must compete against the suppliers of food, vacations, clothing, and all the other products on which consumers spend their money.

Invisible or phantom competition is also a constant factor in the marketplace. Such competition exists because businessmen realize that if they price their products and services too high, they will be threatened with potential competition. Alcoa's management understood this. The market price of aluminum went from about \$ 8 a pound in 1888 to about 20 cents a pound by the 1930's. They had to be assured that their price was low enough not to attract other aspiring manufacturers. The law of competition guaranteed that Alcoa could not charge more than the market would bear, even though it was the only supplier of aluminum on the domestic market. Furthermore, in order to make aluminum a commercially feasible competitor on the market, Alcoa's management had to introduce aluminum to a public and industrial world which was unaccustomed to its use. In order to do so, it was necessary to maintain the price of aluminum below 50 cents a pound. This was the only way that aluminum could break through the competitive barriers facing a new metal at the turn of the century.

We can also see the effect of invisible competition in many small towns, where there exists only one grocery store or barbershop. The businessmen there charge prices not far out of line with prices found in somewhat larger towns where there are three or maybe even four grocery stores or barbershops. Prices are kept in line because the owner of the small store realizes if his prices get too high someone may move into the market and go into direct competition with him by offering lower prices and better service. A business which has no direct competition will act as though it did, because if it did not, it would end up

with some competitors in short order. This type of competition is very real. Xerox Company, for example, assured the arrival of lower-priced imitators by initially trying to maintain the high price of photocopiers.

All of the above types of competition can take on three basic forms: competition in the area of 1) price, and 2) service, and 3) quality. In order to compete effectively every business must not only keep its prices low and its quality high, but it must also provide the customer with satisfactory service. The reason for this is simply that the customer will exercise his right of refusal if he is not satisfied. He will take his business where the best service and highest quality product is available at the least expensive price.

Competition is one of the vital regulators of the marketplace. It not only regulates which firms will dominate a given product market, but it also determines how large a business will become.

Why and how did Alcoa grow to become a multimillion dollar company?

The test of the social desirability of any business is how it satisfies the consumer. Can it produce more and better goods at lower costs? A business obviously needs to be large enough to take advantage of economies of scale, but if it becomes too large, its size will begin to cause higher costs, rather than lower ones. Consumers will stop buying, and unless costs can be brought under control, the business will ultimately fail. Since this is a natural economic law, Alcoa, or any other firm that wants to maintain its market position, has to provide low prices, high quality, and satisfactory service.

Where you want to go is more important than where you have been.

- Peter Ragnar

Regardless, was Alcoa still able to charge too much? Did it benefit unjustly from its monopoly position? Was its price gouging?

On a free market, there is actually no such thing as an "unreasonable profit." The market is regulated by the laws of supply and demand and the laws of competition. When a man begins a business he has no guarantee of any profit whatsoever. The only profit he is entitled to is what he can earn on the market by dealing with willing customers and his suppliers at prices that he and they agree to pay. As Robert Ringer has written in *RESTORING THE AMERICAN DREAM*, "a reasonable profit is whatever profit a person can make by selling his product or service at whatever price the public is willing to pay - without the use of coercion. Profits are never too high." [5] The fact of the matter is that businessmen usually discover that their profits are increased by lowering

prices. Raising prices to improve profits may work for a short time, but in the long run, higher prices ordinarily discourage consumption and therefore results in a loss of business. Alcoa's policy was to continually lower the price of aluminum in order to keep out the competition.

“Price gouging” is a subjective term: no purchaser has ever complained of being charged too low a price for something he wanted. In the absence of coercion, price gouging is a non-issue, just as “unreasonable profits” are. Sellers are entitled to whatever the market will bear - that is, the highest price that a voluntary purchaser is willing to pay. Price gouging is actually impossible on the free market because both sides to a voluntary transaction profit. They gain to the extent that each person receives what they have bargained for. The free market rejects the claim that one man's gain is another's loss. When people deal voluntarily with one another, everyone gains.

Free Market Economics

Our analysis of monopoly and the free market has relied upon the basic law of economics: the law of supply and demand. Every discussion of economic matters ultimately falls back on this law and the fact that there ain't no such thing as a free lunch - “TANSTAAFL.” Wealth does not come out of thin air. It consists of hard work, capital accumulation, investment, and tools. No matter how much money people receive, if the amount of real goods and services has not increased, then they are no better off.

To have a good future, we must undertake good actions. Now.

