Economics of Liberty

Laurance Labadie

The following purports to be a clear and concise outline of libertarian economic theory. Liberty means to be free from as well as free to do. To be free means to be independent—not forced interdependence. Independence implies exclusion, hence a libertarian economy will involve property rights. Free exchange may he made by barter, with money, or through credit. A free economy, then, due to the inconveniences of barter, will almost necessarily be a money economy, undoubtedly a credit-money economy.

1. Theorem: If every individual, either alone or voluntarily organized into a group, has an opportunity to produce what he wishes and how he wishes, and to trade when, where, and on whatever terms he chooses, products and services will exchange virtually in proportion to the arduousness required in their production.
2. Proof: For as water seeks its level, competition compels one to charge for his services and products no more than what others are willing to do it for. Men gravitate to those activities giving the greatest return, and competition is normally most keen in the more remunerative industries, thus always tending toward equilibrium and equality which, as soon as they are approached, causes competition to become less intense or at least balanced among all productive influences.
3. The price system means that one must pay for what he receives. Operating under free competition, the price system (free enterprise and free market)—
    a. leaves all productive enterprise open to anyone wishing to work at them,
    b. permits experiment and innovation but only at the cost of experimentors and innovators, except in case of fruitful results when costs of experimentation and entrepreneur risk becomes a temporary element of price,
    c. adjusts division of labor by putting the right man in the right place,
    d. promotes individual initiative and responsibility,
    e. eliminates inefficient production,
    f. adjusts supply with demand-—production with consumption needs,
    g. continually reduces cost of production hence raising living standards,

h. stimulates progress,
i. abolishes exploitation by making price equal cost of production,
j. is the most democratic method of cooperation known and the only economy operating without bureaucracy.

4. Obstacles to production and exchange ave of two kinds: natural, and law created or artificial.
   A. Natural and unavoidable obstacles are of two sorts:
      a. Subjective, those due to idiosyncrasies of individuals, such as inclination, knowledge, and ability.
      b. Objective, due to difficulty of extraction, cultivation, or manufacture,—sometimes because of locality, climate—natural forces to be overcome.
   B. Artificial obstacles are of two sorts:
      a. Hindrances to production, such as monopolistic ownership and control of;
         1. Land. Natural resources, as mines, oil fields, advantageous sites—
         2. Capital in productive processes as exclusive rights, as patents,
      b. Interferences with trade, such as:
         1. Tariffs.
         2. Monopolistic control (lack of free competition) of the issue of money and credit.
5. To understand the nature of human exploitation (as practiced to-day) one should know that remuneration for removing the obstacles to production is equivalent to the “value” or social estimate of the importance of such service.
   A. One way to remove such obstacles is by production itself.
   B. The other way is for privileged persons to permit the use of facilities which the law has enacted as special rights. Examples:
      a. permission to use land (natural resources) for Rent.
      b. permission to use productive processes for patent Royalties.
      c. permission to use one’s credit as an instrument of exchange for interest.
      d. permission to trade for Tariff revenue (also causing profit through high prices).
      e. the above mentioned legal frauds sanctioned and upheld by the State and supported by the forcible collection of Taxes.

   (N. B.) all these methods of getting wealth without working for it are caused by arbitrary restrictions of opportunity and denials of competition, and the result—abject poverty on the one hand, superfluous riches on the other, concentration of control, and depressions or industrial stagnation.

6. Economic liberty demands the removal or disregarding of the privileges causing artificial hindrances to production and exchange. This means revolutionizing our concepts of what property should consist.

7. Given economic liberty:

    A. No man could become inordinately rich, because:

    a. it would be practically a physical impossibility.
    b. It would become a psychological improbability that a man would even desire more than his needs when insecurity is obviated by making economic opportunity free and equitable.

B. Only a fool or an incompetent would remain in need when opportunity to produce were open to him.

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Economics of Liberty and *Reflections on Socio-economic Evolution* were hand-composed and first published on a single sheet of paper resembling newsprint cut to twice standard (5½x8½ in.) book size, utilizing only the inside, thus blank both front and back when folded in half, Laurance signed both these essays, but they are not dated. When asked as to the approximate date they were done, he could not remember, but thought he may have done them in the mid-1940s, or earlier. Reprinted in *Laurance LaBadie: Selected Essays* (Libertarian Broadsides), James J. Martin, ed., Ralph Myles Publisher, Inc., 1978.

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