- Jeff Knaebel

The free market is based upon private ownership of the means of production. It works naturally (no governmental controls are needed) because it rests upon the right of each individual to seek out and promote his own personal well-being. This is what makes the free market work so smoothly. The only way that people can promote their personal goals is by helping others to get what they want. On the free market we have to “give” in order to “get.” We only advance ourselves as we help others. The more we help others, the more we receive in return. The free market is in harmony with the nature of man - with man's natural inclination to improve his condition.

If people are not prohibited from engaging in economic activities by the government, the laws of supply and demand and competition will show them the most efficient way to improve their lot. Innovations, inventions, and economic growth will occur. People will become healthier, wealthier, and happier. When people are denied economic freedom, civilization begins to decline. People become less

happy and economic conditions deteriorate.

When this happens, the government usually blames the businessman, rather than taking the rap itself for attempting to violate free market economic laws. Governments also claim that as society becomes larger and more complex, economic problems become too difficult for individuals to solve. The truth is that the more complex the problems become, the better they can be solved by individuals. So long as each person is allowed the right to promote his own well-being, a society can never grow too large or too complex. The fact of the matter is that the larger a society becomes, the less capable government becomes in solving individual problems. The further society gets spread out from the center of control, the more difficult it becomes to maintain contact with all the people involved. Unless individuals are to be treated as automatons, the inputs from millions, and millions of people becomes impossible to keep track of. The natural way of handling this is to do nothing - the free market will take over in the absence of government controls and supervision.

The price system of the free market is an unerring mechanism which solves the problem of complexity. It allows every consumer, whether he spends one dollar or one thousand dollars, to express and register his preference by what he buys. When goods are in short supply, prices have a tendency to rise in order to see that all those who are willing to pay the new price are supplied. On the other hand, when goods are plentiful, sellers have a tendency to lower prices in order to clear the market. Not only do prices act as a means of clearing the market of excess goods, they also act as signals to producers to allow them to determine what and how much to produce, where it is wanted and at what prices consumers are willing to pay.

In effect, the price system allows the market to make the most efficient use of limited resources in a way that satisfies the most people. Competition via price signals is the primary means of coordinating scarce resources with unlimited wants in a complex world. When prices are not freely ascertainable due to government regulation, the market becomes short-circuited and imbalances arise. There is never an overproduction of goods or services; there may exist a surplus of a particular good at a price that is too high to clear the market. This is not overproduction, only a price out-of-line with consumer desires. Any attempt at government intervention to counter this apparent over-production only aggravates the situation. The law of supply and demand can only operate in an atmosphere of total freedom.

When that law is sabotaged, the resulting economic systems, identified generally as “interventionism,” “socialism,” or “collectivism,” are

not able to smoothly function because they lack the means of performing economic calculations which determine the most efficient use of resources. The free market is the only efficient economic system. Collectivized economies have no true way of gauging or establishing economic efficiencies except as they have free market prices available to consult. In a world of total collectivism there would simply be no way of comparing economic efficiency. Soviet economic officials jokingly called attention to this fact when they called for collectivization of the entire world, except New Zealand. They exempted New Zealand because they realized they need some bastion of free market prices.

Public ownership and control of the means of production and centralized direction of the economy destroy the pricing mechanism, since true prices can only arise as a result of private ownership. If people cannot spend their incomes the way they want, on items they want, at prices they are willing to pay, then it is meaningless to talk of a price system. Either the consumers are sovereign (i.e., businessmen receive their signals from the consumers) or else government bureaucrats tell the consumers what, where, and how to buy. As we have seen, this consumer sovereignty is based upon the consumer's right to buy or not buy the final product. The only way to succeed in a free market economy is for the producers to serve the consumers. The difference between a government-controlled economy and a private ownership economy is that in the latter, private owners of capital risk going bankrupt if they do not satisfy consumer demand. In a statist economy, pleasing the politicians is the road to riches. Whoever heard of a government bureaucrat going bankrupt because his economic plans went wrong?

In a government-controlled economy, where factories are government owned or directed, the decision as to what products are to be made is determined by bureaucrats, who may ignore true consumer demands. If consumers want product A, it may not be made, and in its place product B is offered. Since government ownership of the means of production makes it impossible for consumers themselves to start their own factories, there is nothing - short of boycotting all government's goods - that they can do. Since no manufacturer in such an economy stands to lose his own money, it doesn't matter if consumer demands are met or not. The consumer is out of luck. There is no competing producer to whom he can turn, for the government has a true monopoly on what is produced. If the product is poorly made, it is no skin off the bureaucrat's back.

The important thing about winning is knowing that you can.

Such a product is financed by the government, that is, by increased taxation upon everybody. The

consumer ends up paying twice: first for a shoddy product he wouldn't have chosen to buy in the first place, and second, in additional taxes to make up for the government losses in the production of an unwanted product.

On the free market, the manufacturer who offers a shoddy product or a product people are not willing to pay for is in great danger. He may succeed in deceiving his customers for a while, especially if he had developed a good reputation in the past. As more and more customers become dissatisfied with his product, they will cease to buy it. The manufacturers and store-owners who fare best in the long run are those who offer the best products at the lowest prices and who are willing to stand behind the products they sell. Only in this way can they develop a reputation that will endure through the years and keep customers coming back. Sears Roebuck, for example, could hardly have become one of the nation's largest merchandisers by selling defective products. Doubtlessly, it may have shortchanged some customers or left others unsatisfied, but if it had done this on a large scale in comparison to its competition, it would gradually have lost out to them, even if it had established a good reputation at the beginning.

There is a built-in tendency on the free market for the most reputable suppliers to succeed. Consumers will obviously get what they pay for, but on the whole it is the better products and the better producers that will drive the less reputable and less satisfactory producers out of business. When we address the issue of competing monies, we will find that this is particularly true. Fair-dealing will ordinarily drive out the cheater and the fake in the absence of government prohibitions and regulations which give them unfair advantage. In a free market economy, the most valuable asset any business or individual can have is its good reputation. Without reputation and integrity nothing is possible; with integrity, all is possible.

Two Misconceptions About the Free Market

Before we begin our next chapter's investigation of property and law, we must answer the charge that the free market is a utopian ideal. The word "utopia" refers to a place or visionary system of ideal perfection. It has Greek roots meaning "not a place."

Advocacy of the free market is definitely not utopian. First, we have referred to actual places where voluntaryism has existed, often for several centuries at a time. Any time the State has remained weak and any time exploration and colonization have outpaced State control, the free market has had an opportunity to blossom. In the story of the American West, we can find many real examples of how men ordered their lives and behaved in the absence of the sheriff.

We are not arguing for any particular view of

man's behavioral nature, nor do we need to coercively remold human nature to accept the free market. Resting on each person's self-ownership rights and desire to improve his own well-being, the market is already in accord with human nature. "Whatever the mix of man's nature" (whether man is basically good or evil or a mixture of both), freedom is best. "Liberty and the free market discourage aggression and compulsion, and encourage the harmony and mutual benefit of voluntary interpersonal exchanges, economic, social, and cultural." [6]

This can be seen by comparing the free market to a statist system. Neither system is perfect, but among the competing systems, the free market is at once the most moral and the most efficient (practical). If all men were good and none had criminal tendencies, there would be no need for the State. If, on the other hand, all men were evil, there would be no protection from the "evil" men in government.

The right to do something does not mean that doing it is right.

- William Safire

Social institutions should encourage the good, discourage the bad, and never provide a means whereby criminal actions are legitimized and accepted. The State's ideological mystique legitimizes and makes acceptable the exercise of power by some people over other people, regardless of whether the latter want it or not. If this were not possible, then power seekers would not become presidents, senators, congressmen, judges, bureaucrats or policeman. A free society - by not legitimizing the exercise of political power over others - minimizes the damage which the criminal element in that society can do.

We are the first to admit that there would be crime in a free society, but crime could hardly reach such a wide scale as permitted under a system which lives off taxation and confiscation of property via eminent domain. What we see today is criminality enshrined, though few recognize it as such. Nor would such a society ever face the specter of war. War is a function of States and the military establishments in each State could not exist except for the political and economic centralization made possible by a statist system based on taxation. Free market societies, which depend upon universal, world-wide free trade, do not foster wars.

There is simply no way to predict the form or shape of a future free market society. No constructive blueprint can be laid out. Who in 1900, could have predicted the numerous inventions that we now take for granted? Who could ever have guessed about the modern car, airplane, photocopier, computer, or any of the other wonderful things that the free market has brought to our world?

The only thing that we can do is assure ourselves

that past history attests to the fact that freedom is an adequate methodology by which to solve our basic societal problems. In our next chapter we shall review the evolution of property and law and look at some of the concrete evidence to buttress our case for the free market and private property ownership.

Footnotes


[1]. What we mean here by the expression, "no one is made worse off," is that on the free market, no one has had their person invaded or their property rights violated. It is likely that some people will be put at a competitive disadvantage as a result of certain business dealings. The "Mom and Pop" corner grocery will suffer loss of sales when the giant supermarket chain moves into their neighborhood. Although their income might drop, they have no legal claim or property right to their customers' income. To maintain that their existing customers may not shift their patronage to the new store would be to enslave the customers. If that happened, then certainly the shoppers would be worse off (their property rights would be violated). In this example the customers are simply exercising their right not to trade with the small grocery store.

[2]. Murray Rothbard, "Toward a Reconstruction of Utility and Welfare Economics," in Mary Sennholz, ed., ON FREEDOM AND FREE ENTERPRISE, Princeton: D. Van Nostrand Company, 1956, p. 250.

[3]. Robert Batemarco, "GNP, PPR, and the Standard of Living," VOL. I THE REVIEW OF AUSTRIAN ECONOMICS (1987), pp. 181-186.

[4]. It must be noted, however, that Alcoa and its predecessor companies exercised government granted patent rights and used these to successfully close down (via litigation) some of its competitors in the early days of the aluminum industry. It might also be worthwhile to note the distinction between monopoly proper (exclusive control of a certain commodity) and monopoly price and monopoly service. While Alcoa controlled the domestic supply of aluminum, and hence had a monopoly, it could not charge a monopoly price or exercise monopoly service. Except for the coercion inherent in its litigation, Alcoa did not have a coercive monopoly, forcing customers to deal with it or prohibiting competitors from springing into existence. Coercive monopolies, such as the Post Office's control of first-class mail, are able to charge monopoly prices because they are exempt (via political force) from the ordinary competition.

[5]. Robert Ringer, RESTORING THE AMERICAN DREAM, New York: QED Publishers, 1979, p. 64.

[6]. Murray Rothbard, "Myth and Truth about Libertarianism," Vol. 24 MODERN AGE (Winter 1980), p. 13. 

Some Thoughts on Honesty

Charles Moody in Ralph Moody, LITTLE BRITCHES [(Chapter 21, p. 177), 1950]

“There are only two types of men in this world.: Honest men and dishonest men. There are black men and there are white men and yellow men and red men, but nothing counts except whether they're honest or dishonest men.

“Some men work almost entirely with their brains; some almost entirely with their hands; though most of us have to use both. But we all fall into one of the two classes – honest and dishonest.

“Any man who says the world owes him a living is dishonest. ... Any man who tries to share in [the] wealth [of the world] without contributing the work of his brain or his hands is dishonest.”

H. L. Mencken, HAPPY DAYS 1880-1892 [(Chapter 16, pp. 251-252), 1968]

“[My father] regarded all borrowing as somehow shameful, and looked confidently for the bankruptcy and probable jailing of any business man who practiced it regularly. His moral system, as I try to piece it together after so many years, seems to have been predominantly Chinese. All mankind, in his sight, was divided into two great races: those who paid their bills, and those who didn't. The former were virtuous despite any evidence that could be adduced to the contrary; the latter were unanimously and incurably scoundrels. ...

“I also picked up on his doctrine that private conduct had better not be inquired into too closely - with the exception. of course, of any kind involving beating a creditor. ... In the matter of polygamy

among the Mormons, which kept all the moral theologians of the country in a dither down to 1890, he was a champion of the Saints, and argued that it was nobody's damned business how many wives they had, so long as they paid their bills, which seemed to be the case.”

Voltaire, “On the Church of England,” in PHILOSOPHICAL LETTERS [(1733), reprinted 1961, pp. 22-26.]

“Go into the Exchange in London, that place more venerable than many a court, and you will see representatives of all nations assembled there for the profit of mankind. There the Jew, Mahometan, and the Christian deal with one another as if they were the same religion, and reserve the name of infidel for those who go bankrupt.”

John Kay, OBLIQUITY [(2011), pp. 92-93 quoting Richard Whately, D.D.]

“I have often said that though ‘honesty is the best policy, a man who acts on that motive is not really honest. A man who ... acts honestly only from prudence ... acquires the habit of acting honestly where is there no danger of detection; but he may be habitually fraudulent when he has nothing to fear.’ If we deal with someone for whom honesty is the best policy, we can never be sure that this is not the occasion on which, perhaps after many years, he or she will conclude that honesty is no longer the best policy. We do better rely on people who are honest by character rather than honesty by choice, because character is enduring and predictable, but policies are not.” V

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